



June 8, 2020

Circular 2020-05

To: ICRB Members

EXPERIENCE RATING PLAN RULE CHANGE DUE TO COVID-19

NCCI has made a third national item filing as a result of the COVID-19 (Coronavirus). This latest filing seeks to revise rules as it relates to compensable workers compensation claims filed and their impact on the employer's experience modification factor.

The ICRB and its Governing Board recommended this rule be adopted in Indiana and it has been approved by the Commissioner of Insurance.

ITEM E-1407— EXCLUSION OF COVID-19 CLAIMS FROM EXPERIENCE AND MERIT RATING

(approved by the IDOI on 6/5/2020)

Pandemics have been rare and are generally considered catastrophes because of their scope and severity. The presence or absence of a pandemic in a recent historical period is not believed to be a reliable predictor of whether one will return in a given future year, after the current one runs its course. Pandemics share this aspect with other catastrophic perils in the workers compensation line, such as terrorism and earthquakes, and each peril presents a unique catastrophic exposure. Those other catastrophes have a nonratable provision outside of the manual loss costs and rates that represent the long-term average expected cost, and the claims arising from those events are excluded from experience rating.

In response to this pandemic, Catastrophe Number 12 was created for reporting claims attributable to the COVID-19 pandemic. This number applies to all claims with Accident Dates of December 1, 2019, and subsequent. Claims with Catastrophe Number 12 will not be used in experience rating calculations. At this time, no ending claim Accident Date has been established. Once established, claims occurring after the ending claim Accident Date must not be reported with Catastrophe Number 12 and such claims will be included in experience rating calculations and merit rating plans. Since no ending claim Accident Date has been established, the latest rating effective date impacted by claims attributable to the COVID-19 (coronavirus) pandemic cannot be determined at this time.

Experience rating is intended to measure an individual employer's success in maintaining a safe workplace by factoring the employer's payroll and loss history into a formula designed to project that employer's propensity for future losses. After careful consideration, NCCI and the ICRB determined that it is appropriate to exclude claims attributable to the COVID-19 pandemic from experience rating calculations for the following reasons:

- COVID-19 Pandemic Claims as a Predictor of Safety Practices—The primary purpose of the Experience is to encourage safety practices by giving employers an incentive to keep a safe workplace as compared to other similar businesses. Employers with a higher number of COVID-19 pandemic claims may not be a good indicator of that employer’s safety program as compared to similar employers.
- COVID-19 Pandemic Claims as a Predictor of Future Claims—The occurrence of COVID-19 pandemic claims is unlikely to be a reliable predictor of an employer’s future claims costs or whether there will be a pandemic in the future.

Similar to the reasons mentioned above, it is also appropriate to exclude claims attributable to the COVID-19 pandemic from various state merit rating plans (where applicable) because these plans base the applicable credit or debit percentage on the number of claims reported during a specified period of time.

The COVID-19 pandemic has created unique workers compensation conditions that need to be addressed within NCCI manuals. As a result, NCCI and ICRB has determined that it is necessary to revise the following rules:

- ***Experience Rating Plan Manual*** Rule 1-C-3
- ***Statistical Plan*** Part 4-E-2-a (2)

If you have any questions regarding either of this approved Indiana filing, please let us know.

Sincerely,



Karen H. Byrd
President & CEO

Attachment:
ITEM E-1407