



Montana

State Advisory Forum 2013

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Montana Workers Compensation State Advisory Forum

Workers Compensation System Overview

Montana 2013 Loss Cost Filing

Legislative Issues

Guest Speaker: Diana Ferriter, Administrator

Employment Relations Division

State of the Economy

Contracting in Montana

Claim Frequency

Indemnity Severity

Medical Severity

Late-Term Medical Care Research





Workers Compensation System Overview



Workers Compensation System Overview

Montana

Written premium continues to decline

Combined ratios continue to be high

Loss costs have decreased by more than 40% in 7 years

Countrywide

Written premium is rising

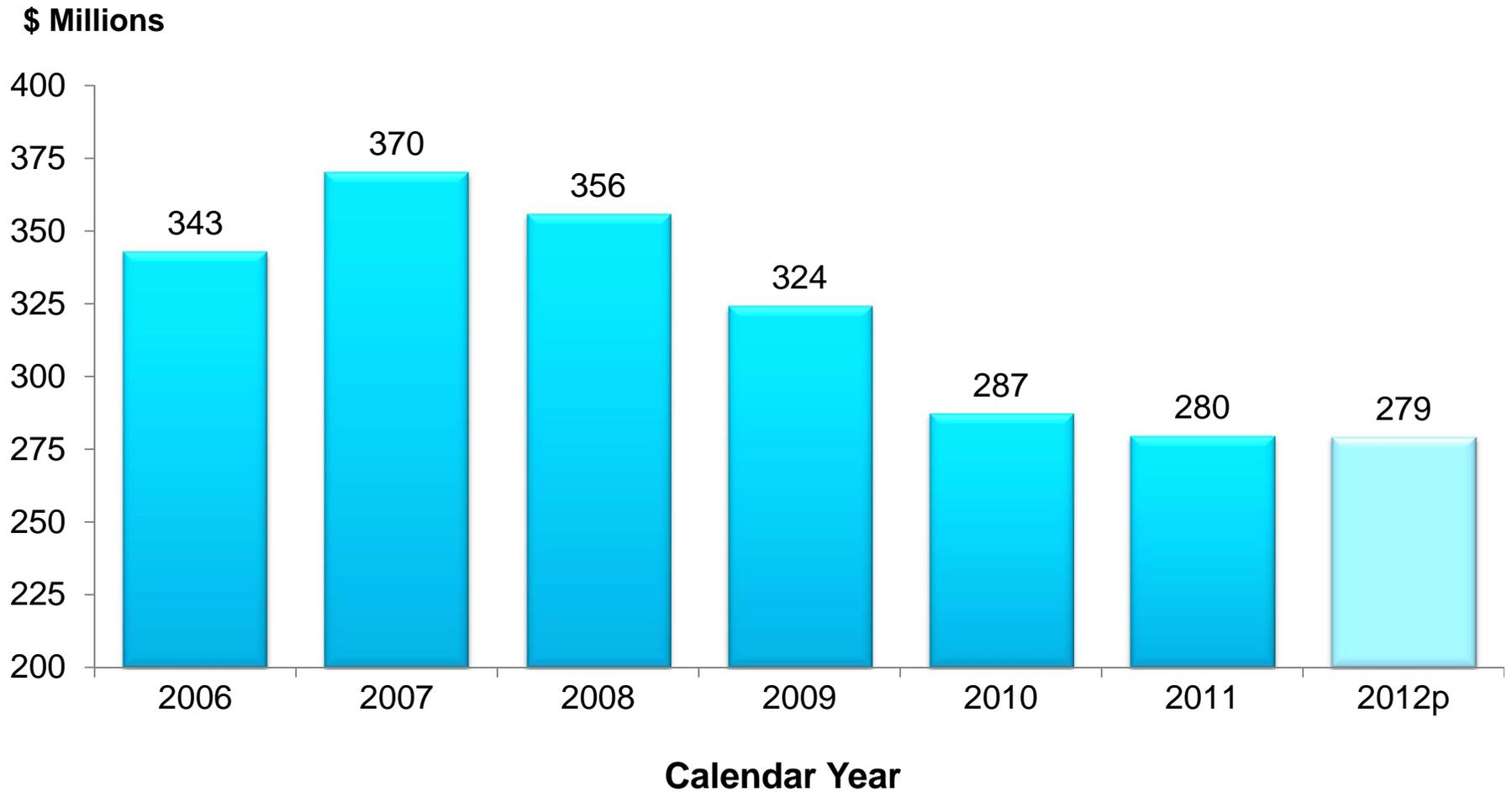
Combined ratios moderating

Loss costs have increased for second filing cycle

Montana

Workers Compensation Premium Volume

Direct Written Premium

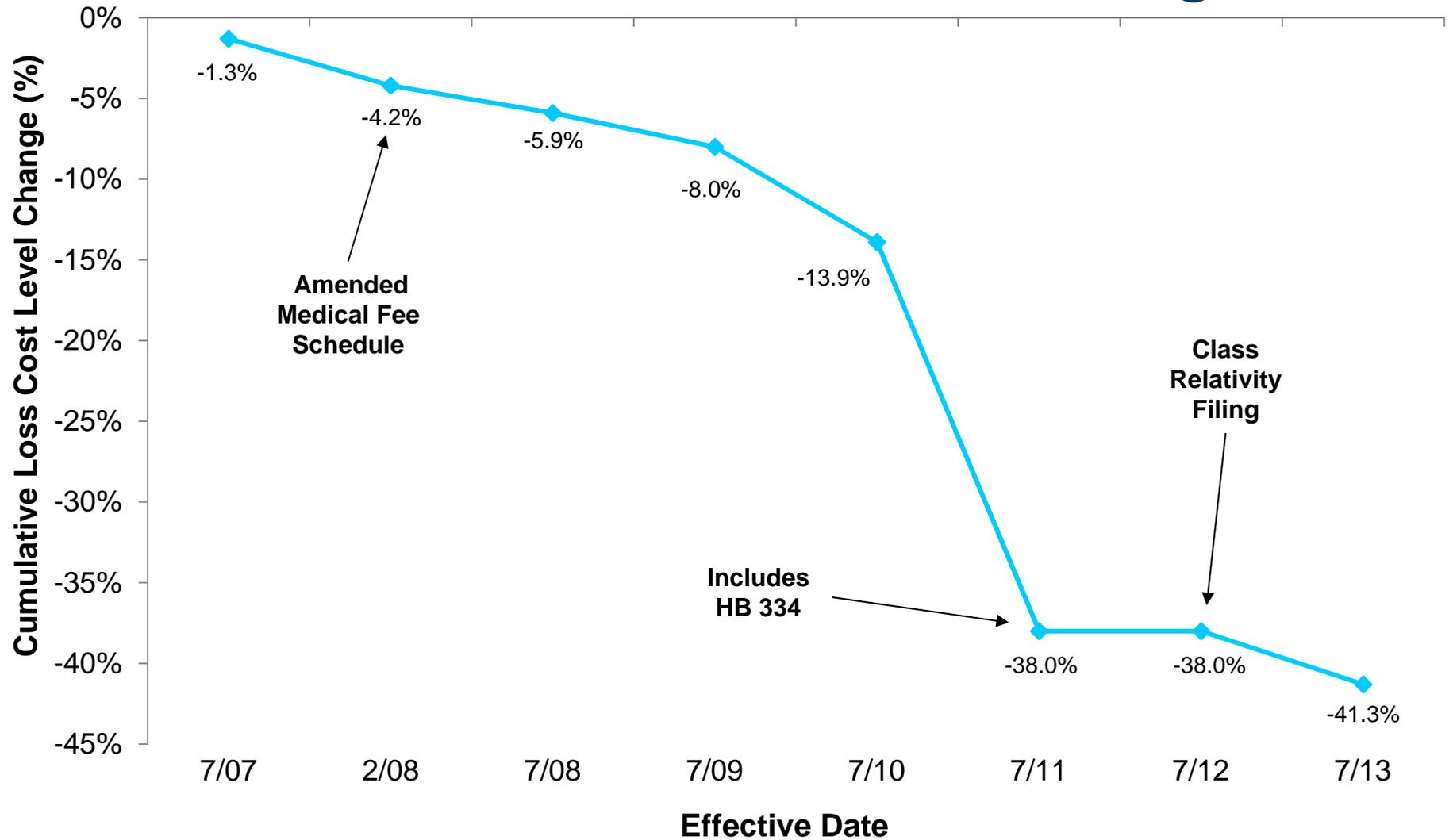


p Preliminary
Source: NAIC Annual Statement data

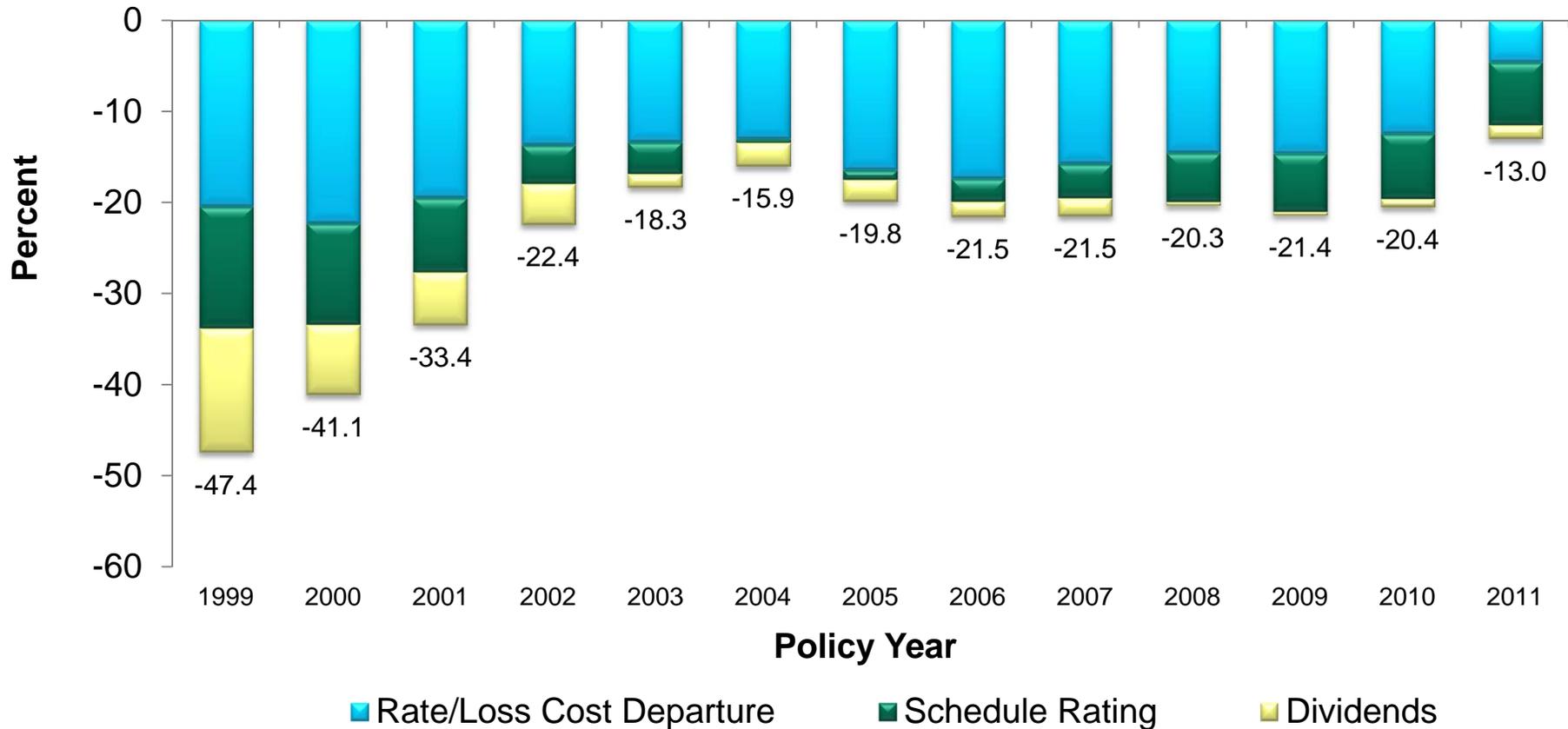


Montana

Cumulative Loss Cost Level Change



Montana Impact of Discounting on Workers Compensation Premium



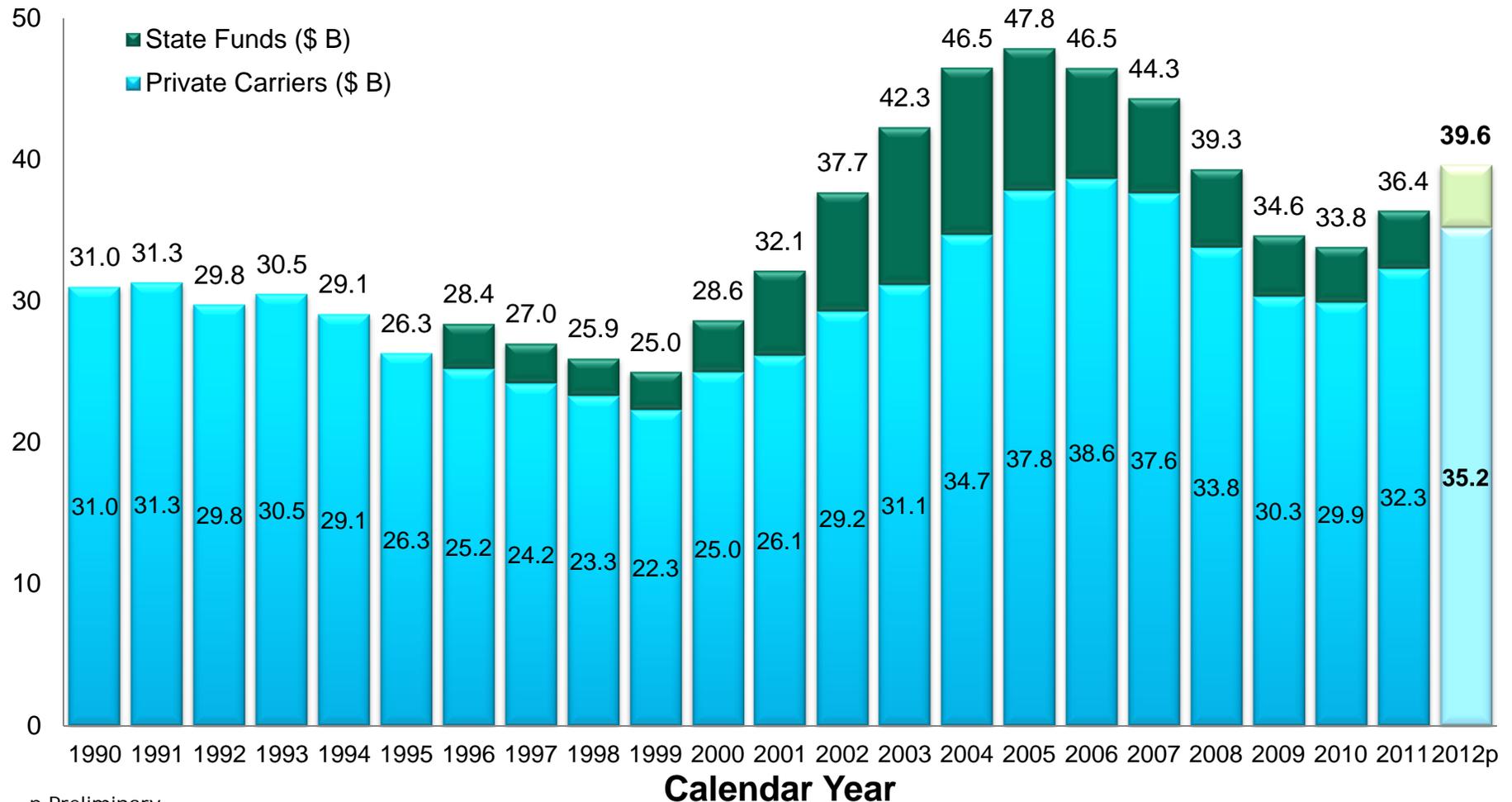
Based on data through 12/31/2011
 Dividend ratios are based on calendar year statistics



Countrywide Workers Compensation Premium

Net Written Premium

\$ Billions



p Preliminary

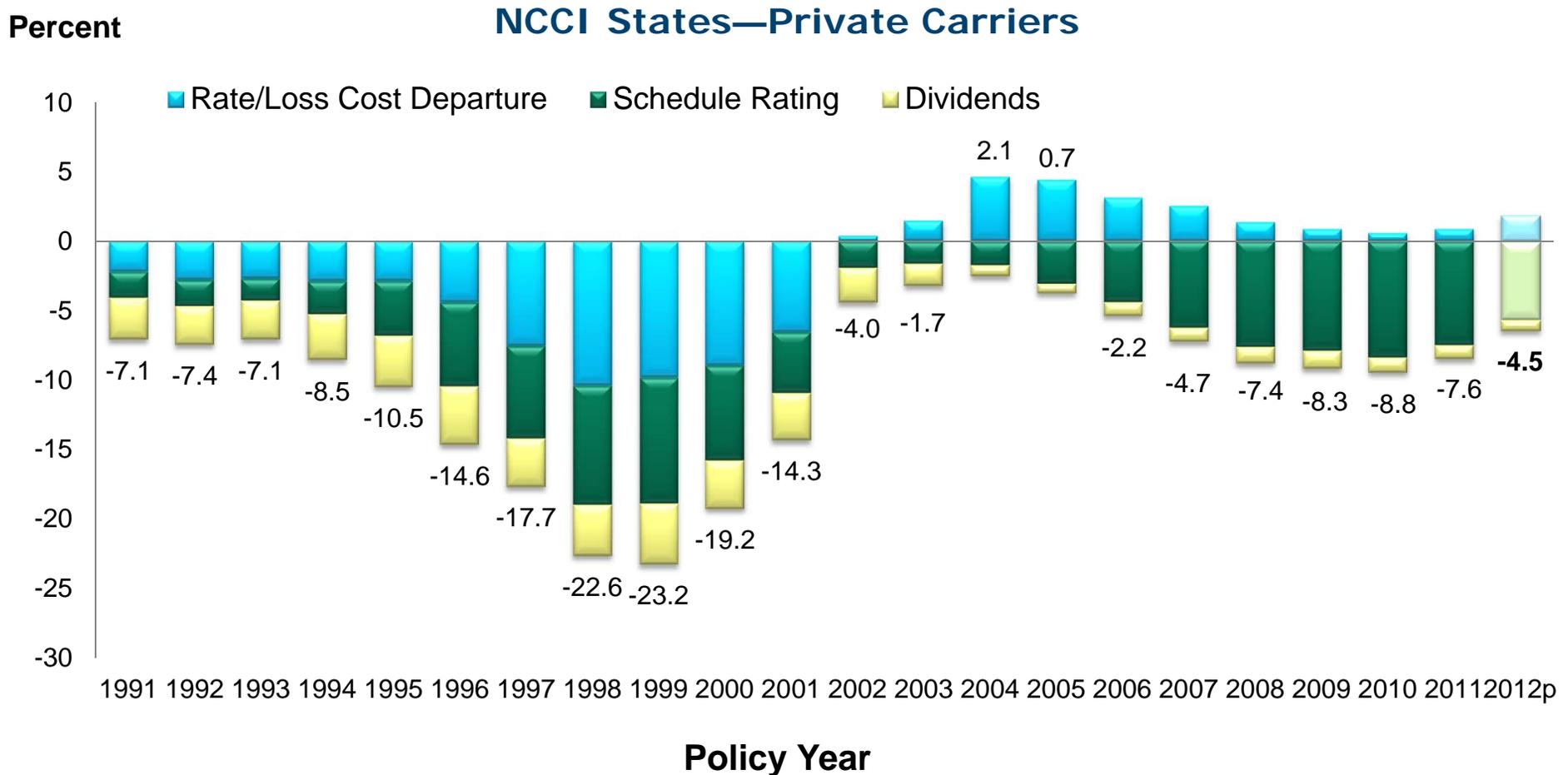
Source: 1990–2011 Private Carriers, Annual Statement data; 2012, NCCI

1996–2012p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

State Funds available for 1996 and subsequent



Countrywide Impact of Discounting on Workers Compensation Premium



p Preliminary

Dividend ratios are based on calendar year statistics

NCCI benchmark level does not include an underwriting contingency provision

Based on data through 12/31/2012 for the states where NCCI provides ratemaking services (excludes TX)



Workers Compensation Written Premium Change

Written Premium Change From 2011 to 2012

Net Written Premium—Countrywide **+9.0%**

Components of DWP Change for NCCI States:

Change in Carrier Estimated Payroll	+3.8%
Change in Bureau Loss Costs and Mix	+1.1%
Change in Carrier Discounting	+2.6%
Change in Audits and Other Factors	+1.6%

Direct Written Premium(DWP)—NCCI States **+9.4%**

Countrywide: Annual Statement data, Private Carriers

NCCI States: Annual Statement Statutory Page 14, Private Carriers, NCCI ratemaking states

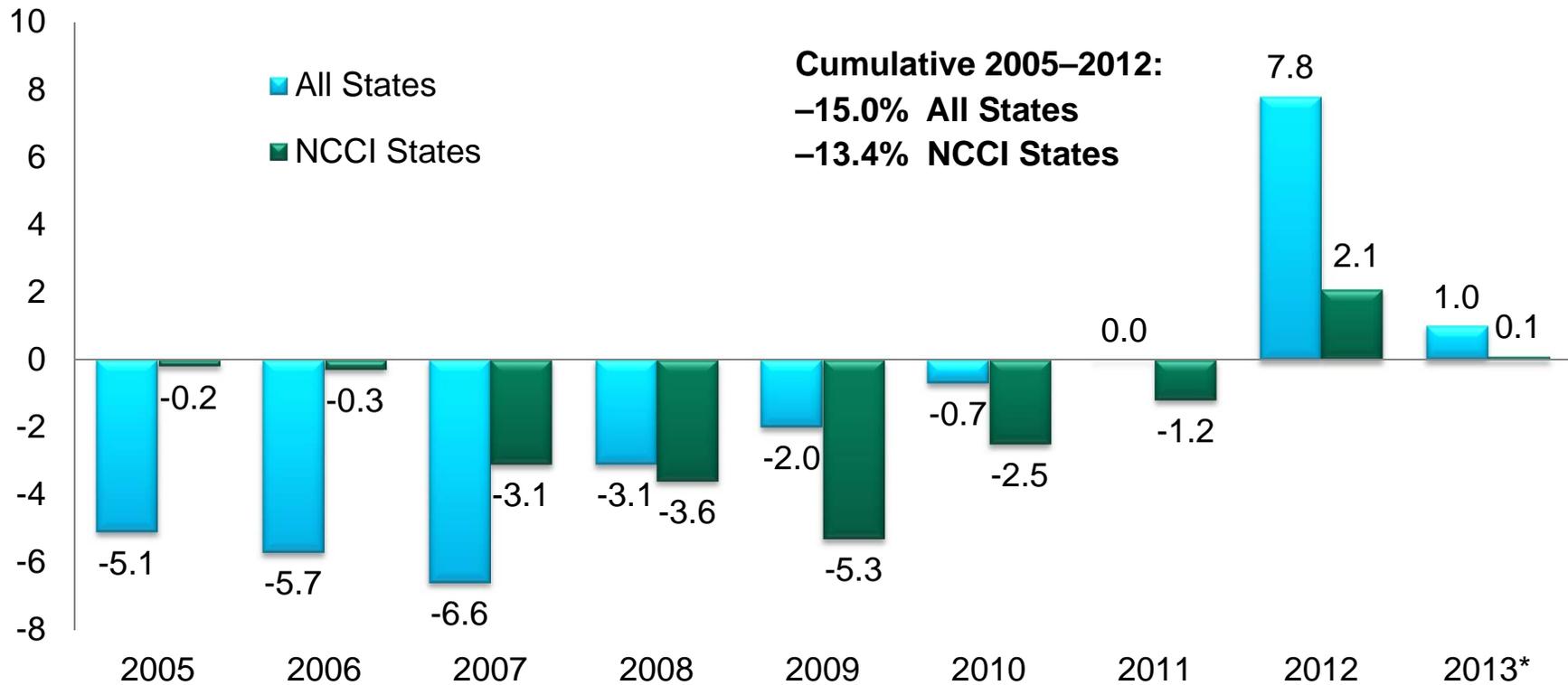
Components: Policy data and *Statistical Plan* data



Countrywide Average Approved Bureau Rates/Loss Costs

All States vs. NCCI States

Percent



Calendar Year

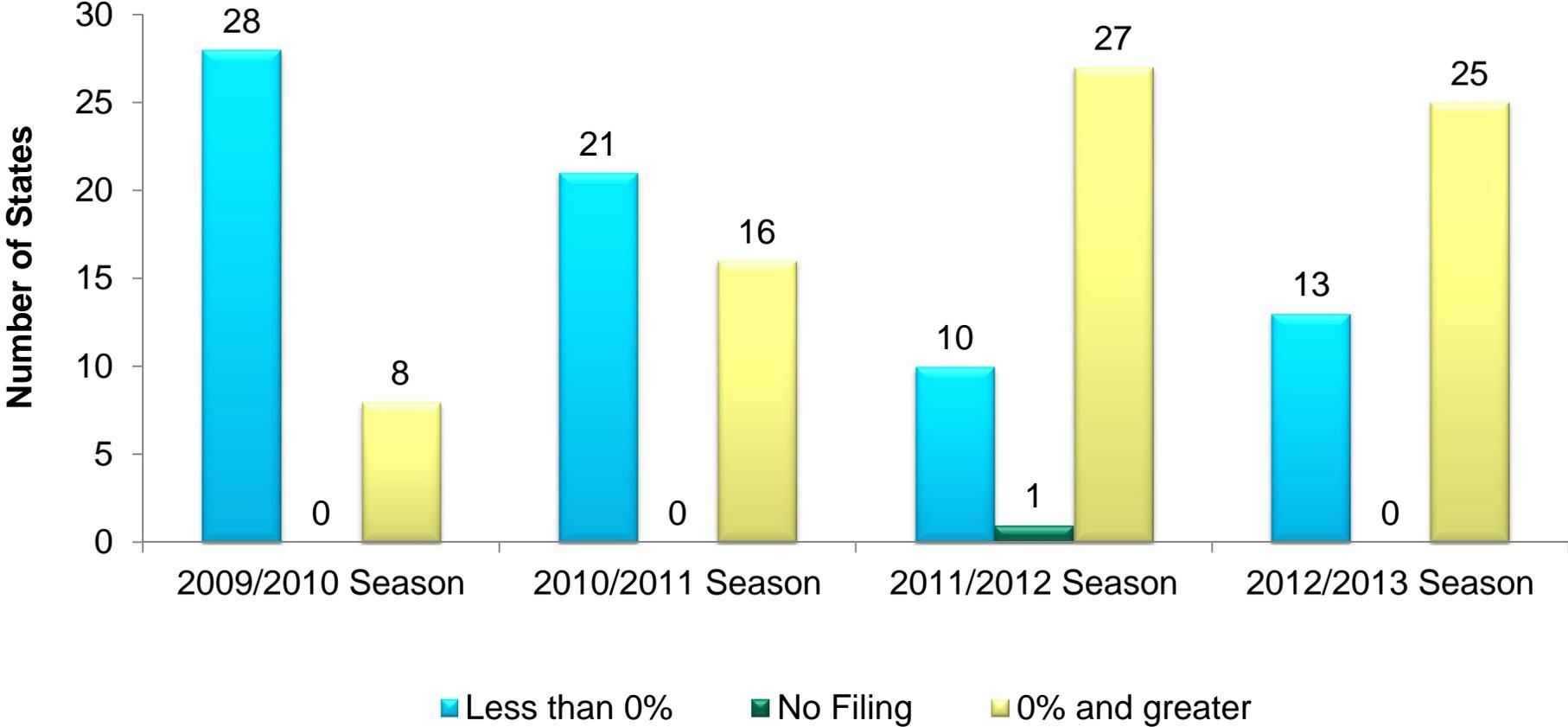
* Preliminary

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization relative to the previously filed rates



Status of NCCI Filing Activity

Voluntary Market Filings



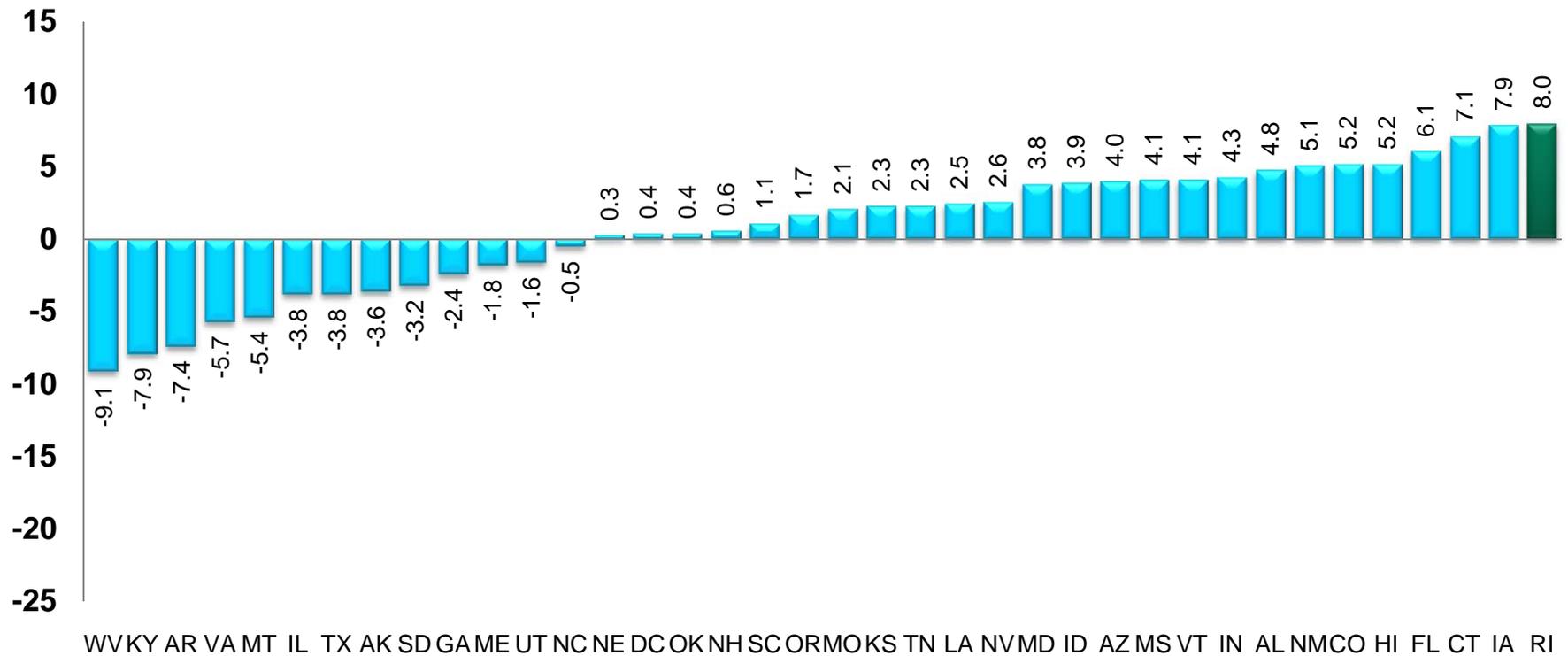
Range of voluntary filings 2012/2013 season: -9.1% to +8.0%



Current NCCI Voluntary Market Rate/Loss Cost Level Changes

Excludes Law-Only Filings

Percent



■ Approved ■ Pending

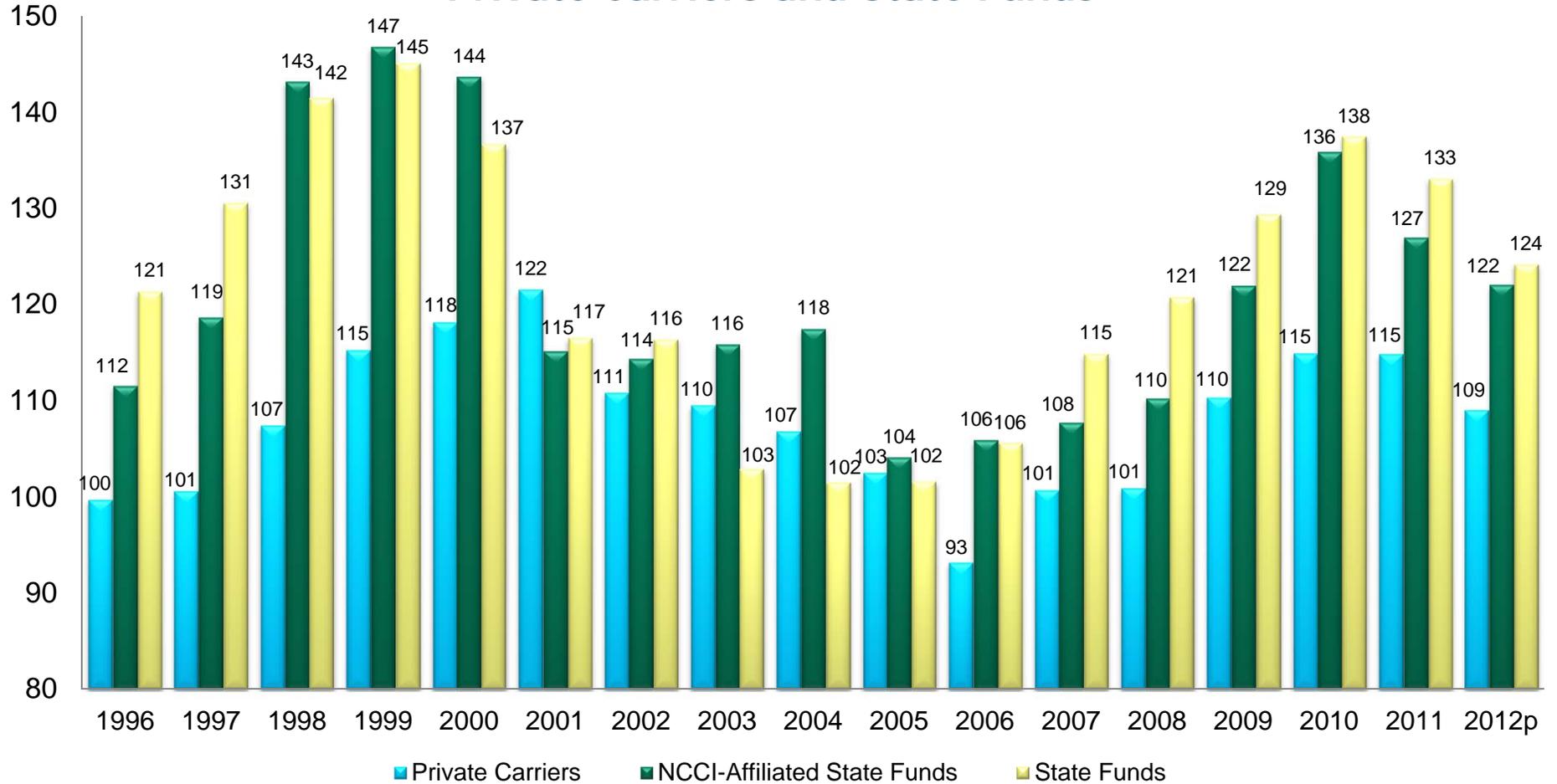
Reflects the most recent experience filing in each jurisdiction



Countrywide Workers Compensation Calendar Year Net Combined Ratios

Percent

Private Carriers and State Funds



p Preliminary

Sources: 1996–2012p Private Carriers, Annual Statement data

1996–2012p NCCI-Affiliated State Funds: AZ, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, UT Annual Statements

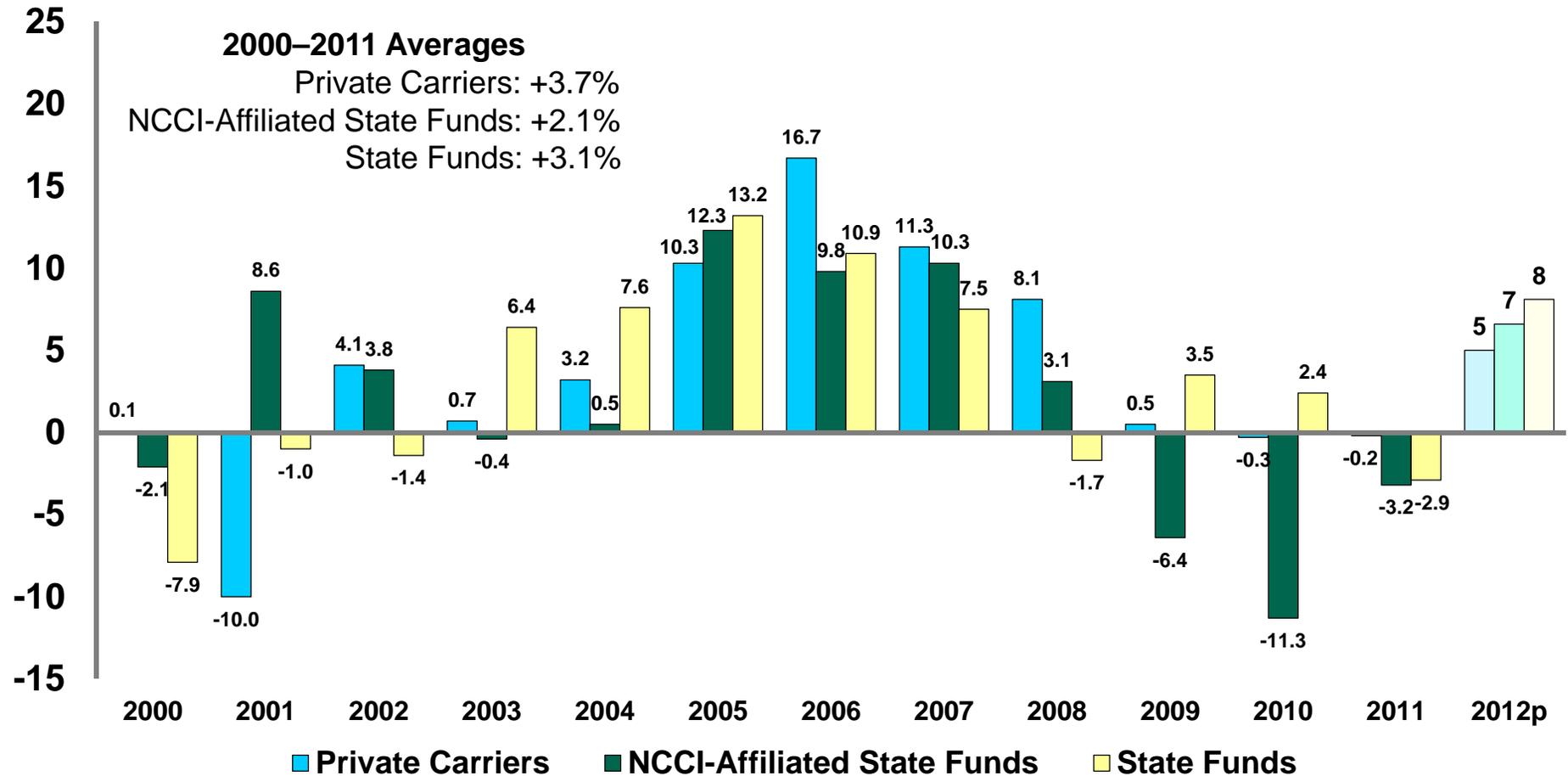
1996–2012p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



Workers Compensation Pre-Tax Operating Gain Ratios

Percent

Private Carriers and State Funds



p Preliminary

Operating Gain Equals 1.00 minus (Combined Ratio Less Investment Gain on Insurance Transactions and Other Income)

Sources: 2000–2012p Private Carriers, Annual Statement data

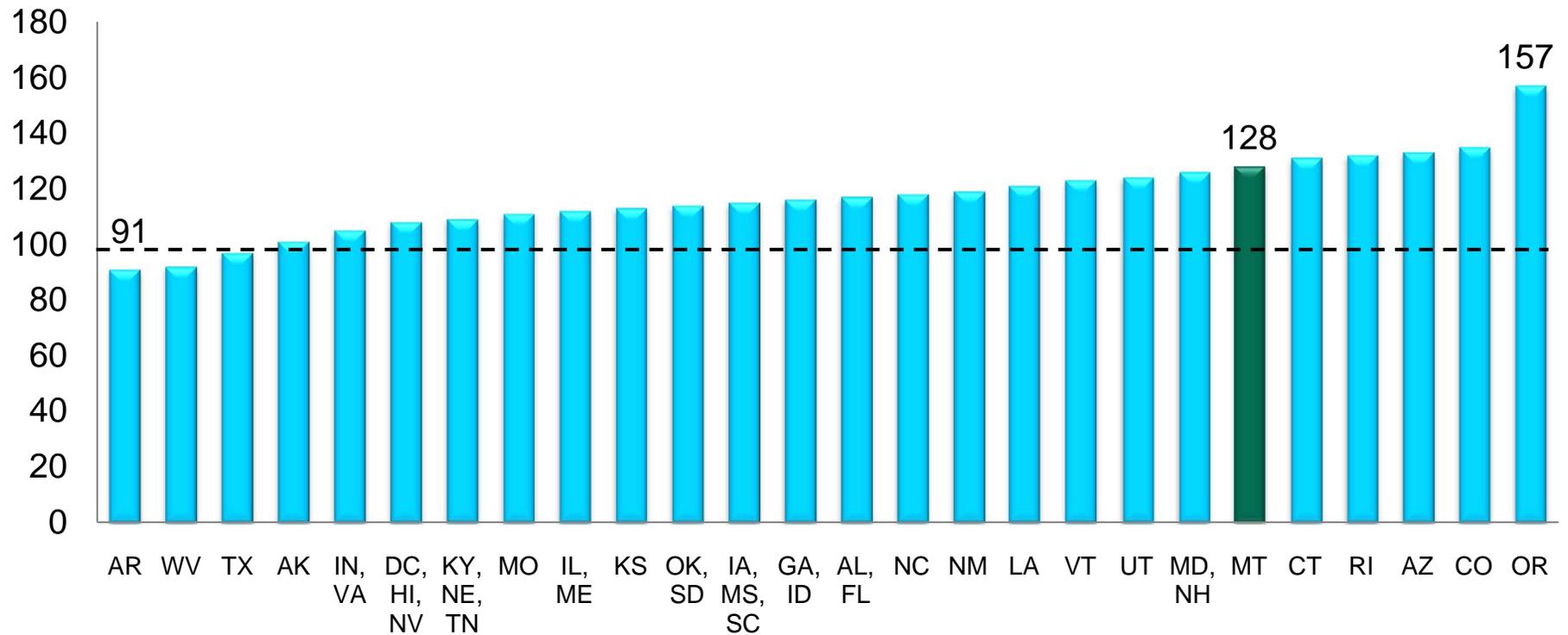
2000–2012p NCCI-Affiliated State Funds: AZ, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, UT Annual Statements

2000–2012p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



Results Vary From State to State

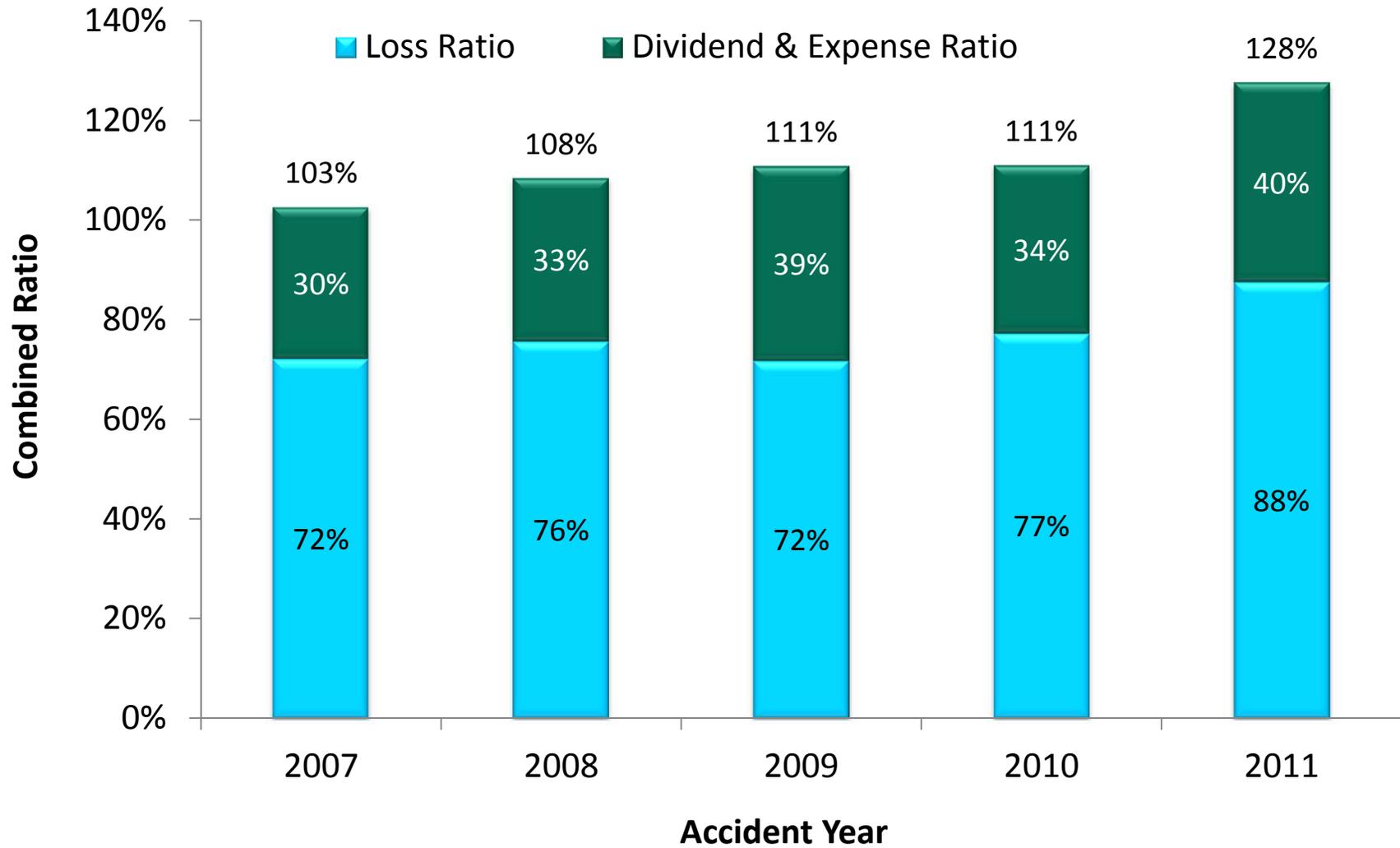
Accident Year 2011 Combined Ratios



Data is evaluated as of 12/31/2011



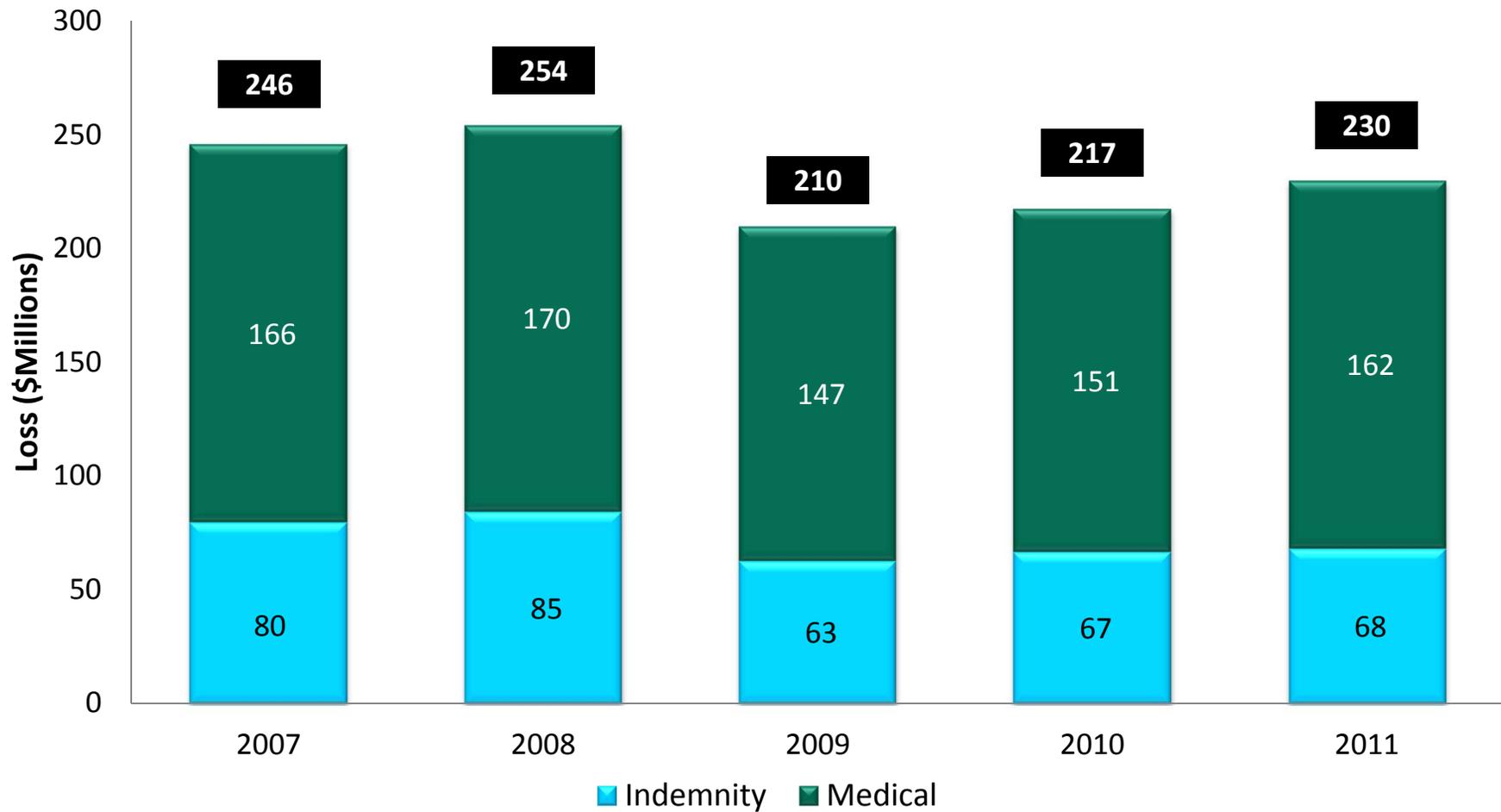
Montana Accident Year Combined Ratios



Sources: NCCI financial data, NAIC Annual Statement data



Montana Accident Year Losses



Source: NCCI financial data
Based on data through 12/31/2011





Montana 2013 Loss Cost Filing



Montana Major Loss Cost Drivers

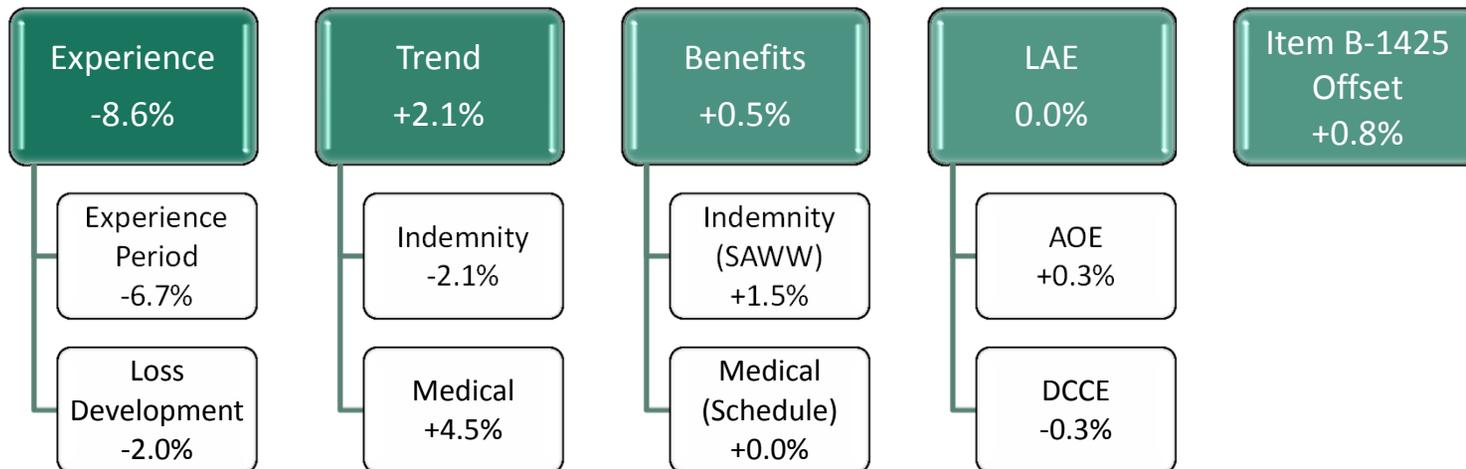


Montana

July 1, 2013 Loss Cost Filing

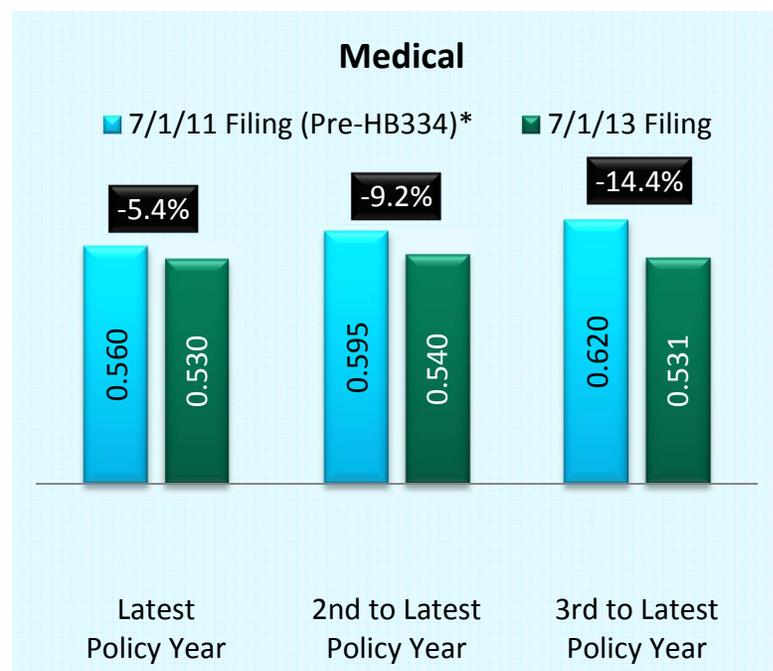
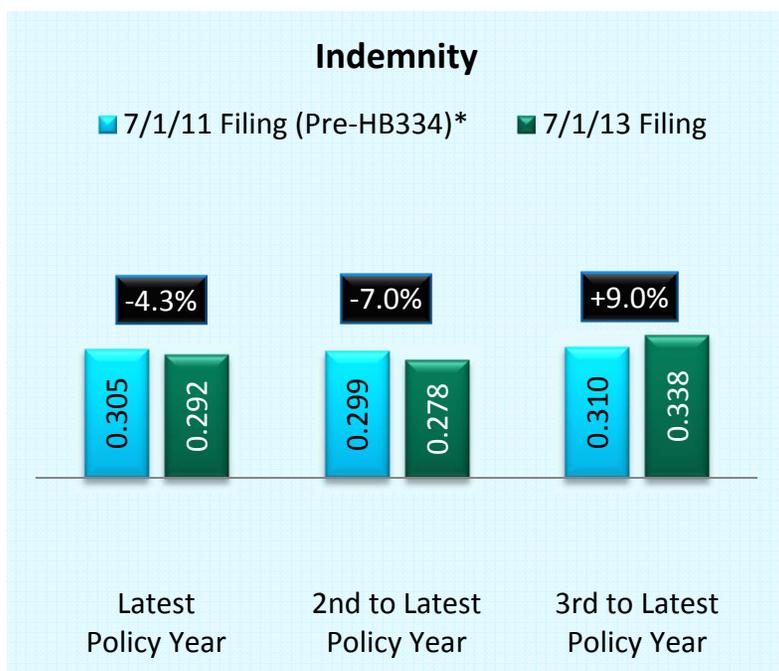
Overall Loss Cost Level Change -5.4%

Changes due to:



Montana

Loss Ratios in Experience Period

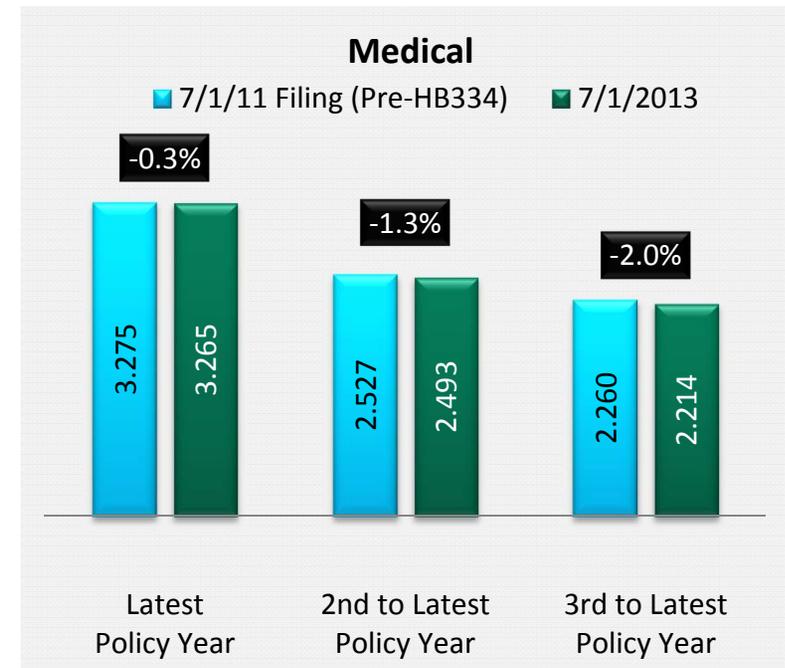
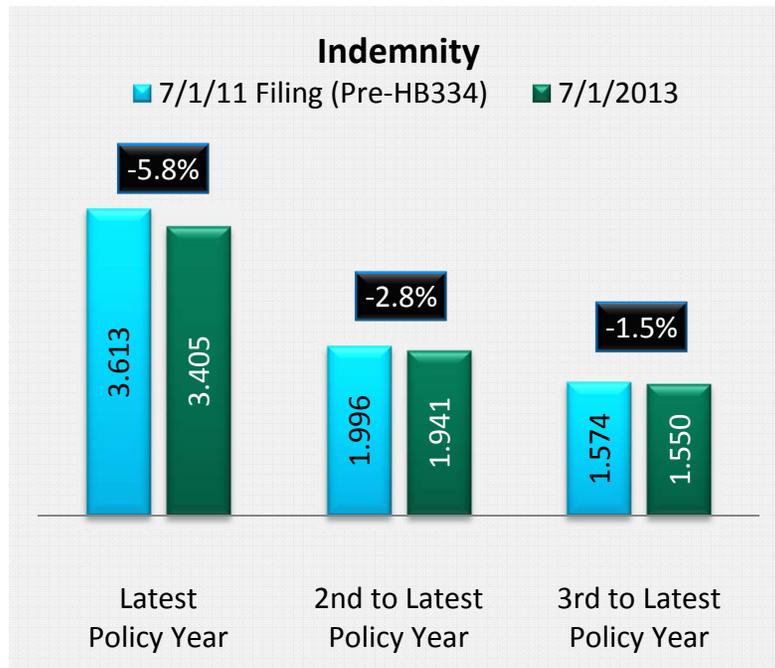


- Experience exhibits improvement for both indemnity and medical losses
- This is partially due to:
 - Decreased claim frequency
 - Medical fee schedule freeze (HB 334)

*Historical financial data adjusted to 7/1/2013 filing level
Based on NCCI's financial data at current benefit level and developed to ultimate

Montana

Improvement in Loss Development

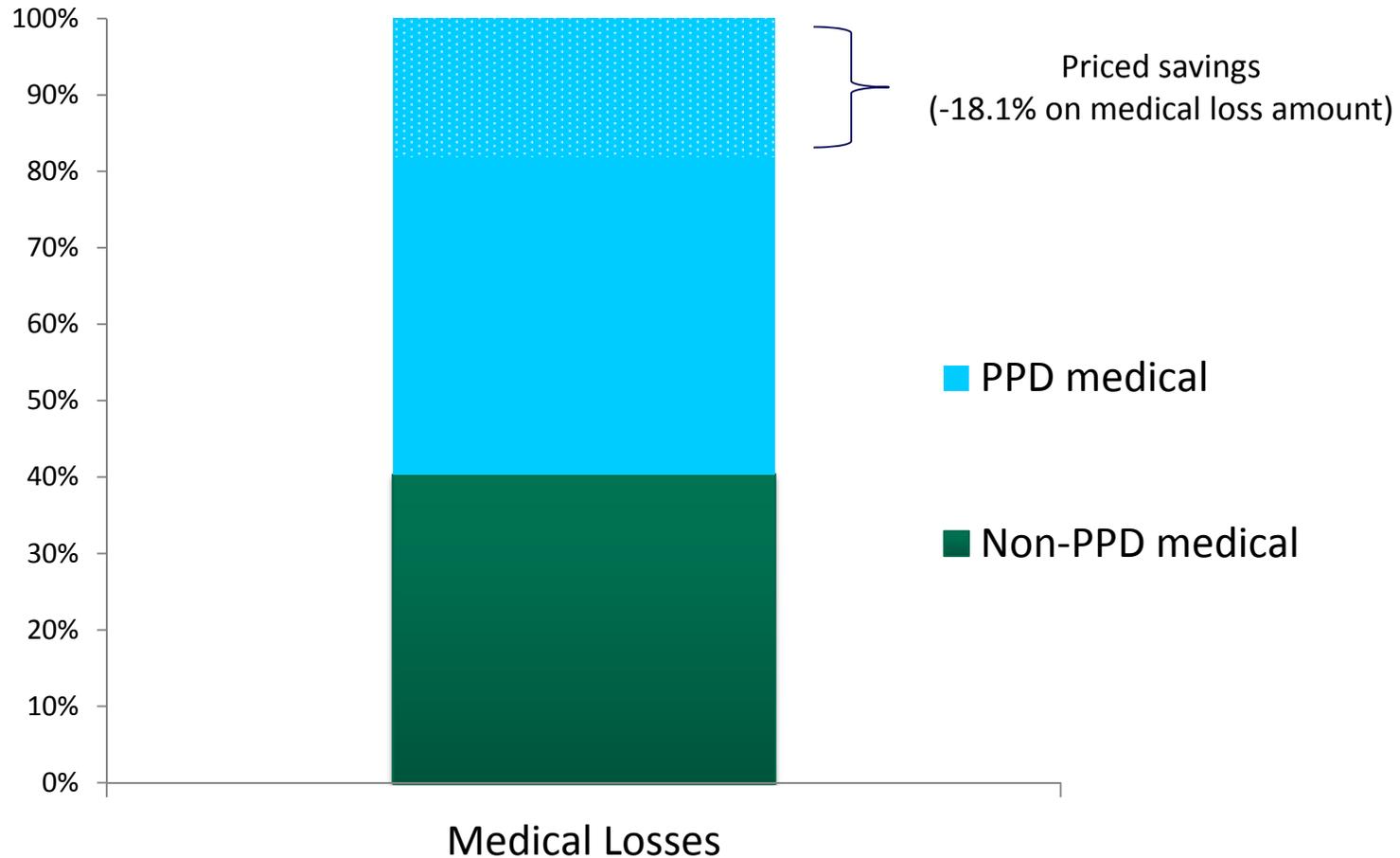


- Development exhibits improvement for both indemnity and medical losses
- This is partially due to:
 - *The AMA Guides 6th Edition*
 - Medical payments on older claims being more favorable

Source: NCCI financial data

Montana

Termination of Medical Benefits at 60 Months Savings From Sections 10 and 29 of HB 334

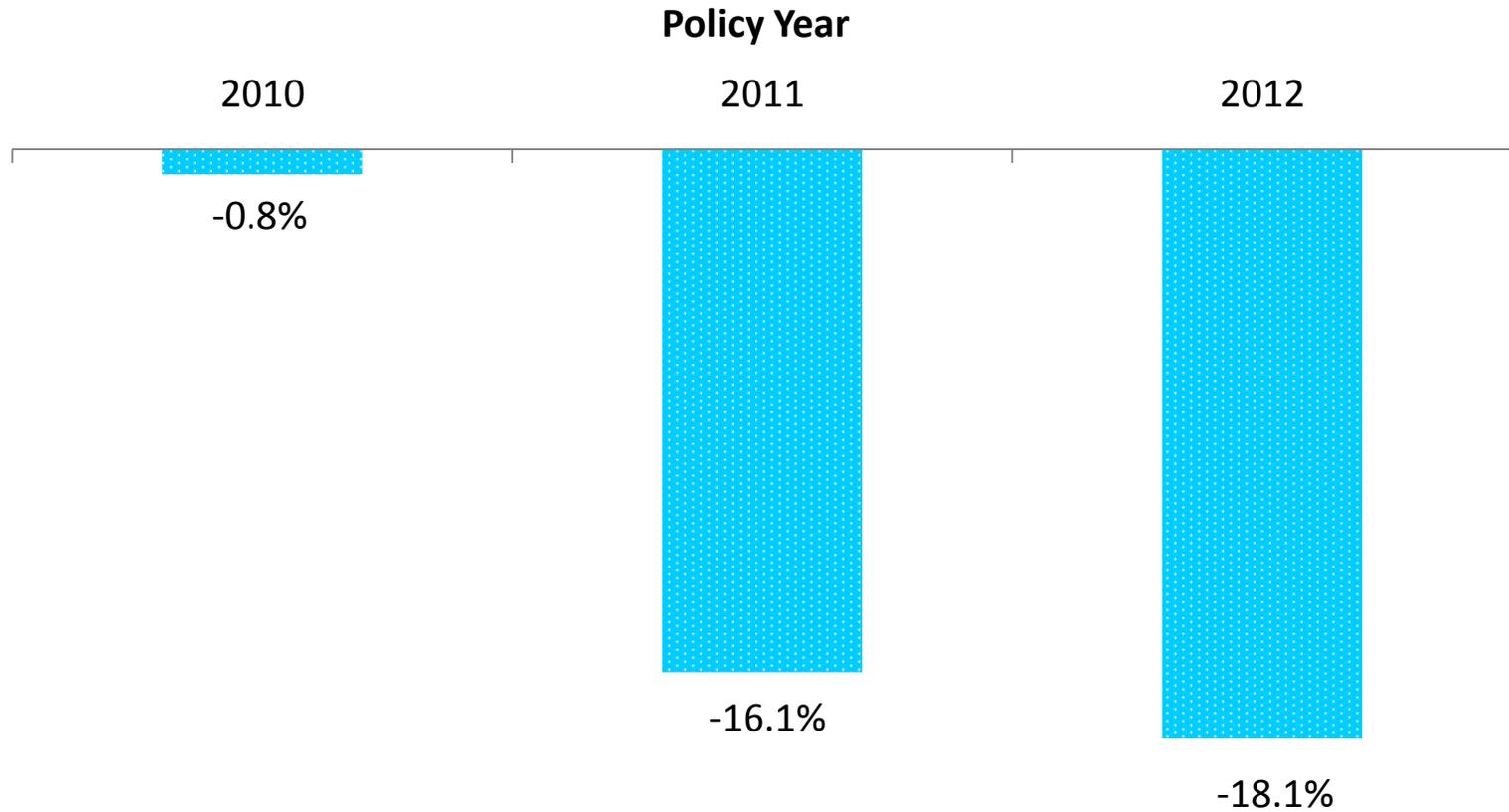


Savings applicable to injuries occurring on or after 7/1/2011



Montana

Termination of Medical Benefits at 60 Months Expected Emergence of Savings

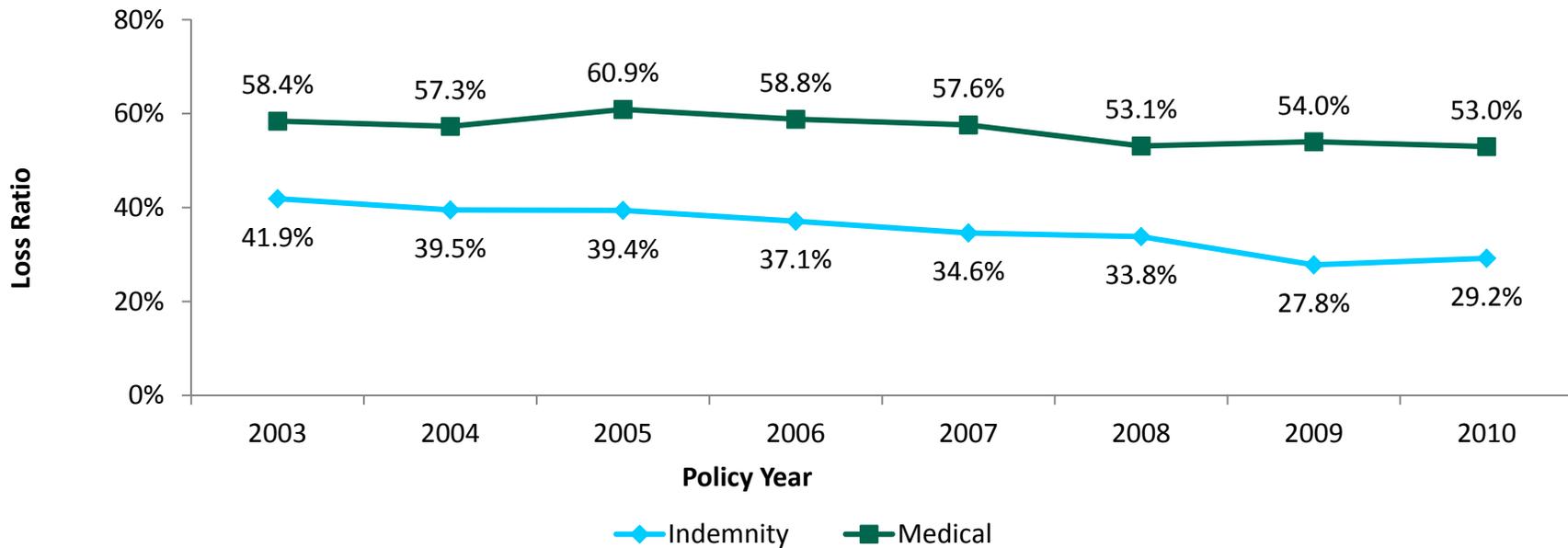


Savings applicable to injuries occurring on or after 7/1/2011



Montana Indemnity and Medical Trends

		Indemnity	Medical
7/1/2011	Frequency Trend		-1.5%
7/1/2011	Severity Trend	-0.5%	+0.0%
7/1/2011	Loss Ratio Trend	-2.0%	-1.5%
7/1/2013	Frequency Trend		-1.5%
7/1/2013	Severity Trend	-1.0%	+1.0%
7/1/2013	Loss Ratio Trend	-2.5%	-0.5%

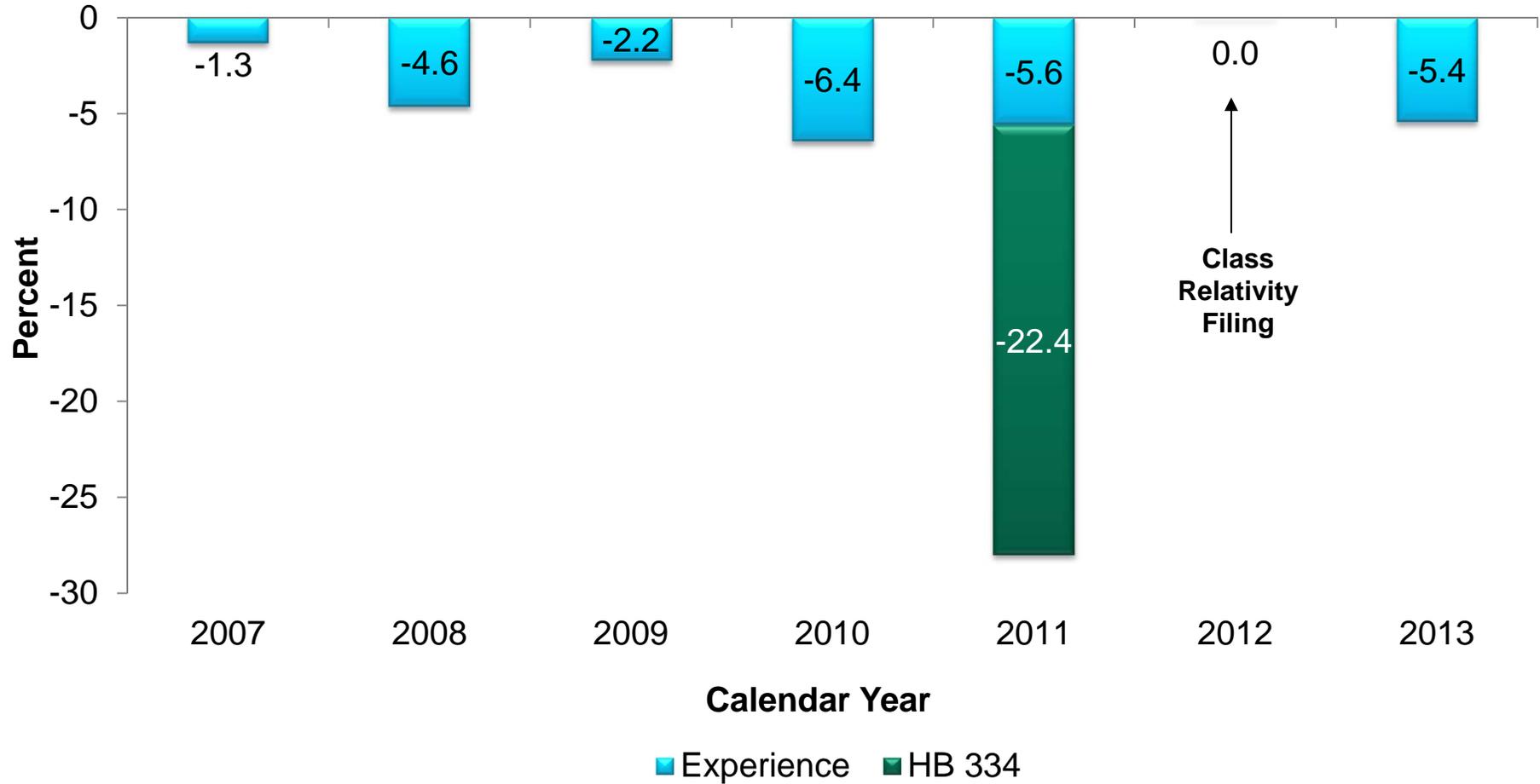


Based on NCCI's financial data at current benefit level and developed to ultimate



Montana's Filing Activity

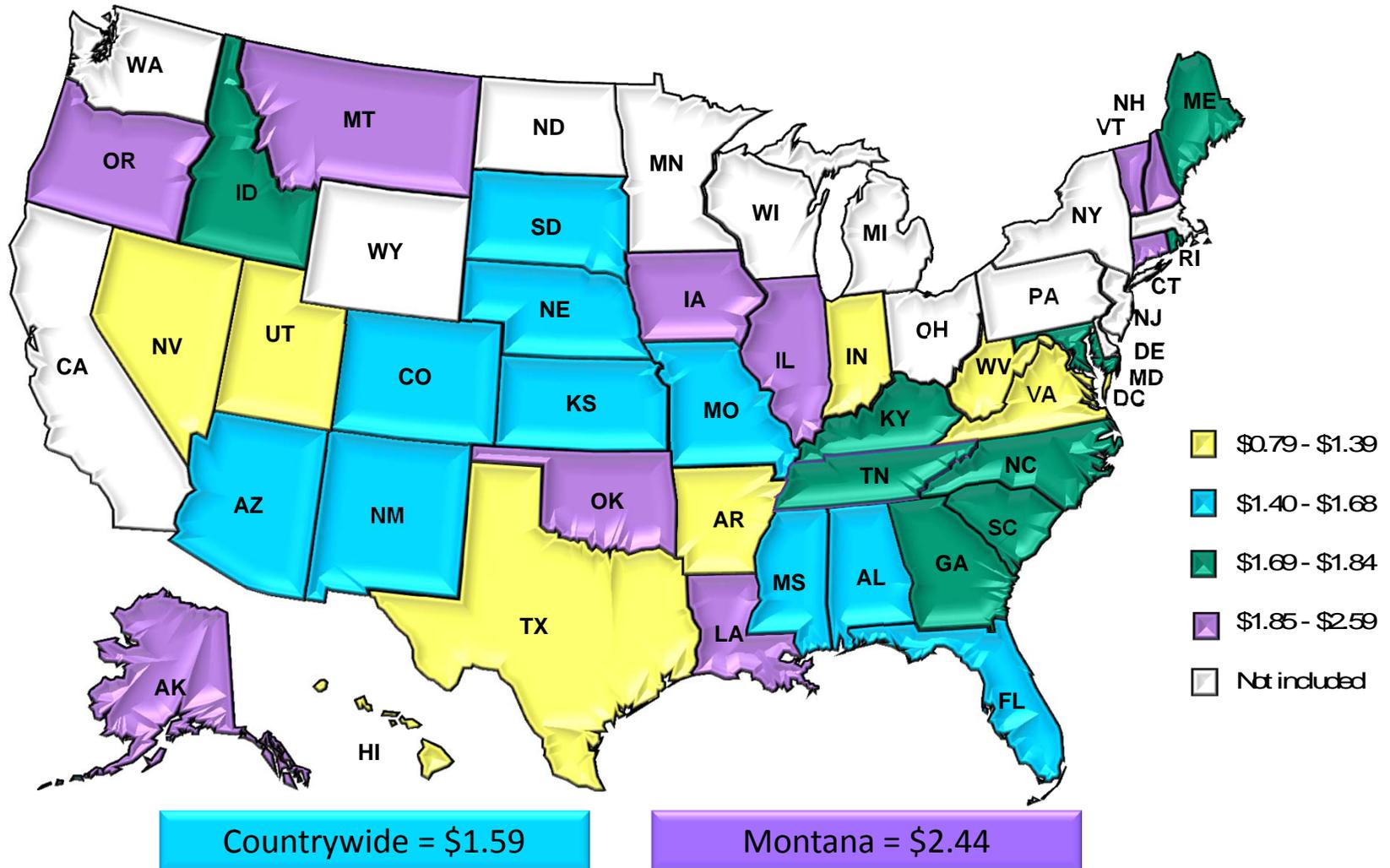
Voluntary Loss Cost Changes



Class relativity-only filing in 2012

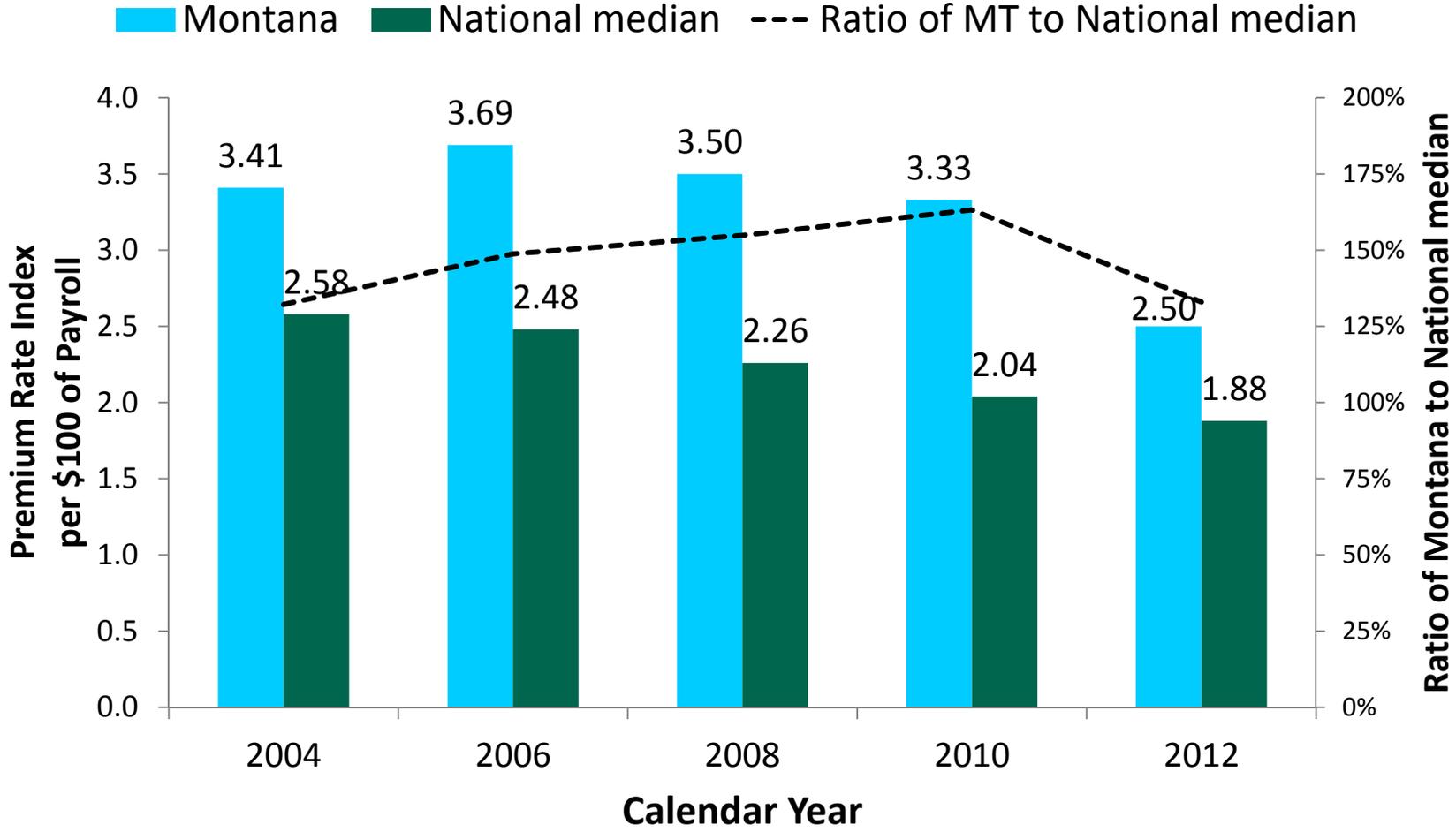


Average Voluntary Pure Loss Costs Quartiles Using Montana's Payroll Distribution



Based on the latest NCCI approved rates and loss costs in the various states

Workers Compensation Premium Rate Comparison



Source: Adapted from 2004 through 2012 Oregon *Workers' Compensation Premium Rate Ranking Summary*
Indexes based on rates in effect as of January 1 of each calendar year listed above





Legislative Issues



Montana

2013 Enacted Legislation

- HB 82—Revised Extraterritorial Law
- HB 232—Strengthens Exclusive Remedy
- SB 323—Schedule II Drug Prescriptions
- SB 386—Volunteer Firefighter Coverage
- HJ 25—Creates Interim Committee



HB 82—Extraterritorial Laws

- Addresses a serious issue connected with North Dakota/Montana
- Clarifies definitions
- Construction industry targeted
- Allows reciprocal agreements by Department of Labor



HB 232—Exclusive Remedy

Intentional and Deliberate Acts

- Strengthens exclusive remedy provisions
- Intentional injury defined
- Standard of proof—clear and convincing evidence



SB 323—Schedule II Drugs

- Permits a query of the prescription drug registry prior to prescribing a Schedule II or Schedule III drug
- Goal is to prevent potential abuse, dependence, interaction, and diversion, as necessary

SB 386—Volunteer Firefighters

- An employer may provide workers compensation coverage listed on the roster of service
- Volunteer firefighters defined
- Premium must be based on minimum wage level
- Minimum/maximum limits established
- Insurer shall designate whether an employer is to use actual payroll or flat assumed wage



HJ 25—Interim Study Committee

- Reviews subrogation rules and procedures
- Studies Montana's workers compensation court structure and operations
- Montana State Fund privatization
- Reviews reforms passed in 2011
- Examines safety programs, return to work, stay at work, and utilization and treatment guidelines



National Update—TRIA

- TRIA set to expire 12/31/2014
- What changes may be made:
 - Triggers, thresholds, and recoupments are all part of the discussions





GUEST SPEAKER:
DIANA FERRITER
Administrator
Employment Relations Division





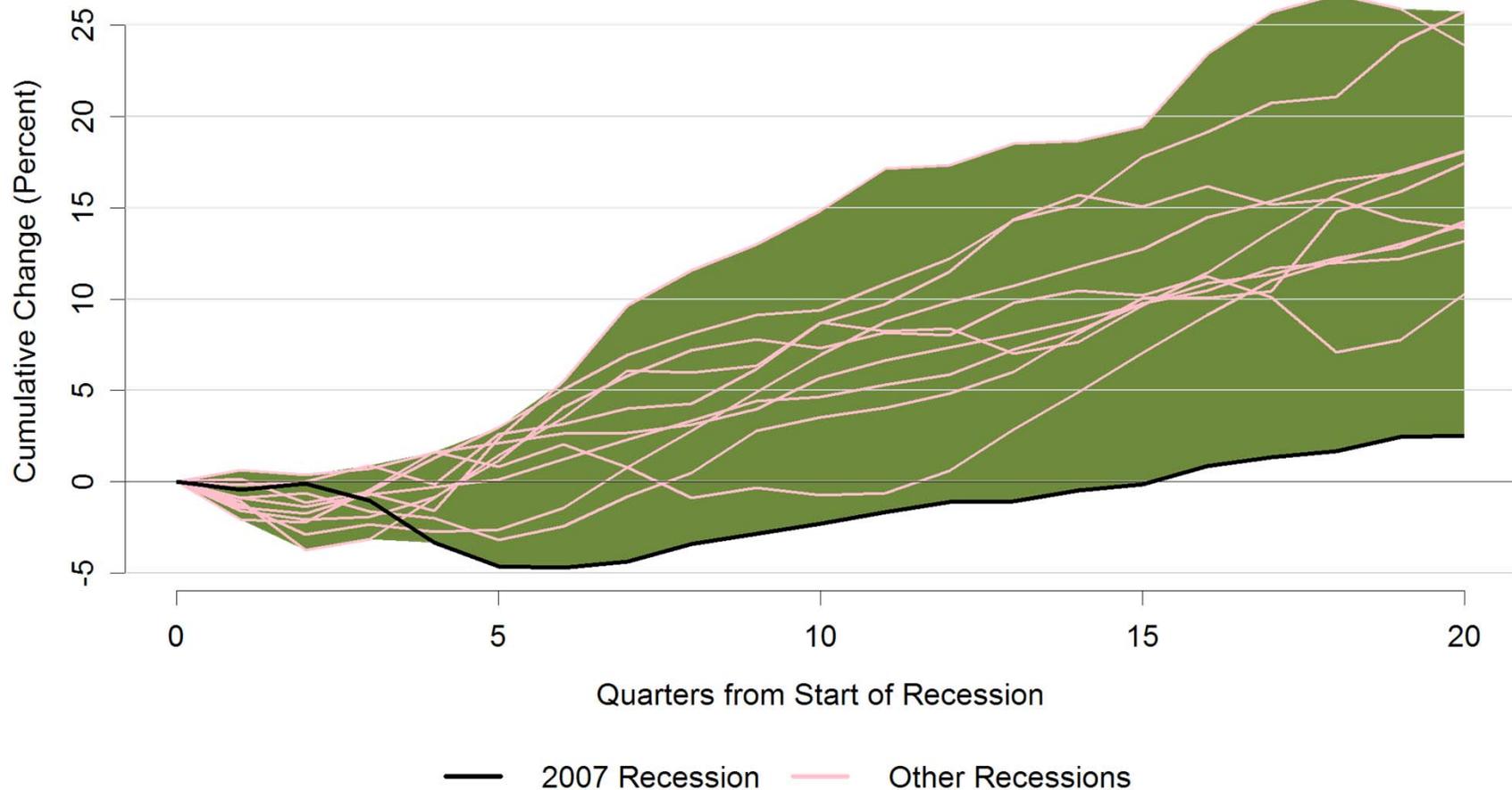
The State of the Economy

Following a Financial Crisis, It Takes a Country About 10 Years to Return to Normal Economic Conditions



The Pace of the Recovery Is Anemic

Gross Domestic Product Finally Exceeds the Prerecession Level

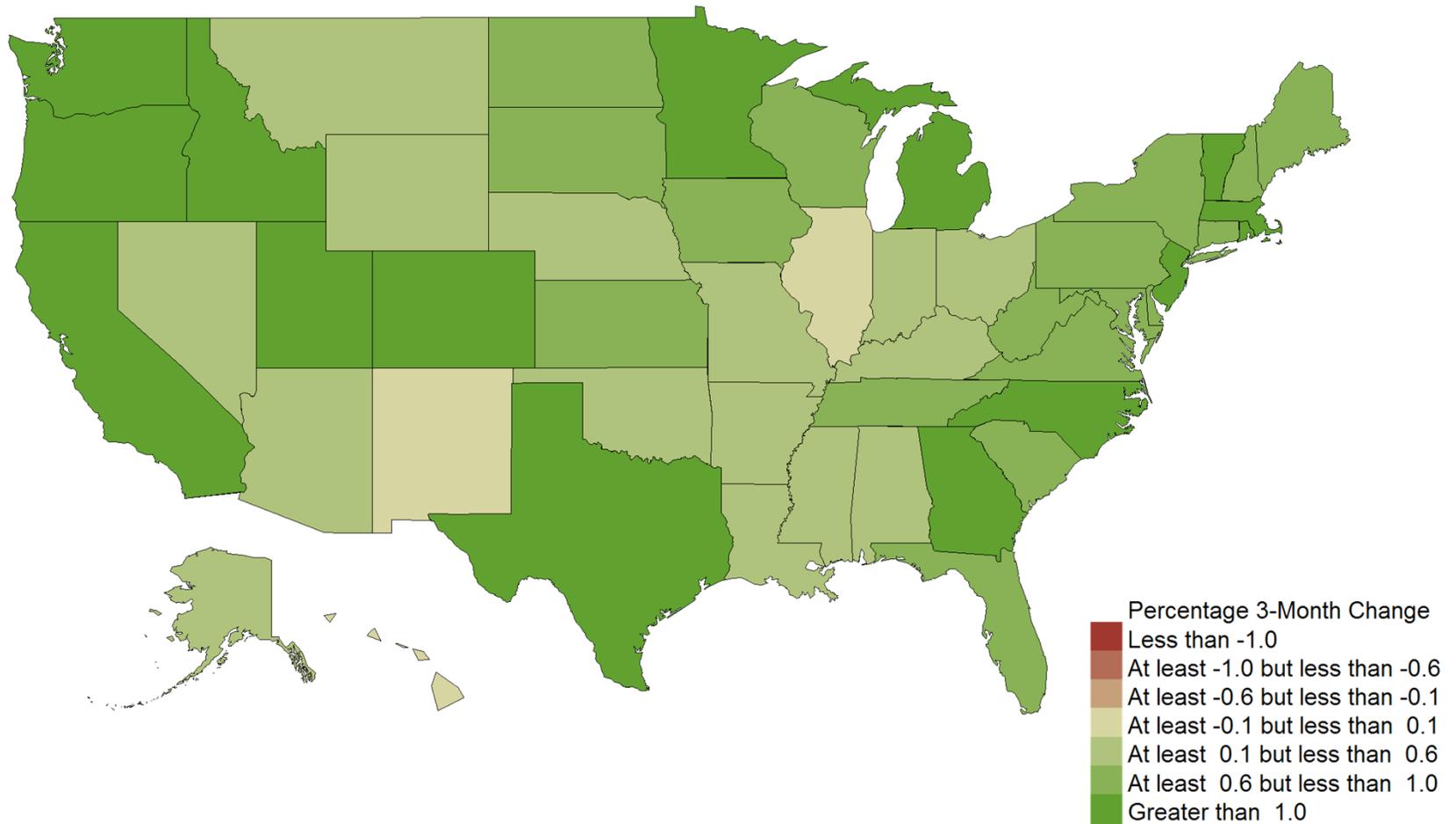


2007 Recession compared with recessions since 1948
 Output is measured as Real GDP, billions of chained 2005 dollars, seasonally adjusted
 Frequency of observation: quarterly; latest available data point: Q4/2012
 Sources: FRED, Federal Reserve Bank of St. Louis, www.stls.org; Bureau of Economic Analysis (BEA), www.bea.gov



There Are Signs of Modest Regional Growth

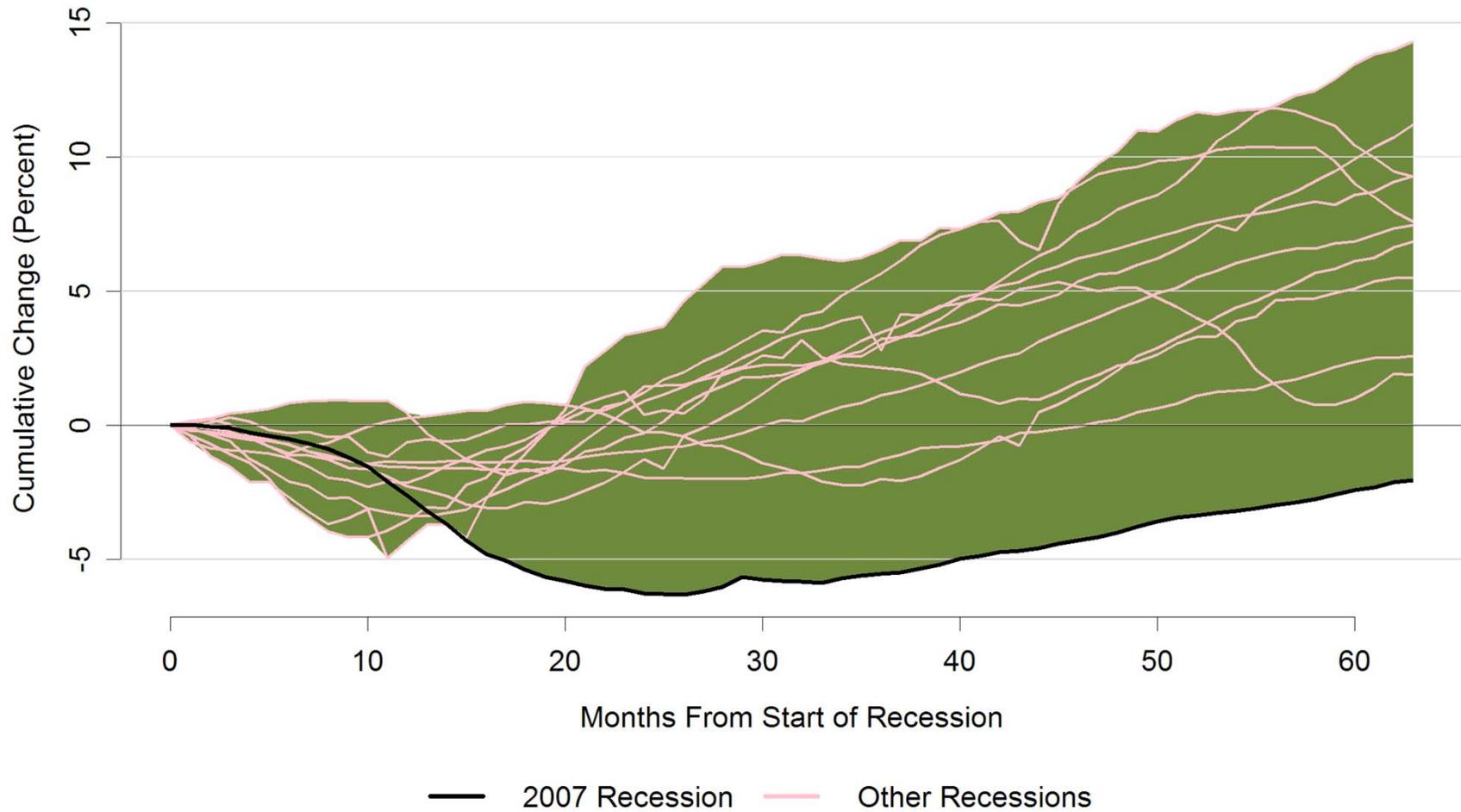
March 2013 Is Compared to December 2012



The map shows state coincidence indexes, which combine four state-level economic measures to summarize current economic conditions in a single statistic; the four data items are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (US city average)
Frequency of observation: monthly; latest observation: March 2013; DC is not shown on the map
Source: FRB of Philadelphia, www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident

There Is Plenty of Lost Ground to Recover

Nonfarm Employment Is Still Below the Prerecession Level

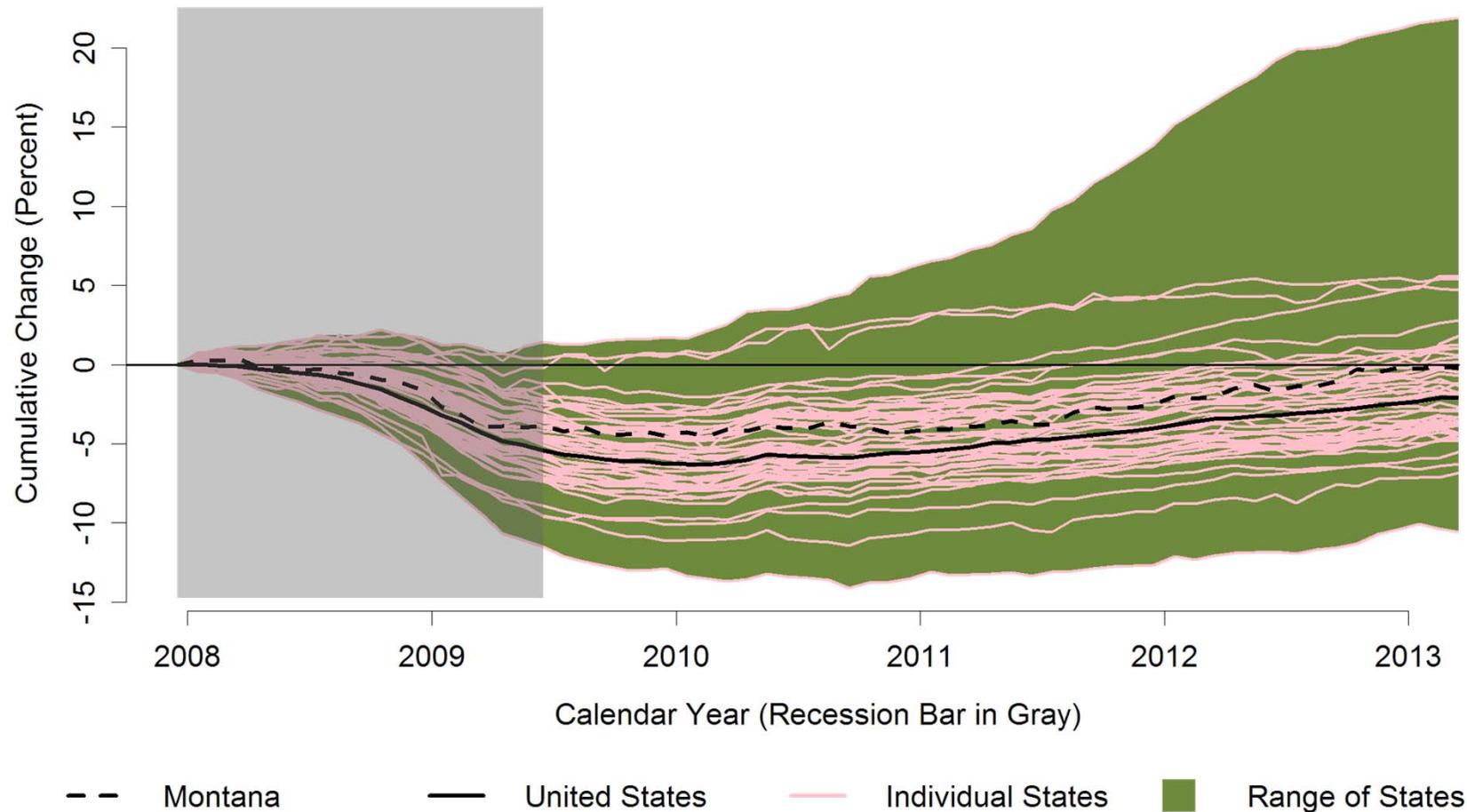


2007 Recession compared with recessions since 1948
 Nonfarm Employment, seasonally adjusted
 Frequency of observation: monthly; first data point: December 2007; latest available data point: March 2013
 Sources: US Bureau of Labor Statistics (BLS), www.bls.gov; NBER, www.nber.org/cycles.html



The Employment Picture Varies by State

Energy-Rich States Are at the Top, Housing Bubble States on the Bottom



Nonfarm Employment, seasonally adjusted; range of US states includes DC
Frequency of observation: monthly; latest available data point for US: March 2013 (States: March 2013)
Tick marks indicate beginning of year
Sources: US Bureau of Labor Statistics (BLS), www.bls.gov; NBER, www.nber.org/cycles.html

The Industrial Structure Is Changing

Healthcare Employment Keeps Expanding Unabated



Nonfarm Employment, seasonally adjusted
 Monthly employment shown for the period November 2001 through March 2013
 Sources: FRED, research.stlouisfed.org/fred2/; US Bureau of Labor Statistics (BLS), www.bls.gov





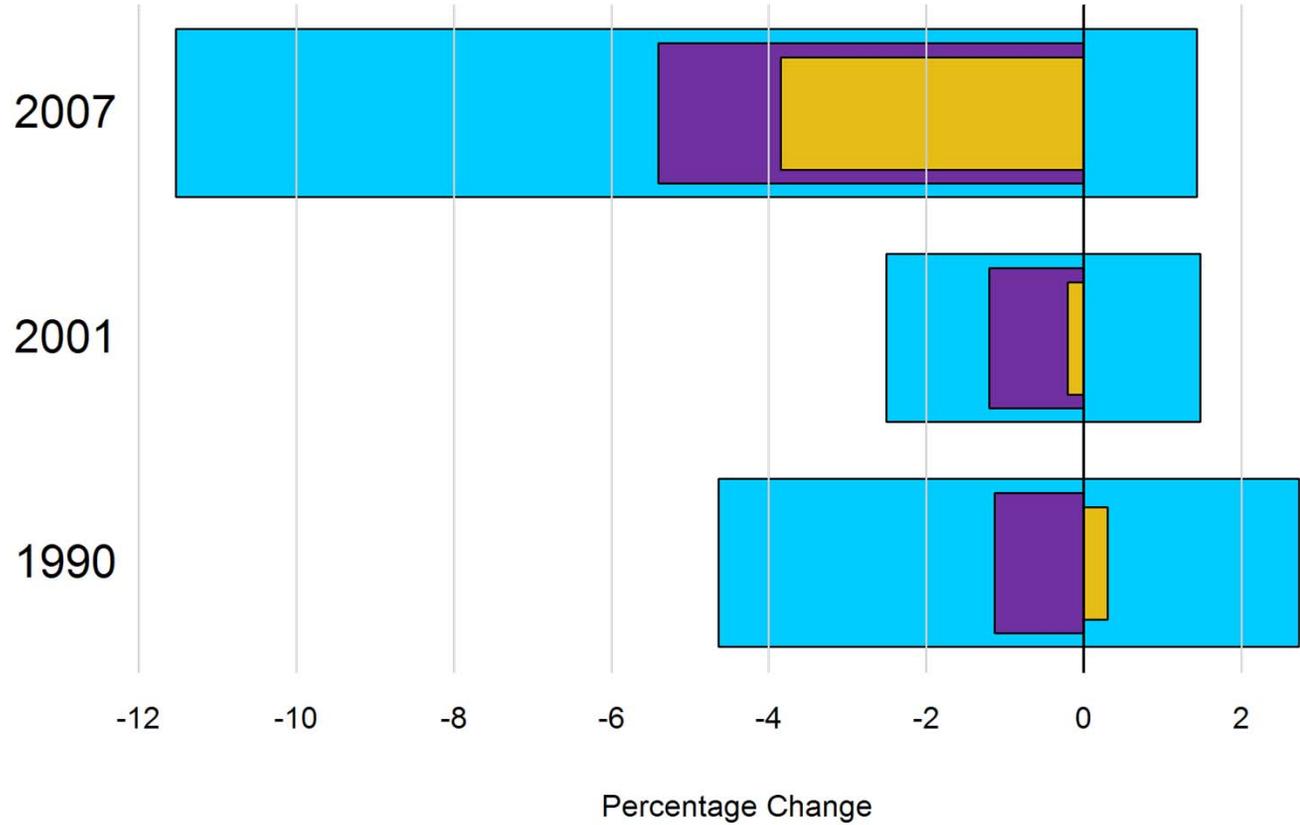
Montana

The Economic Environment Is
Comparatively Favorable



Montana

Employment in the Past Three Recessions Fared Better Than Average



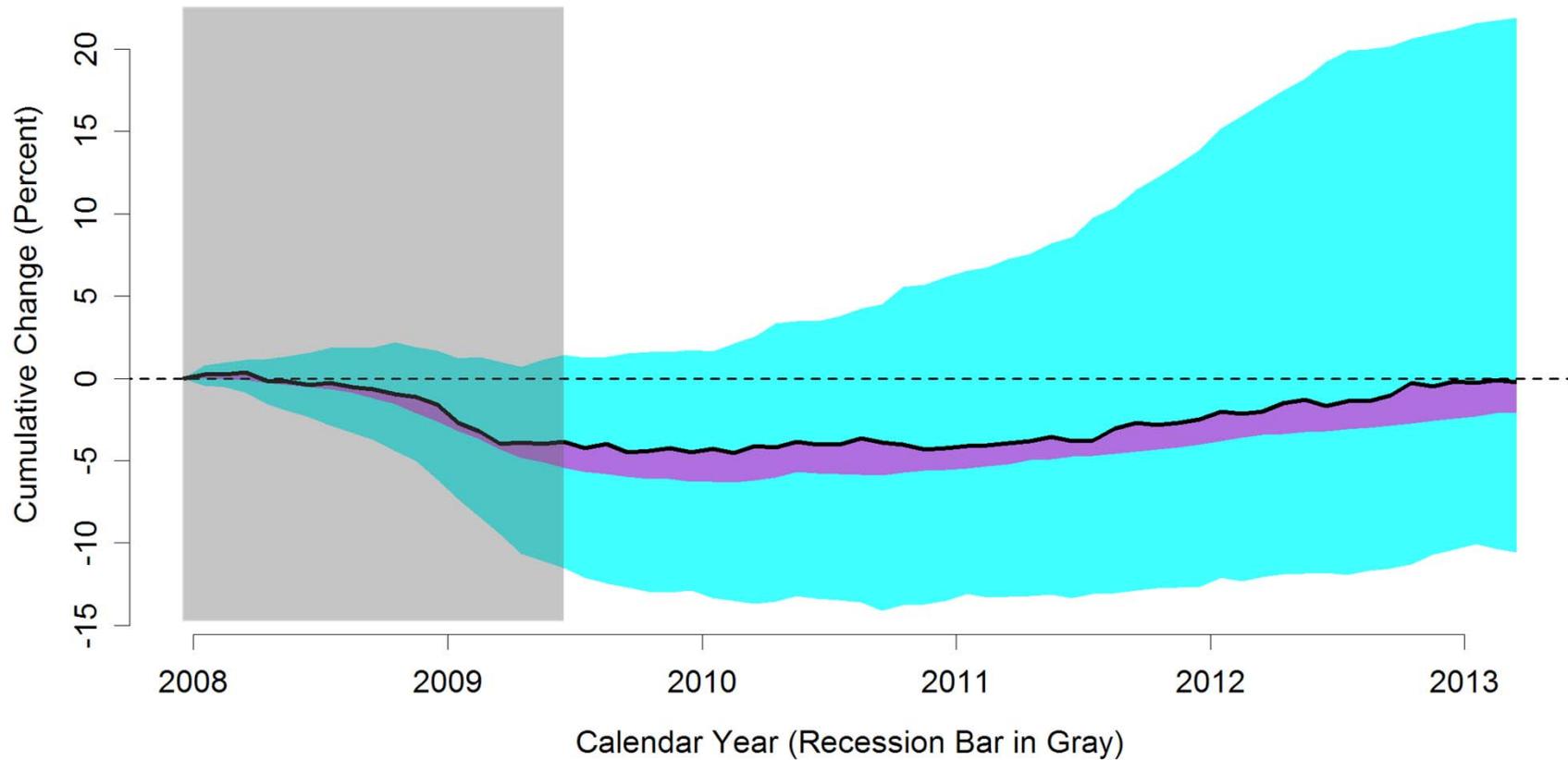
■ Range of U.S. States
 ■ United States
 ■ Montana

Percentage change from the onset of the recession (peak of economic activity, as defined by the NBER) to the onset of the recovery (trough of economic activity); Current Employment Statistics Survey, seasonally adjusted
 Frequency of observation: monthly; range of US states includes DC
 Source: US Bureau of Labor Statistics (BLS), www.bls.gov/ces



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Employment Has Returned to the Prerecession Level



— Montana

■ Gap to U.S.

■ Range of U.S. States

Nonfarm Employment, seasonally adjusted

Frequency of observation: monthly; latest available data point: March 2013

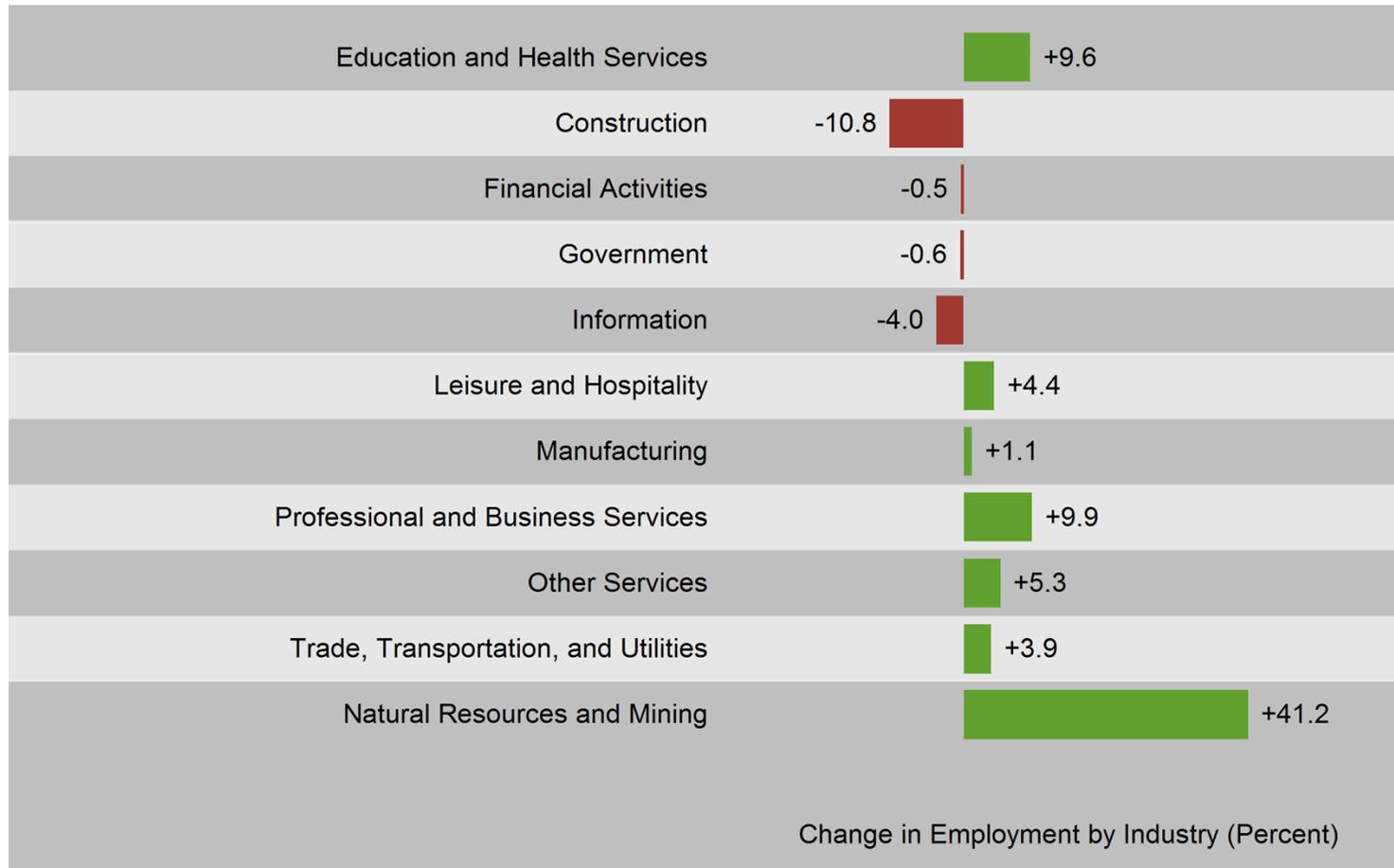
Range of US states includes DC; tick marks indicate beginning of year

Source: US Bureau of Labor Statistics (BLS), www.bls.gov



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Most Sectors Have Added Jobs Since the Onset of the Recovery



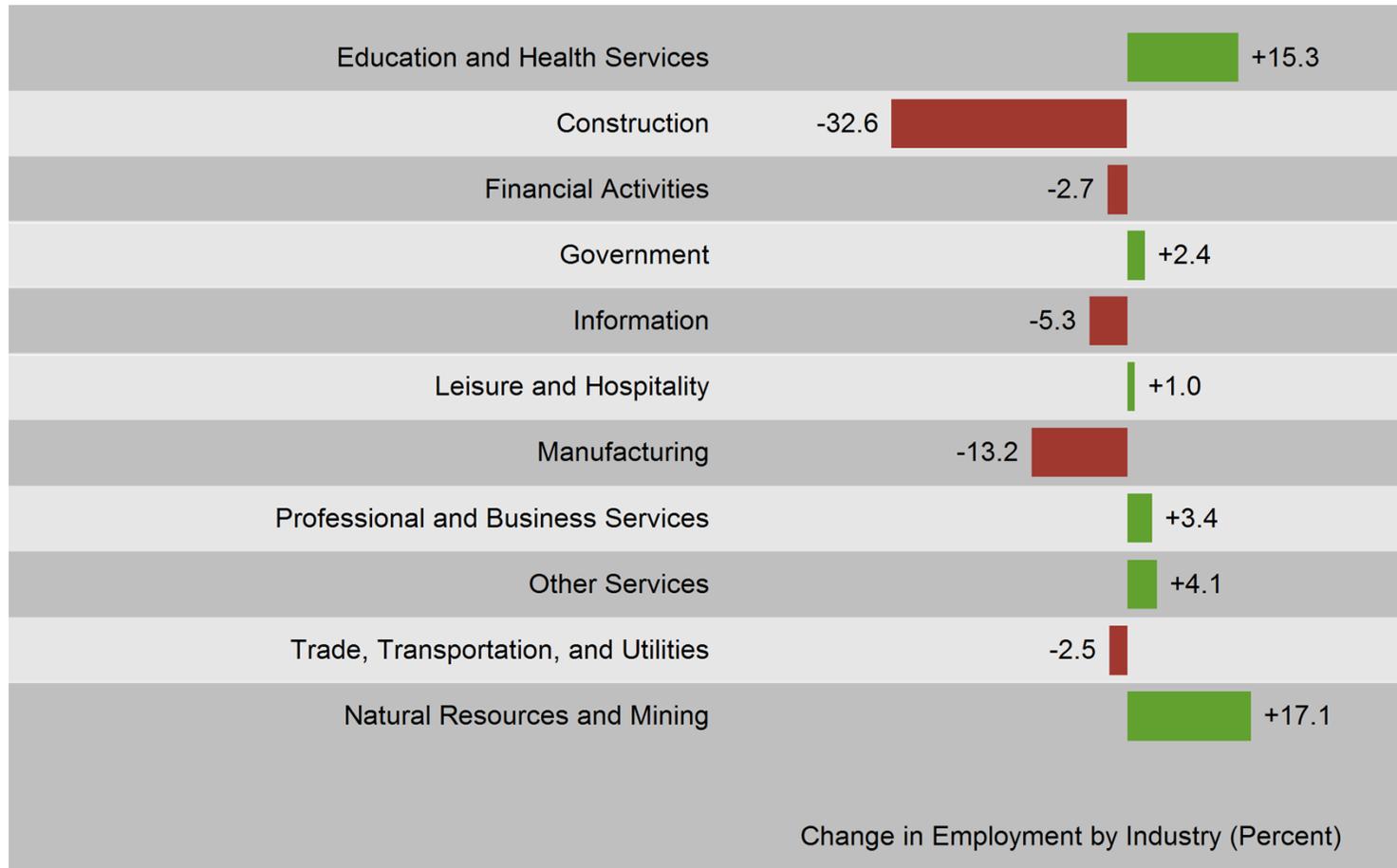
Percentage change since the onset of the recovery (trough of economic activity, June 2009); Current Employment Statistics Survey, seasonally adjusted

Frequency of observation: monthly; latest observed data point: March 2013

Source: US Bureau of Labor Statistics (BLS), www.bls.gov/ces

Montana

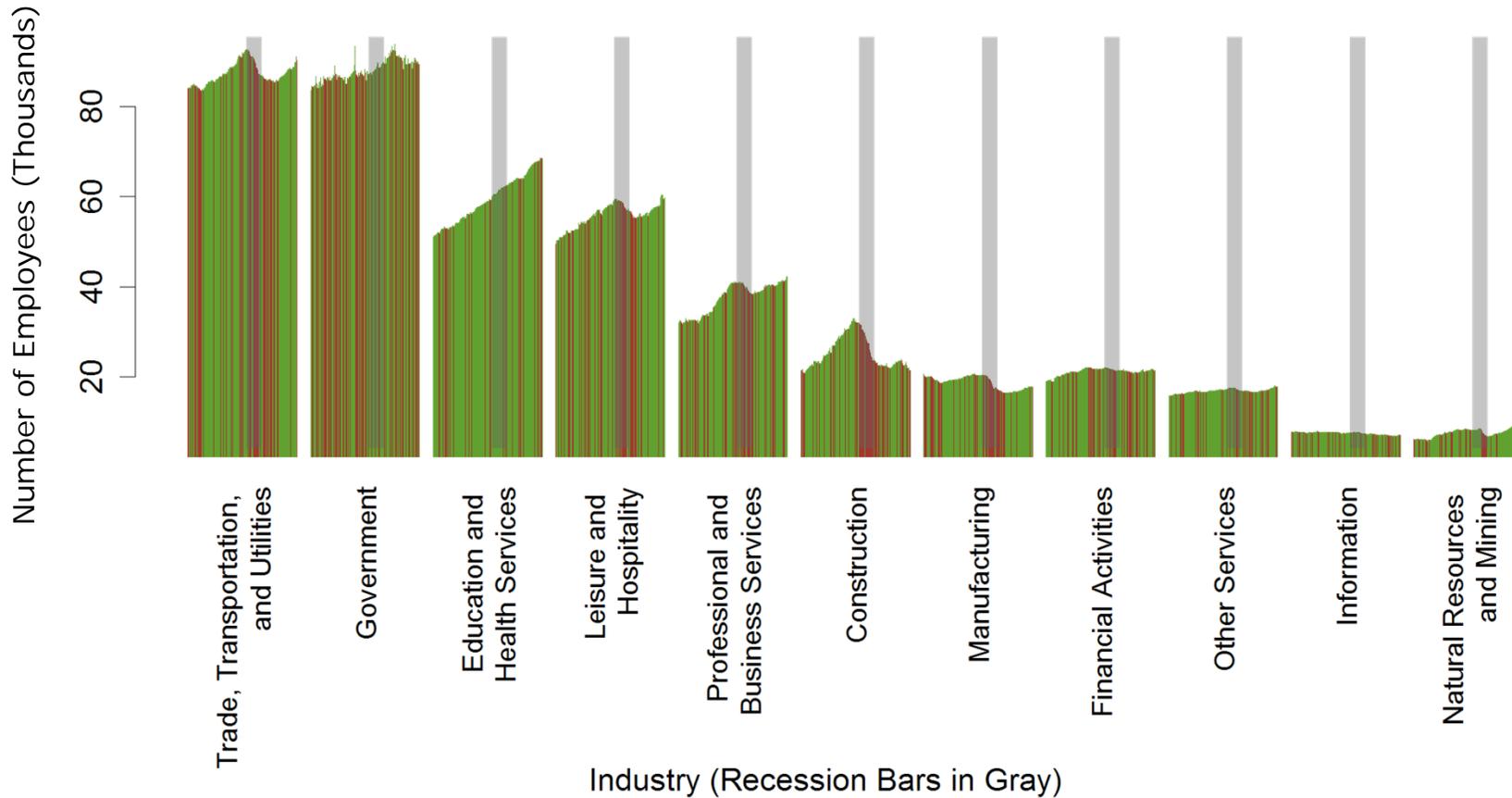
Employment Has Yet to Recover From the Recession in Several Industries



Percentage change since the onset of the recession (peak of economic activity, December 2007); Current Employment Statistics Survey, seasonally adjusted
 Frequency of observation: monthly; latest observed data point: March 2013
 Source: US Bureau of Labor Statistics (BLS), www.bls.gov/ces

Montana

The Industrial Structure Is Changing



■ Increase Over Previous Month ■ Decrease Over Previous Month

Nonfarm Employment, seasonally adjusted
 Monthly employment shown for the period November 2001 through March 2013
 Sources: US Bureau of Labor Statistics (BLS), www.bls.gov; Moody's Economy.com

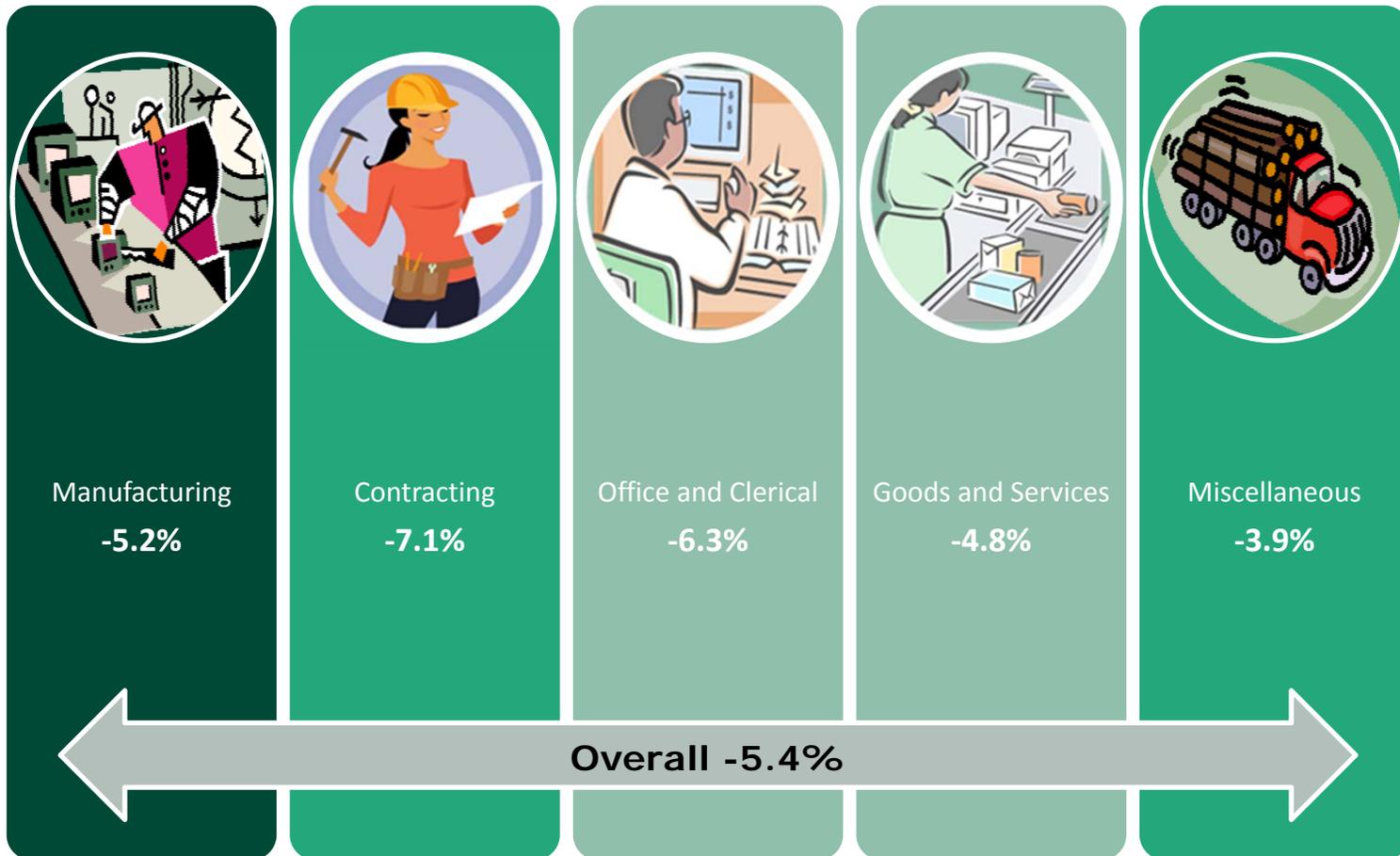




Contracting in Montana

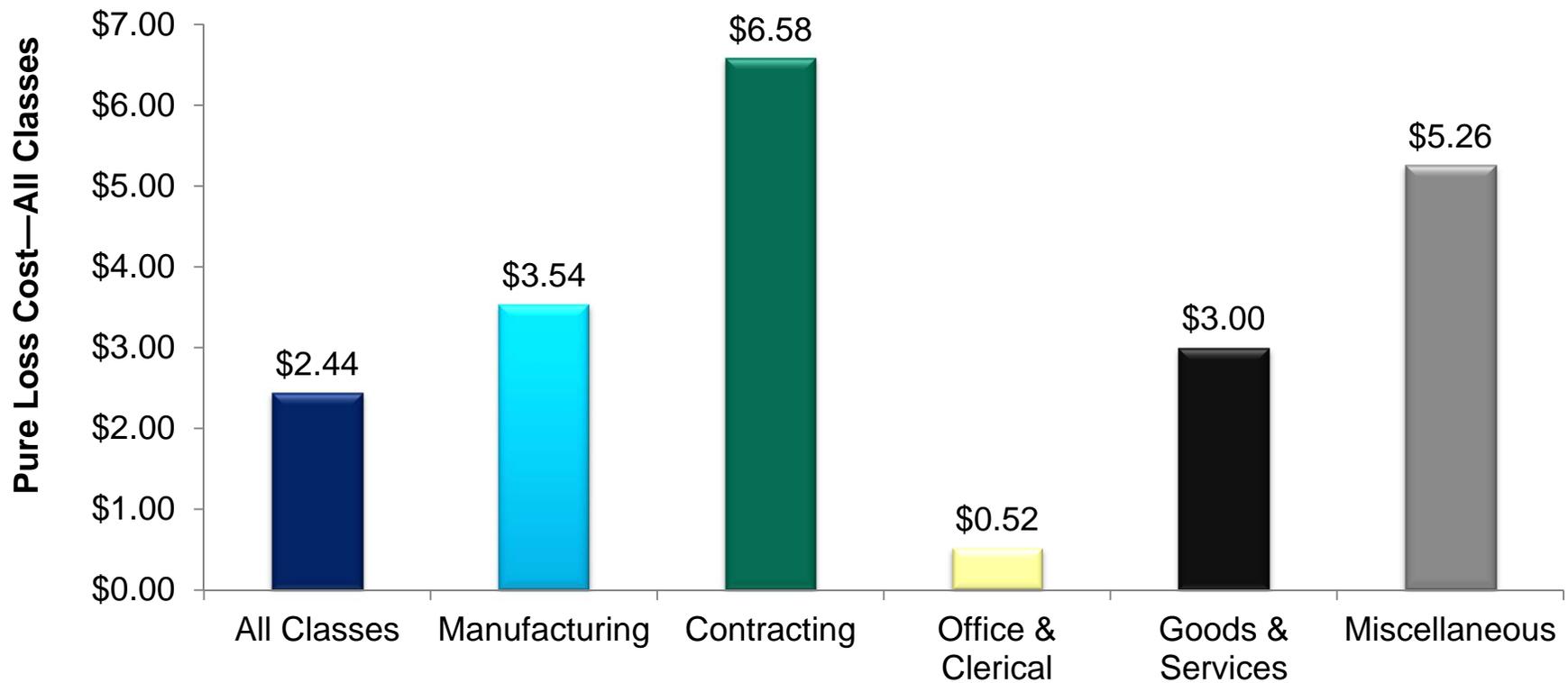


Montana July 1, 2013 Filing Average Changes by Industry Group



Montana

Average Pure Loss Cost by Industry Group

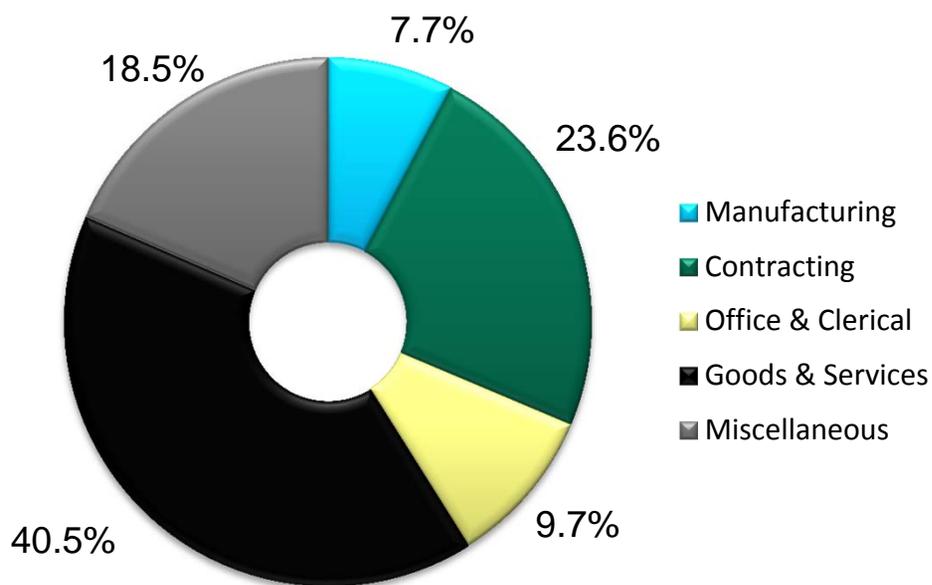


Based on the latest NCCI approved rates/loss costs in Montana

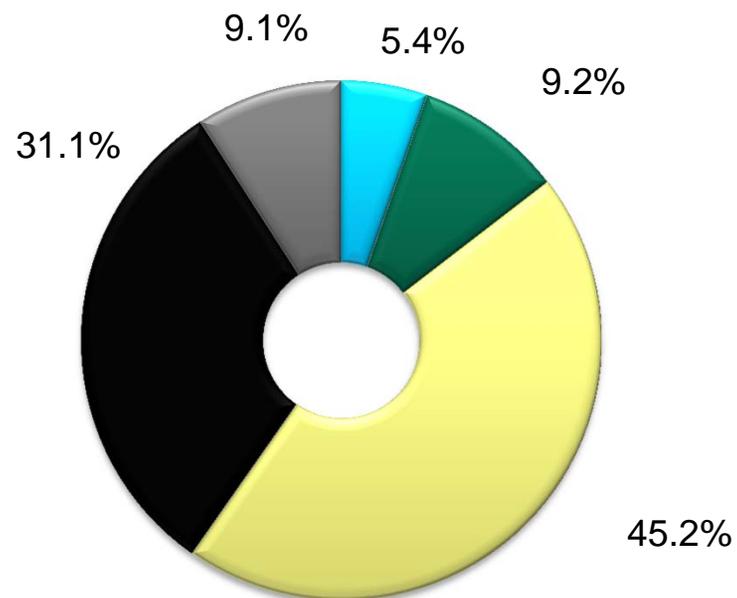


Montana Current Distribution by Industry Group

Standard Premium



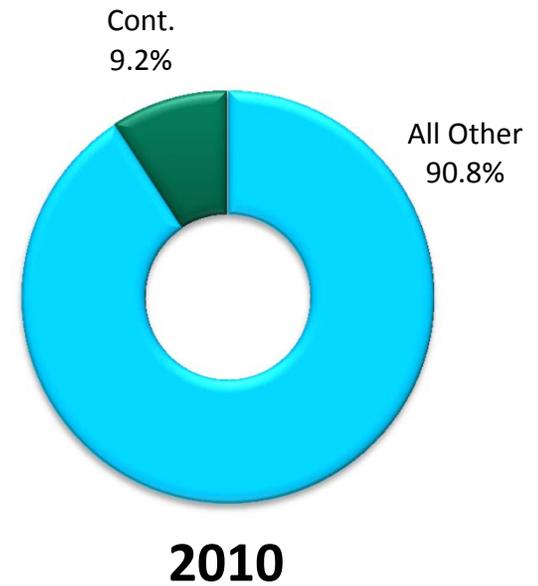
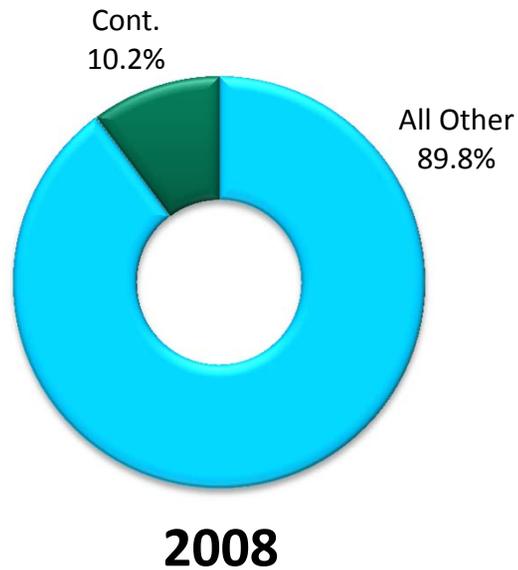
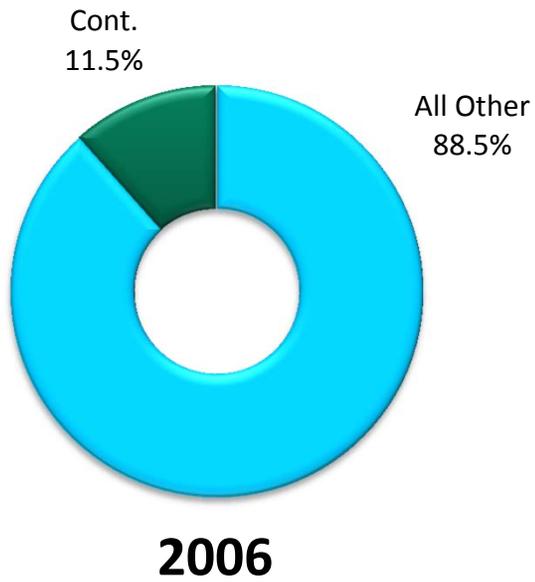
Payroll



Based on the latest NCCI approved loss costs

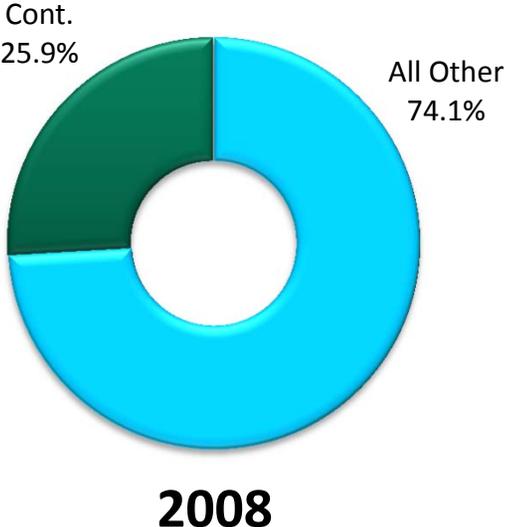
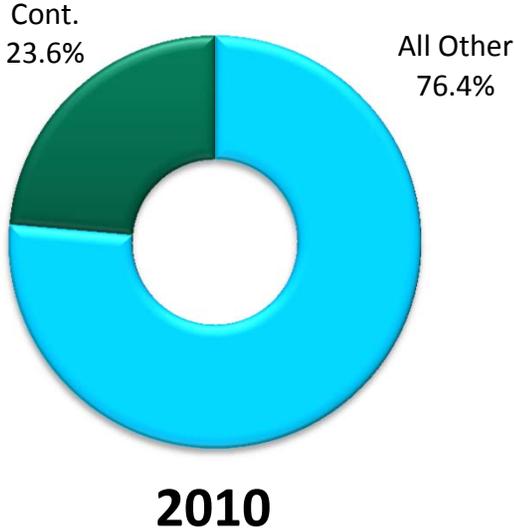
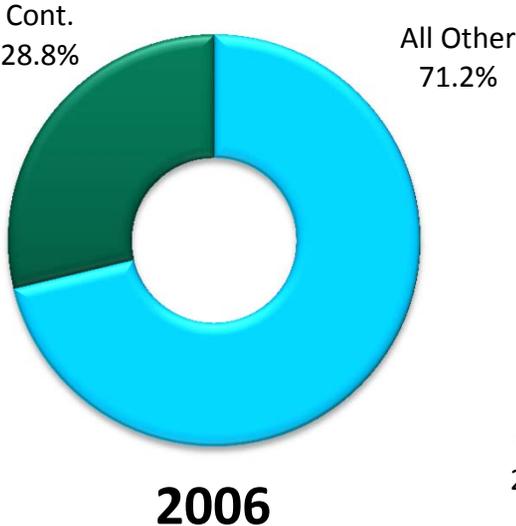


Montana: Contracting Historical Payroll



Source: NCCI's *Statistical Plan* data

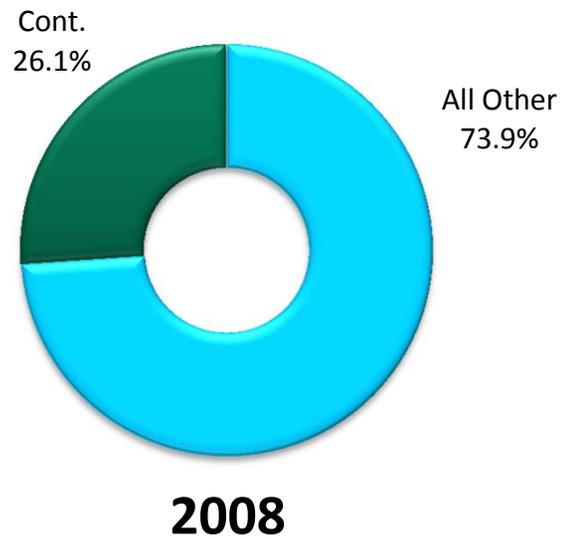
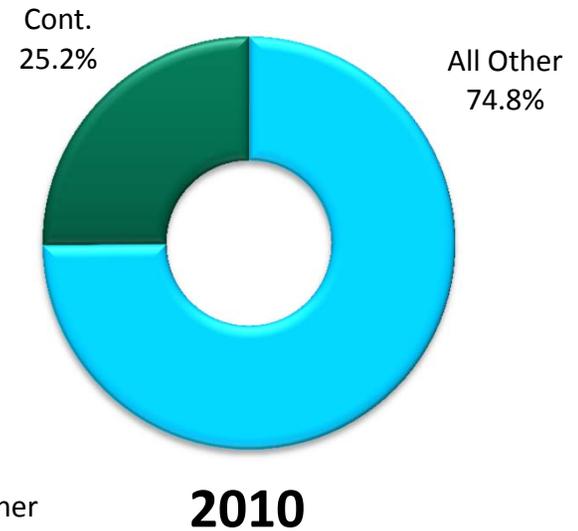
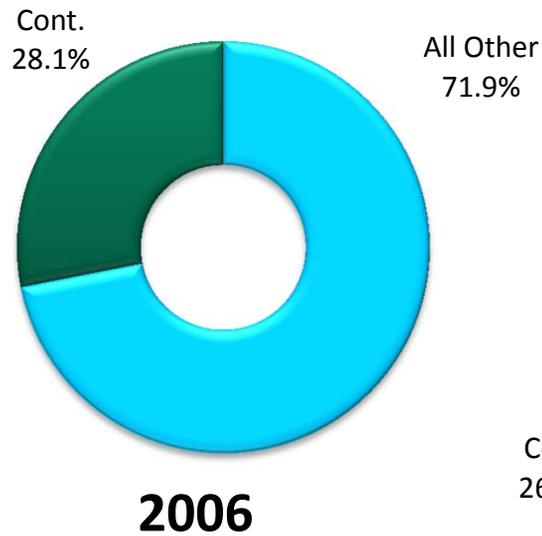
Montana: Contracting Historical Standard Premium



Source: NCCI's *Statistical Plan* data



Montana: Contracting Historical Incurred Losses



Source: NCCI's *Statistical Plan* data

Montana: Contracting Top Five Class Codes Based on Payroll

2001		2006		2010	
5645—Residential Carpentry	11.7%	5645—Residential Carpentry	13.6%	5645—Residential Carpentry	7.5%
5190—Electricians	7.7%	5190—Electricians	6.9%	5606—Construction Executive Manager	7.0%
9420—Public Employees Street & Road Maintenance	7.5%	5183—Plumbers	6.6%	5190—Electricians	6.5%
5183—Plumbers	7.1%	5606—Construction Executive Manager	6.1%	5183—Plumbers	6.3%
5403—Commercial Construction	5.6%	9420—Public Employees Street & Road Maintenance	4.6%	9420—Public Employees Street & Road Maintenance	6.2%



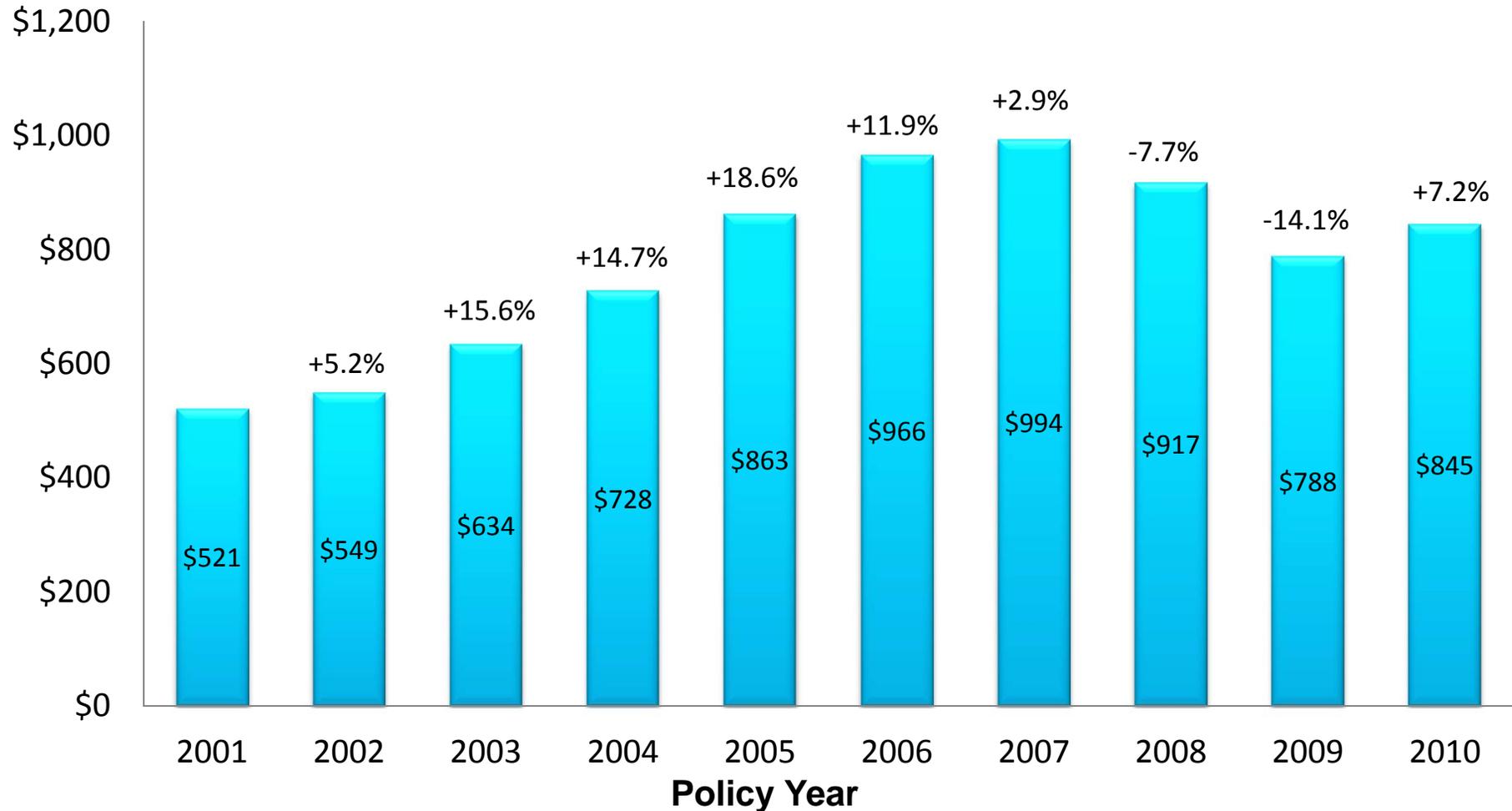
Montana: Contracting Top Five Class Codes Based on Standard Premium

2001		2006		2010	
5645—Residential Carpentry	17.1%	5645—Residential Carpentry	20.3%	5645—Residential Carpentry	11.6%
5403—Commercial Construction	8.7%	5403—Commercial Construction	5.2%	9420—Public Employees Street & Road Maintenance	7.1%
9420—Public Employees Street & Road Maintenance	8.1%	9420—Public Employees Street & Road Maintenance	5.1%	6216—Oil & Gas operations	6.1%
6217—Excavation	5.0%	6235—Oil & Gas Drilling	4.8%	5403—Commercial Construction	5.3%
5183—Plumbers	4.7%	5183—Plumbers	4.5%	6217—Excavation	5.0%



Montana: Contracting Payroll

\$ Millions

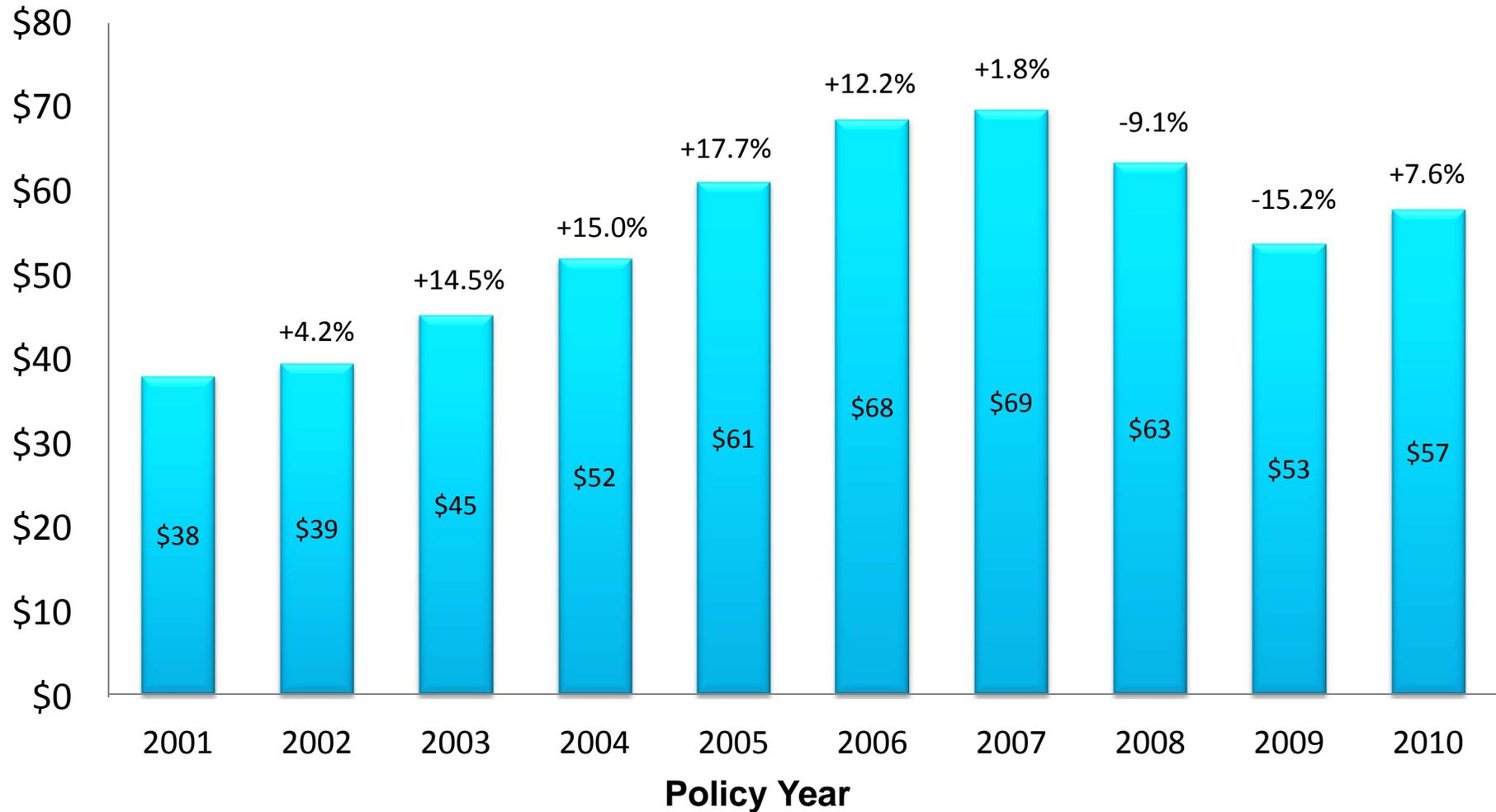


Source: NCCI's *Statistical Plan* data



Montana: Contracting Standard Premium

\$ Millions

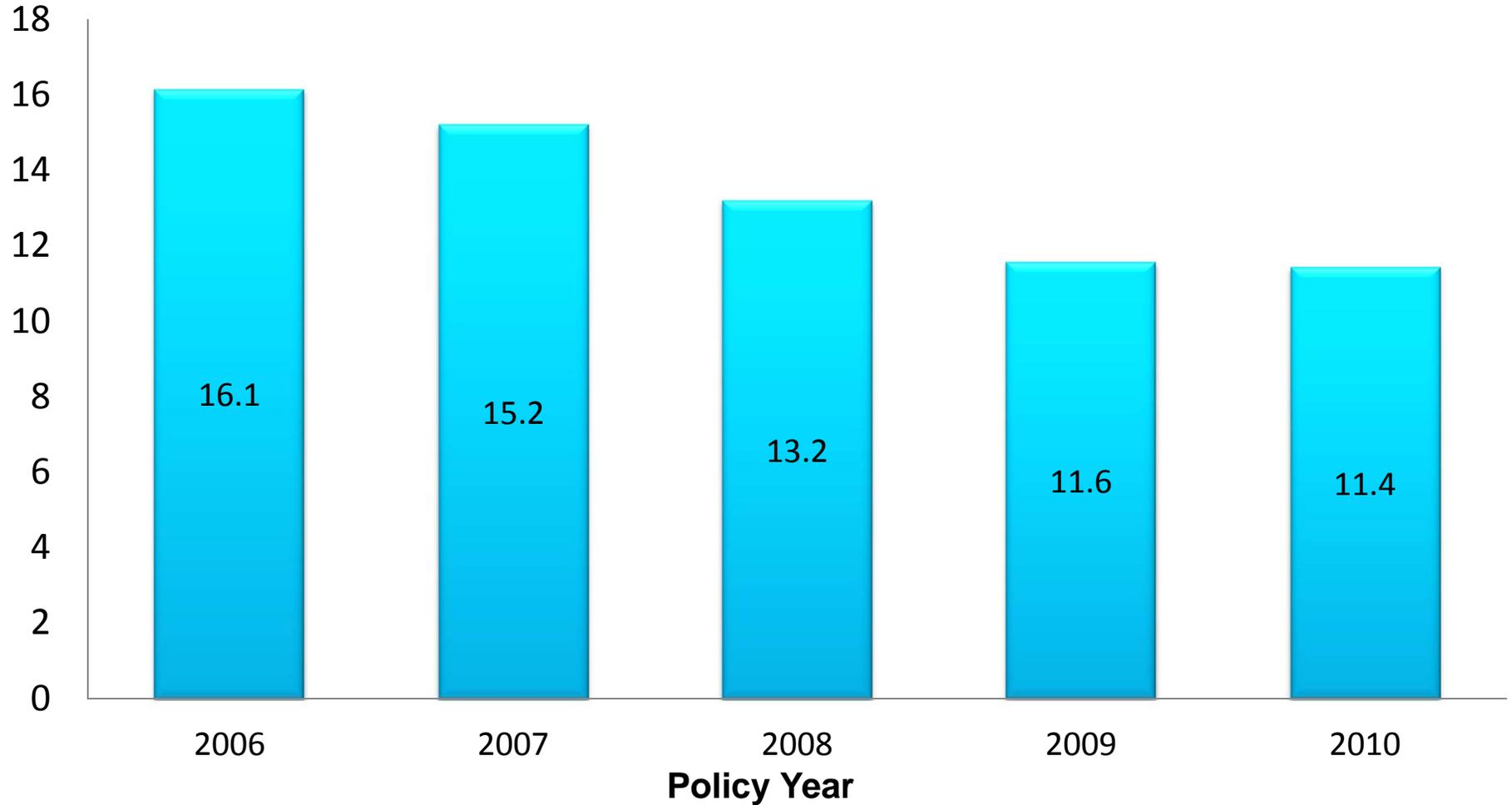


Source: NCCI's *Statistical Plan* data



Montana: Contracting Claim Frequency

Claims per \$Million
of Premium

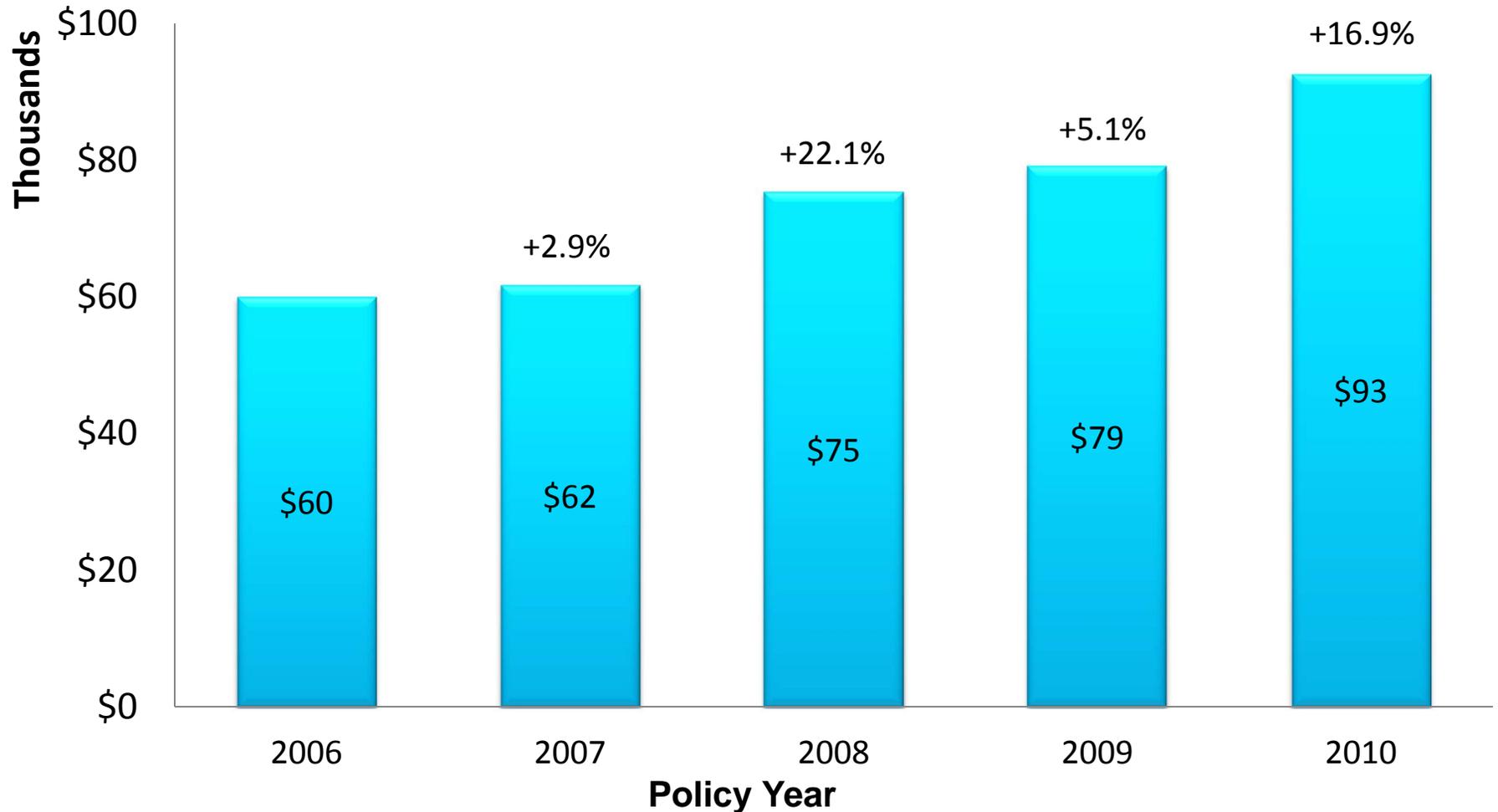


Source: NCCI's *Statistical Plan* data



Montana: Contracting Indemnity Claim Severity

Cost per Claim

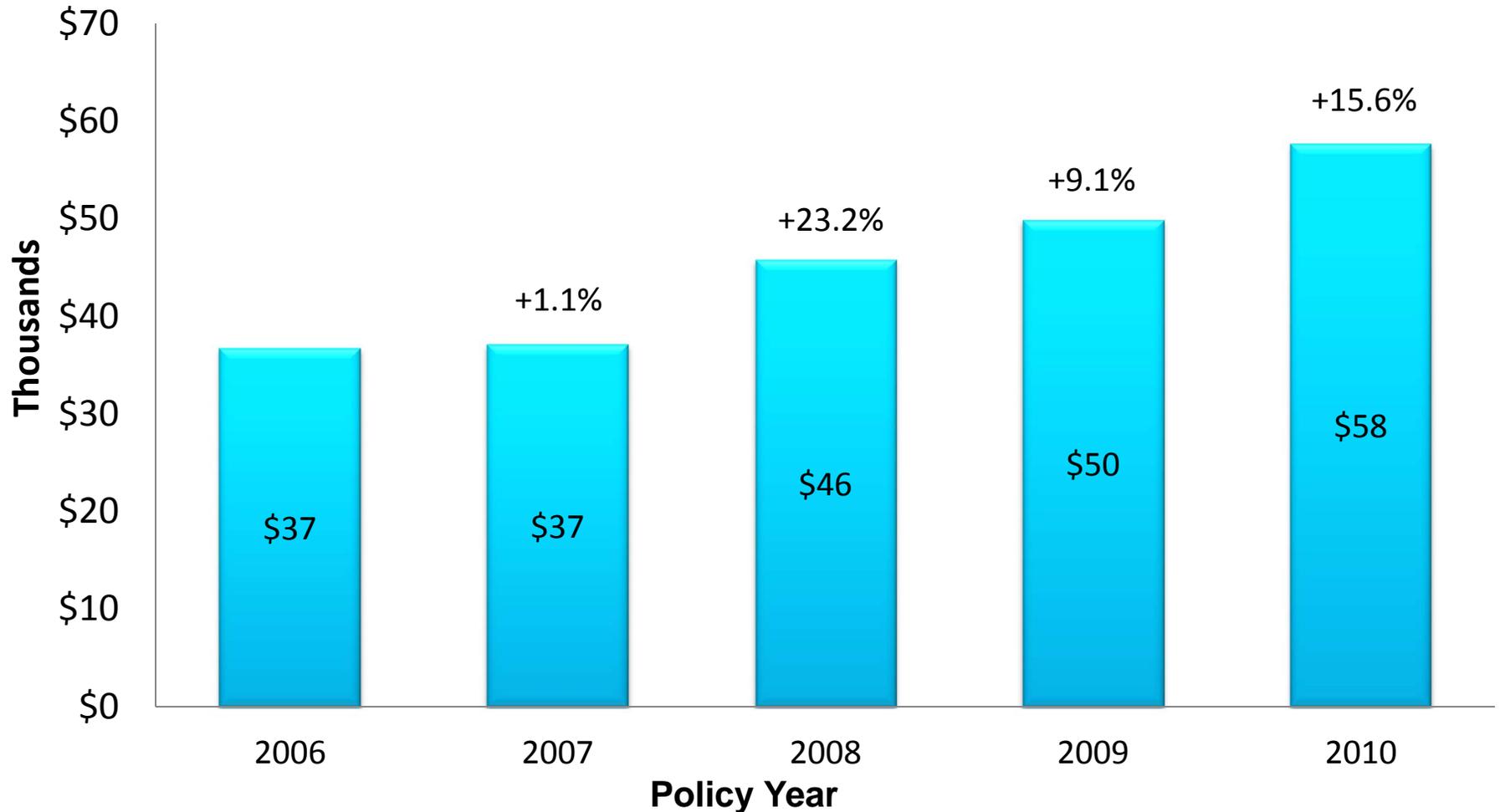


Source: NCCI's *Statistical Plan* data



Montana: Contracting Medical Claim Severity

Cost per Claim

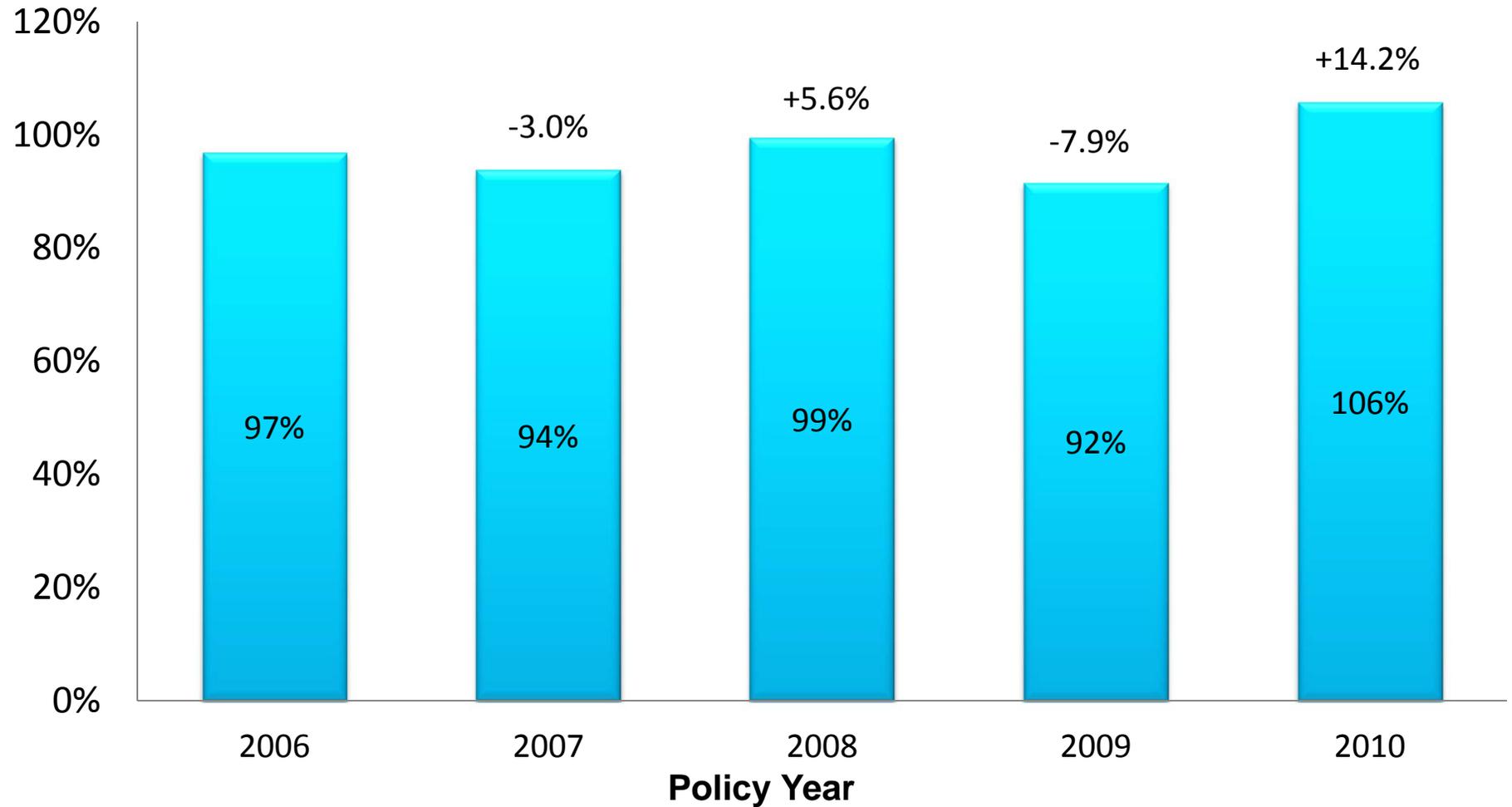


Source: NCCI's *Statistical Plan* data



Montana: Contracting Loss Ratio

Loss Ratio



Source: NCCI's *Statistical Plan* data



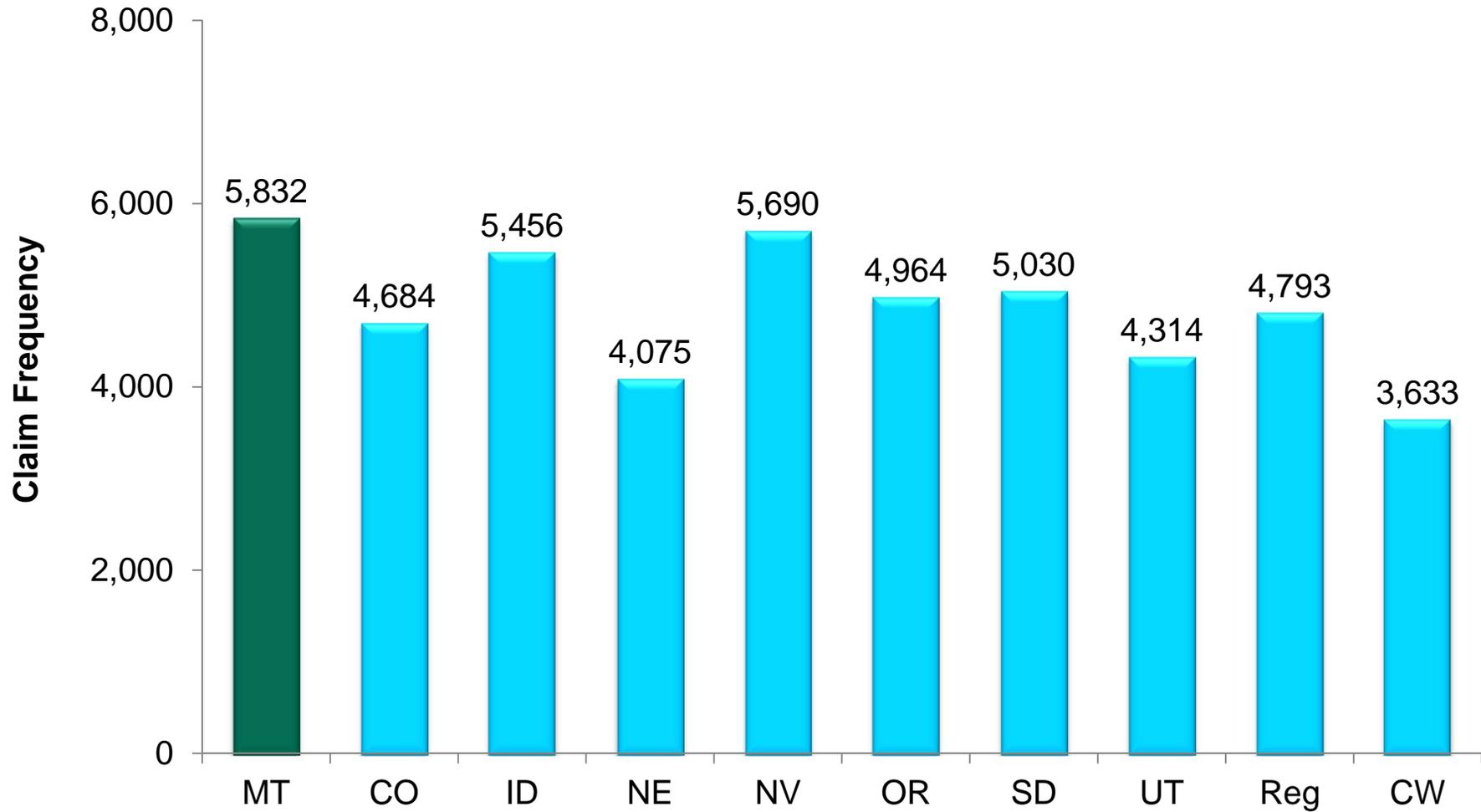


Claim Frequency



Average Claim Frequency

Frequency per 100,000 Workers—All Claims

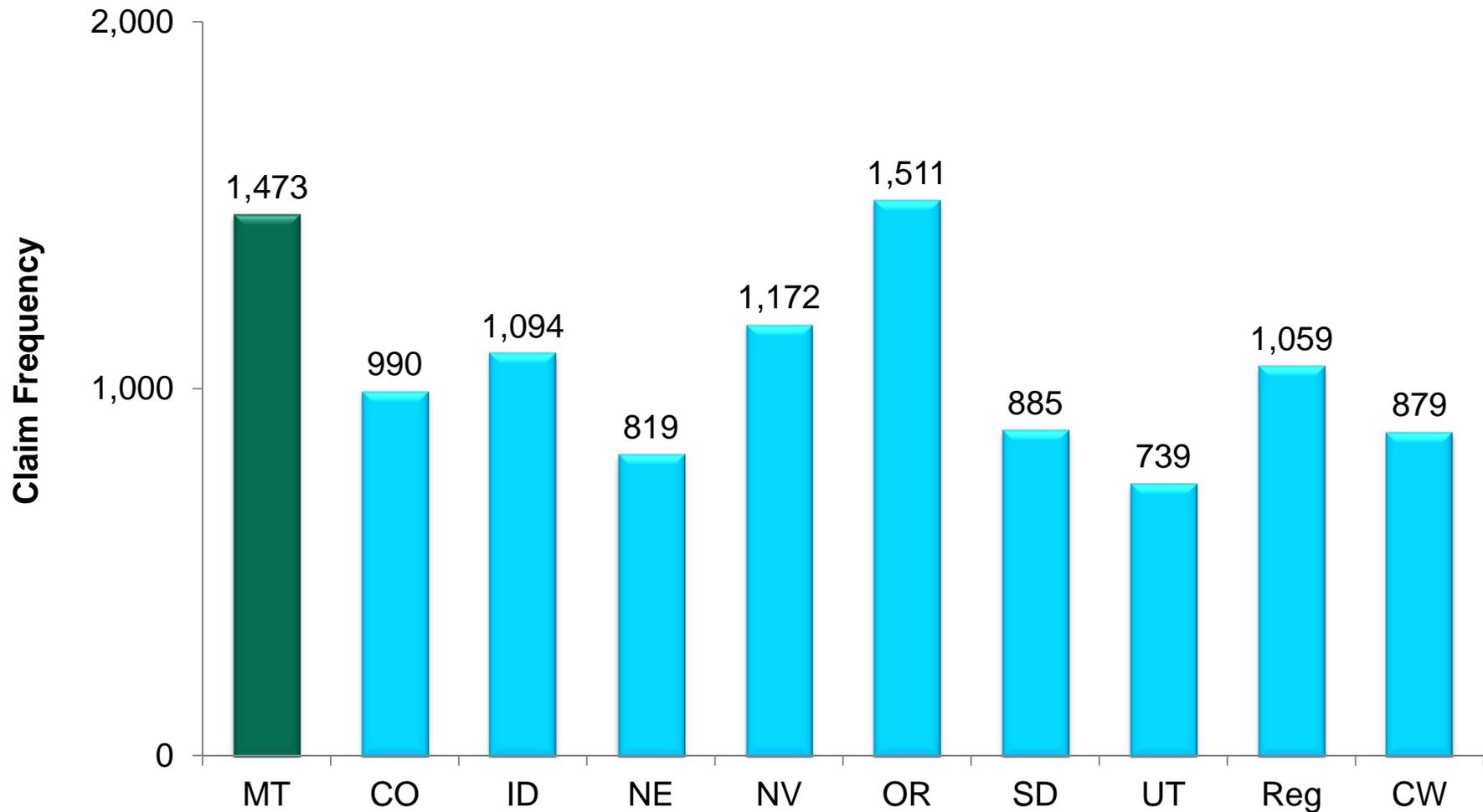


Based on NCCI's *Statistical Plan* data



Average Lost-Time Claim Frequency

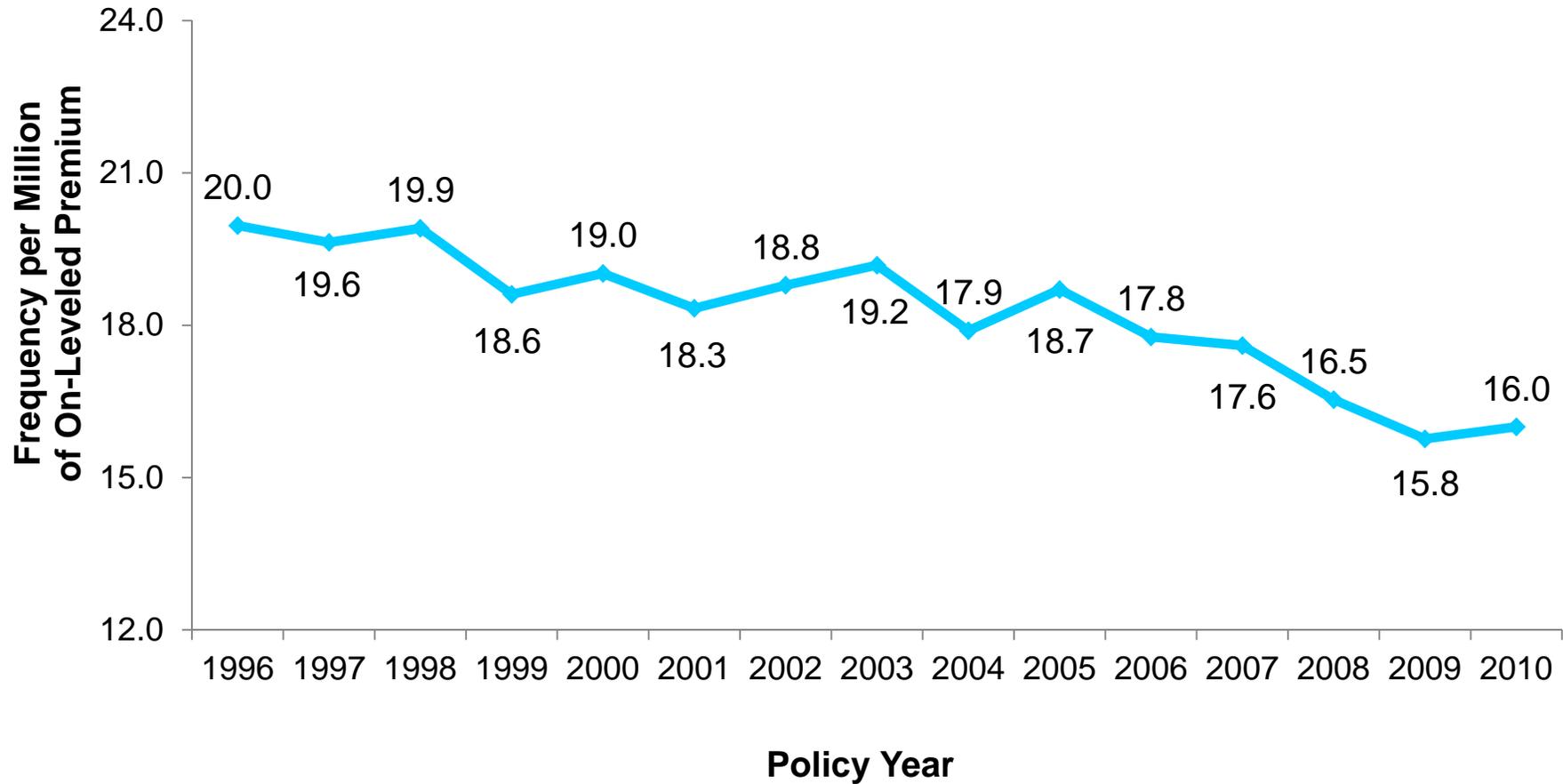
Frequency per 100,000 Workers—Lost-Time Claims



Based on NCCI's *Statistical Plan* data



Montana Workers Compensation Lost-Time Claim Frequency

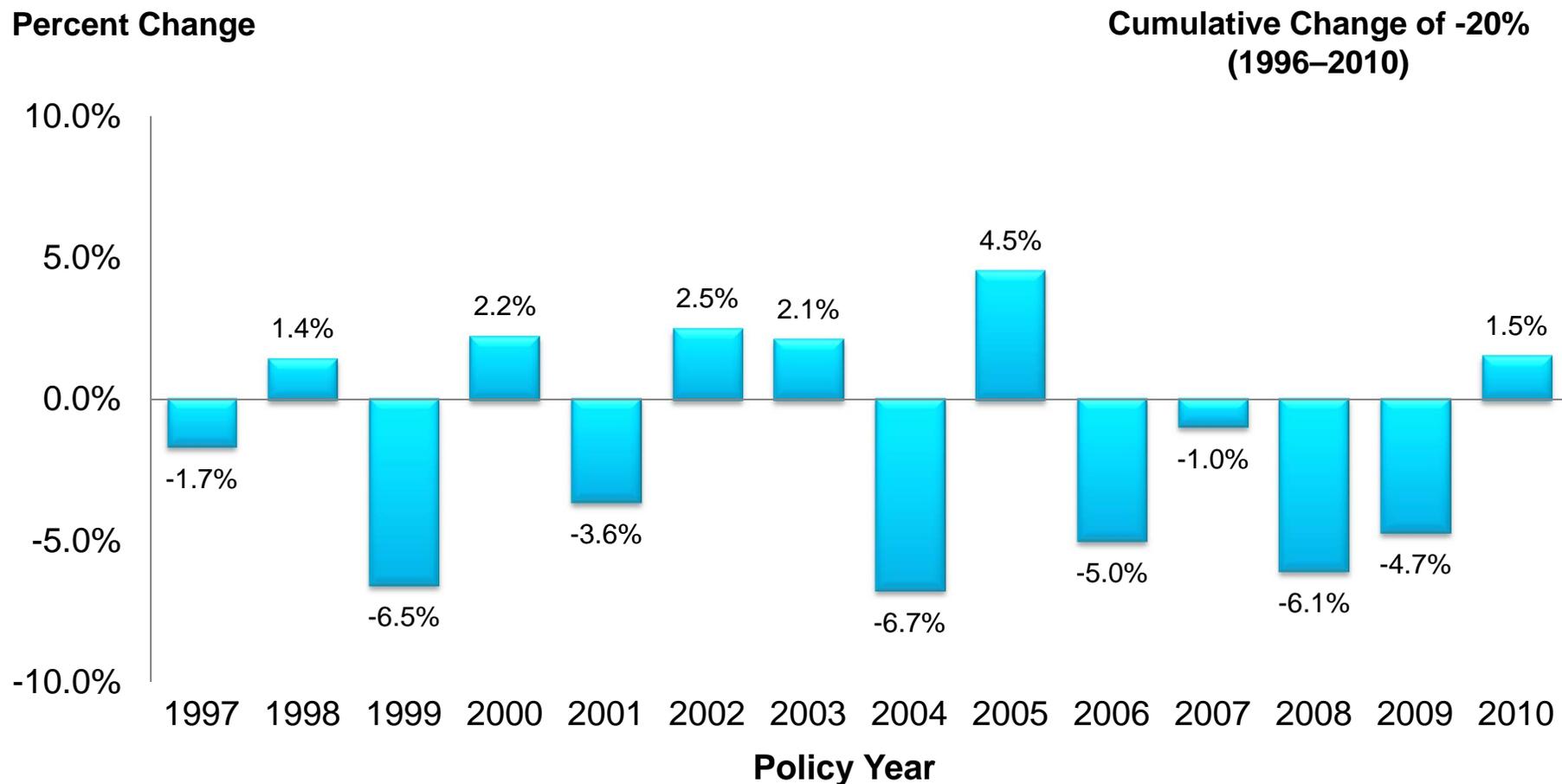


Based on NCCI's financial data
Frequency of lost-time claims adjusted to a common wage level



Montana Workers Compensation Lost-Time Claim Frequency

Lost-Time Claims



Based on data through 12/31/2011, developed to ultimate



Countrywide Workers Compensation Lost-Time Claim Frequency Declined in 2012



2012p: Preliminary based on data valued as of 12/31/2012

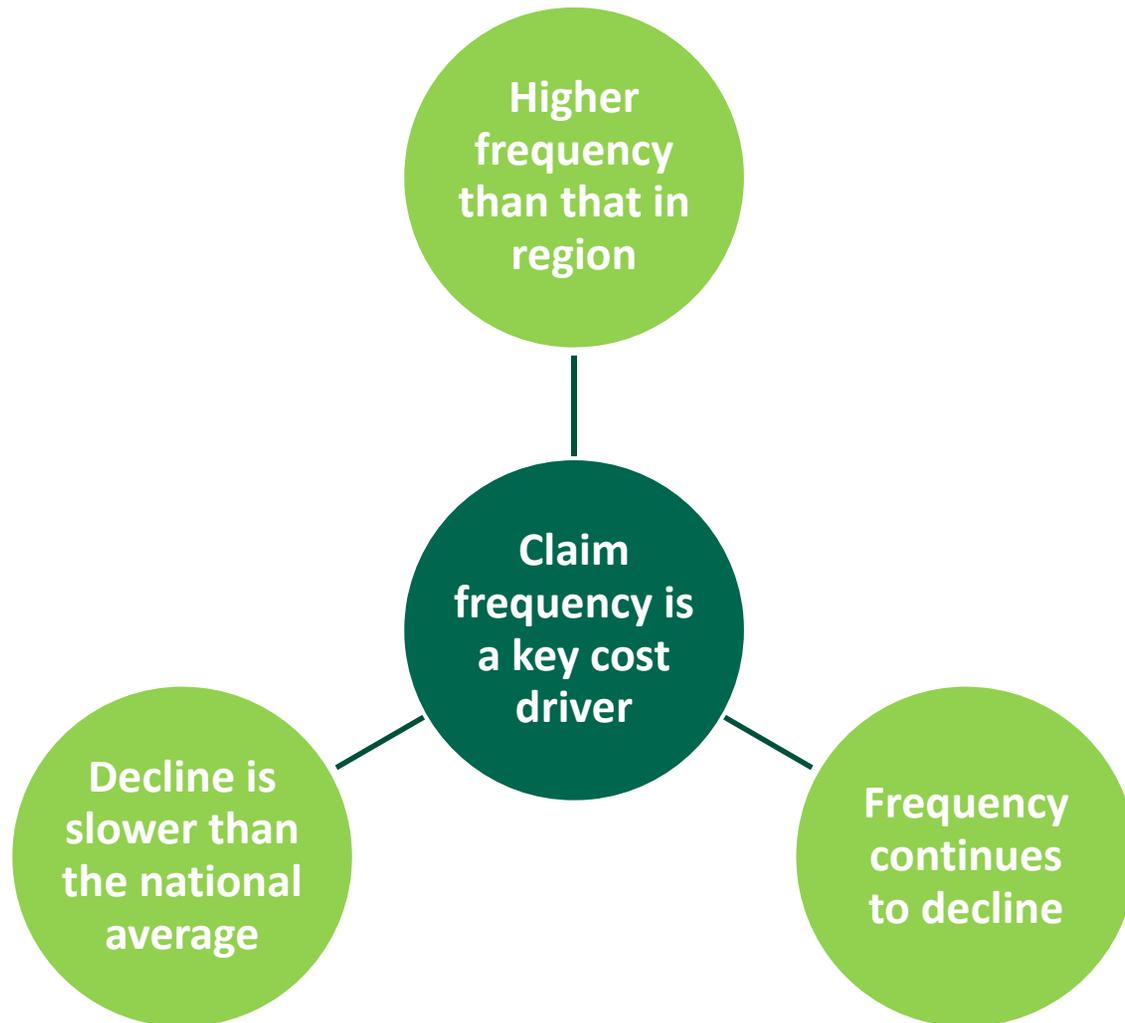
1991–2011: Based on data through 12/31/2011, developed to ultimate

Based on the states where NCCI provides ratemaking services, excluding WV; including state funds; excludes high deductible policies

Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level



Key Takeaways—Claim Frequency

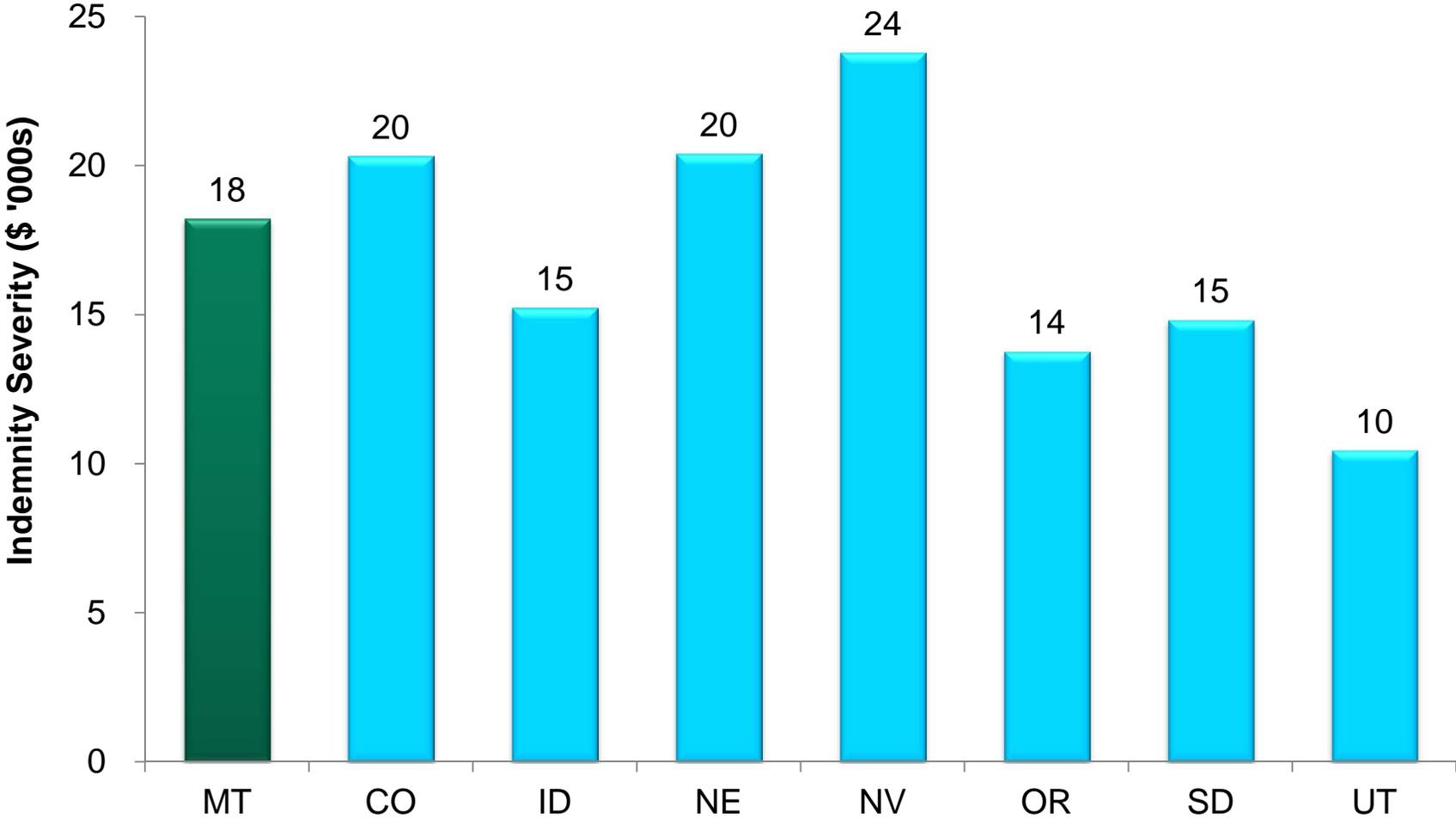




Indemnity Severity



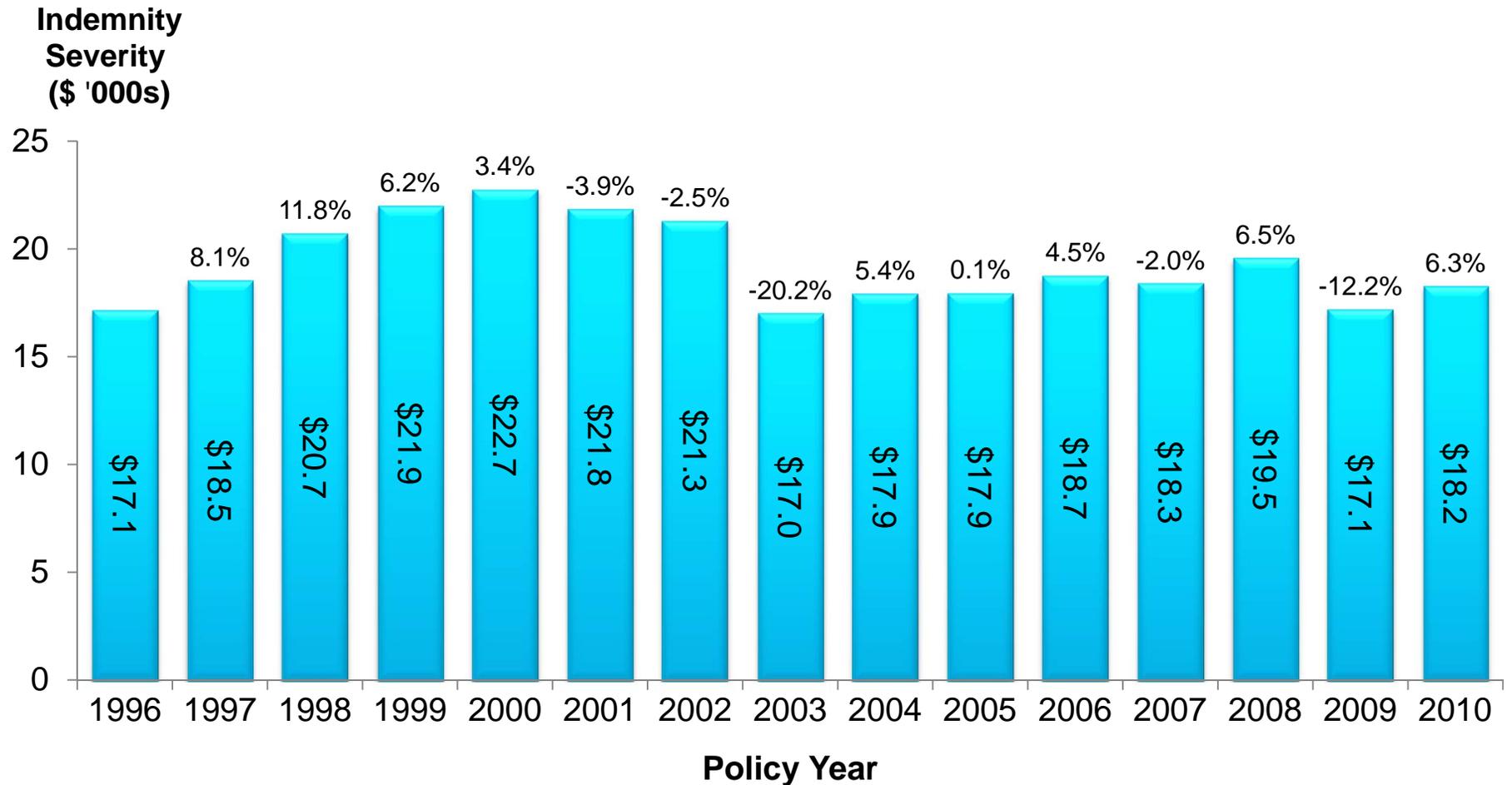
Average Indemnity Claim Severity



Based on NCCI's financial data for lost-time claims



Montana Average Indemnity Claim Severity



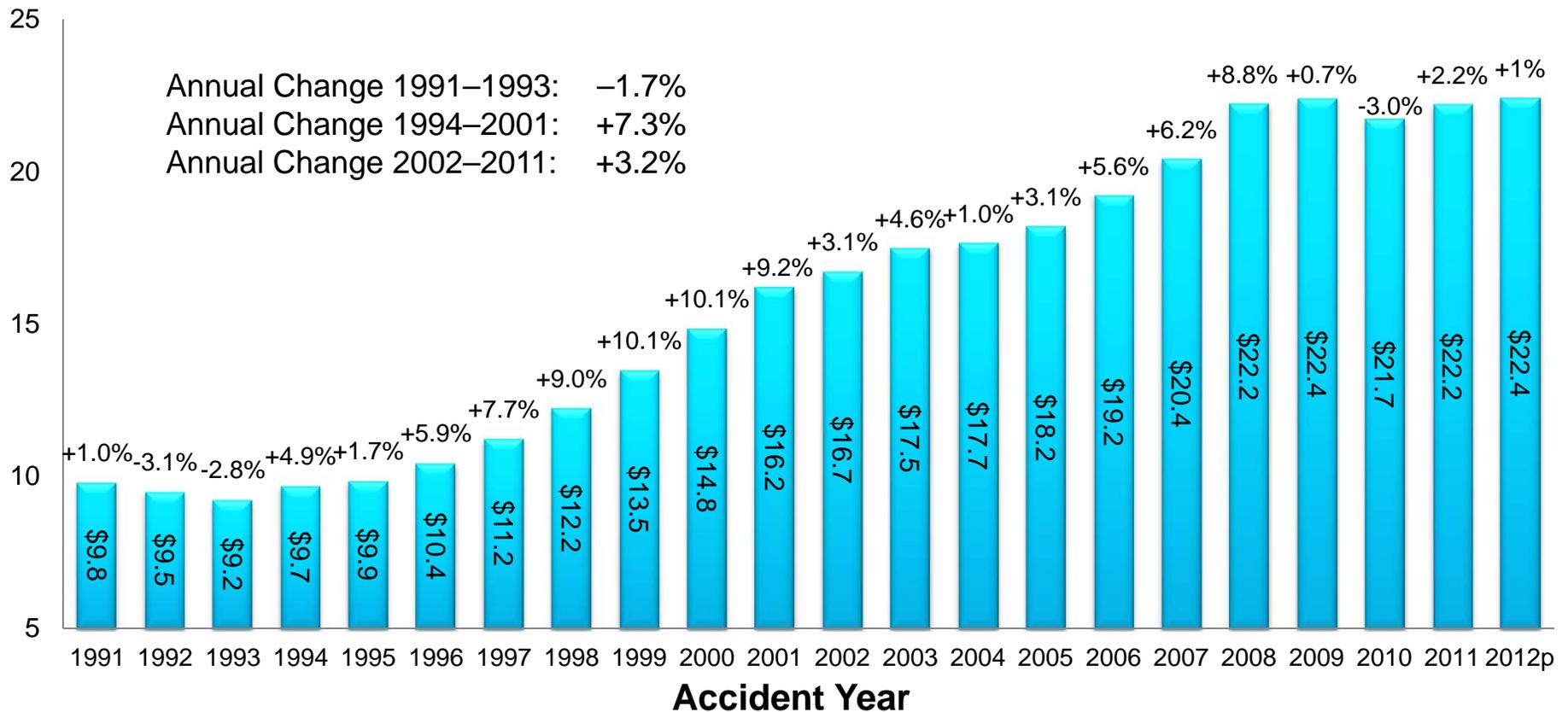
Based on data through 12/31/2011, on-leveled and developed to ultimate



Countrywide Workers Compensation Indemnity Claim Costs— Small Increase in 2012

Indemnity Claim Cost (\$ '000s)

Average Indemnity Cost per Lost-Time Claim



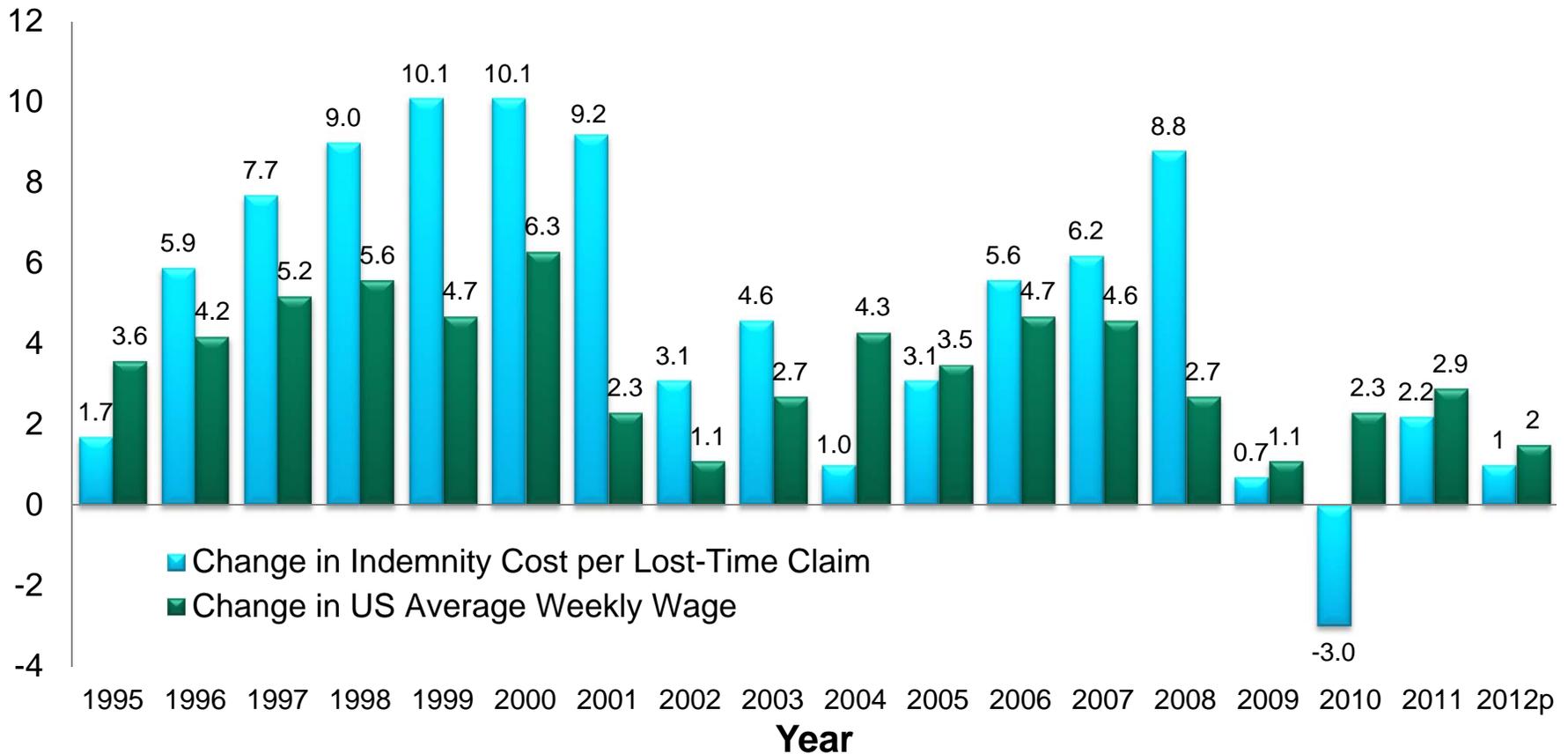
2012p: Preliminary based on data valued as of 12/31/2012
1991–2011: Based on data through 12/31/2011, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds, excluding WV
Excludes high deductible policies



Countrywide Workers Compensation Indemnity Severity— Small Increase in 2012

Percent Change

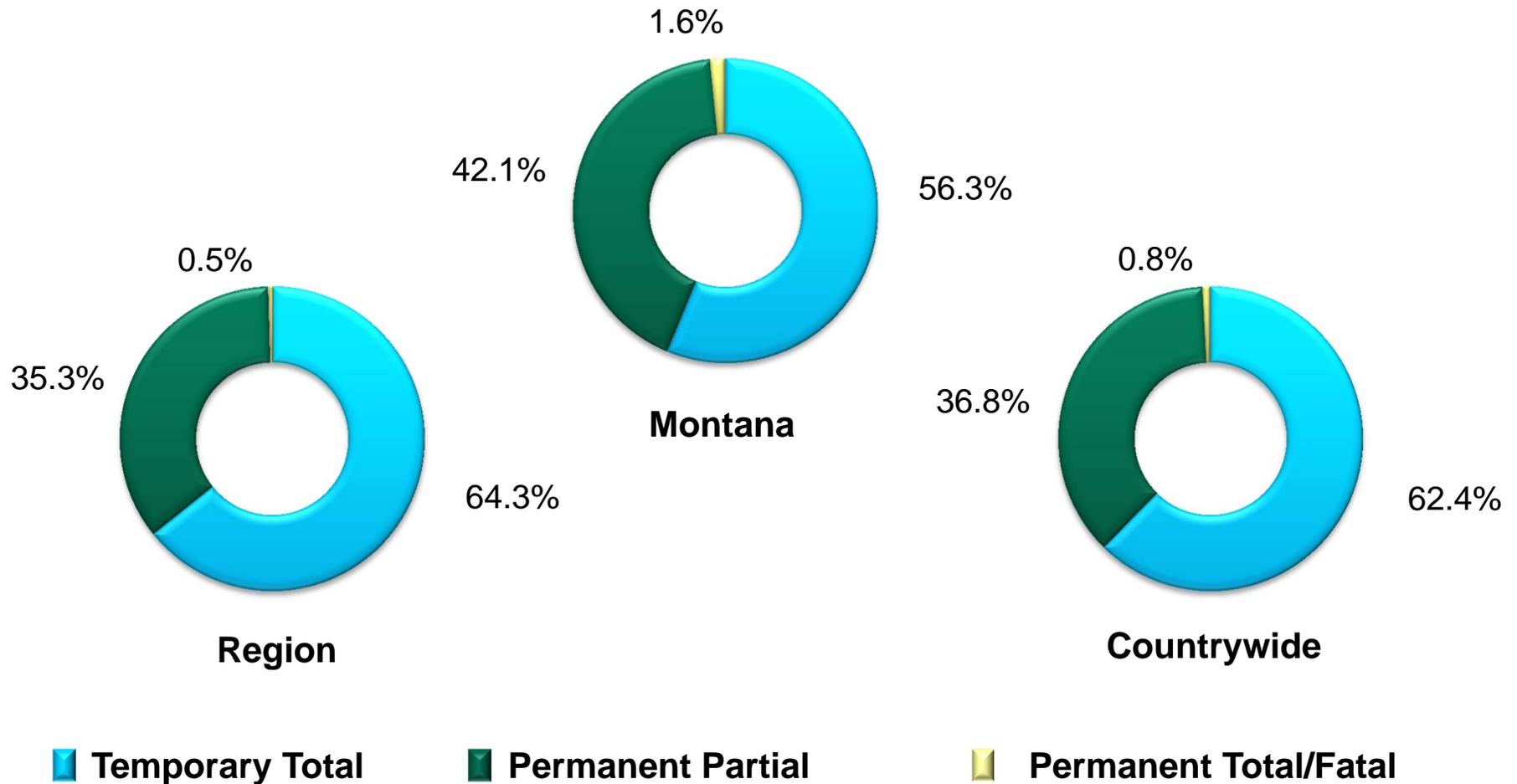
Average Indemnity Cost per Lost-Time Claim



Indemnity cost per lost-time claim, 2012p: Preliminary based on data valued as of 12/31/2012
 1995–2011: Based on data through 12/31/2011, developed to ultimate; excludes high deductible policies
 Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV
 US Average Weekly Wage 1995–2007: Quarterly Census of Employment and Wages; 2008–2012p, NCCI, Moody's Economy.com



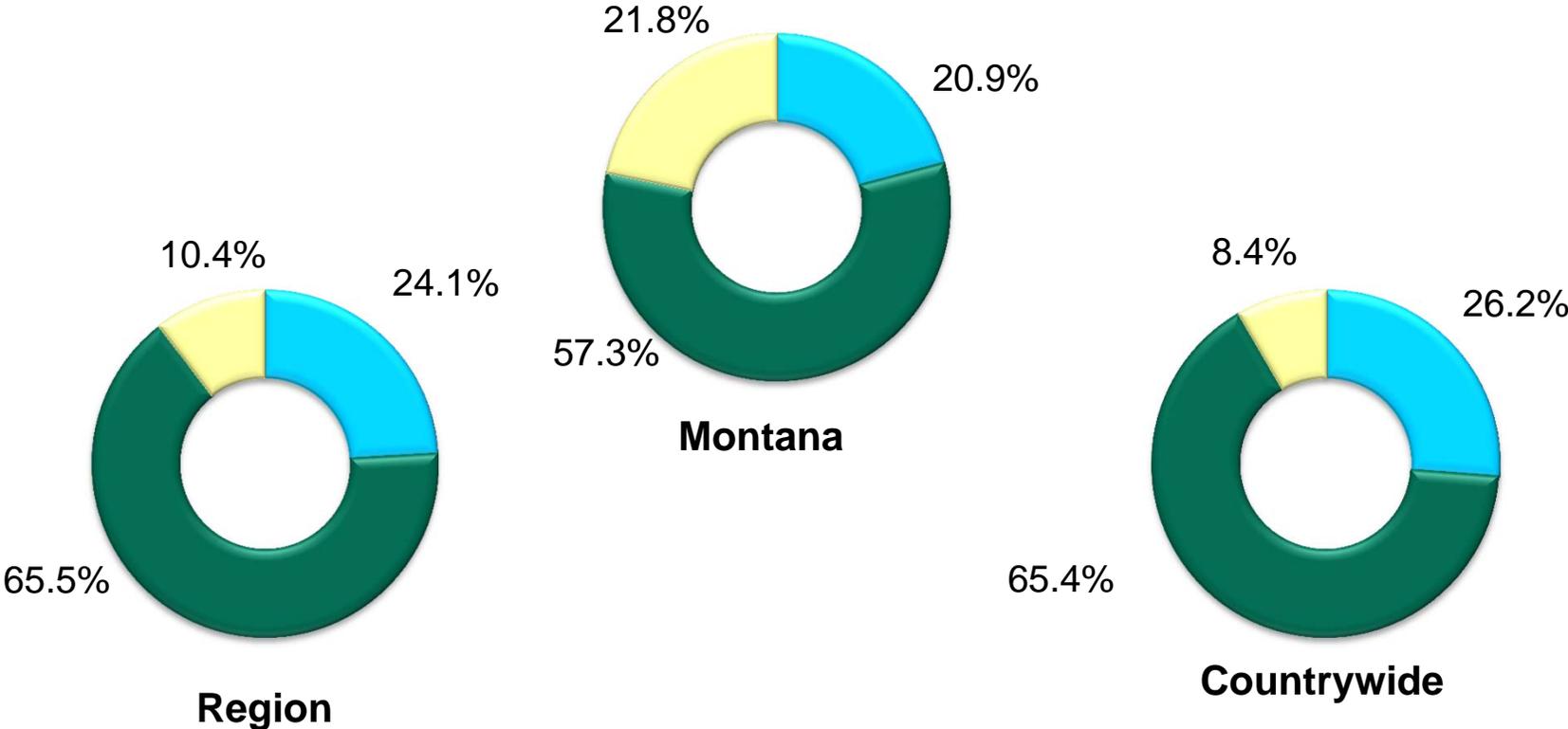
Distribution of Claims by Injury Type



Regional states are CO, ID, NE, NV, OR, SD, and UT
 Based on NCCI's *Statistical Plan* data



Indemnity Loss Distribution by Injury Type



■ Temporary Total
 ■ Permanent Partial
 ■ Permanent Total/Fatal

Regional states are CO, ID, NE, NV, OR, SD, and UT
 Based on NCCI's *Statistical Plan* data



Montana Switched to Use of AMA 6th Edition

The average
impairment rating
decreased by
approximately **28%**

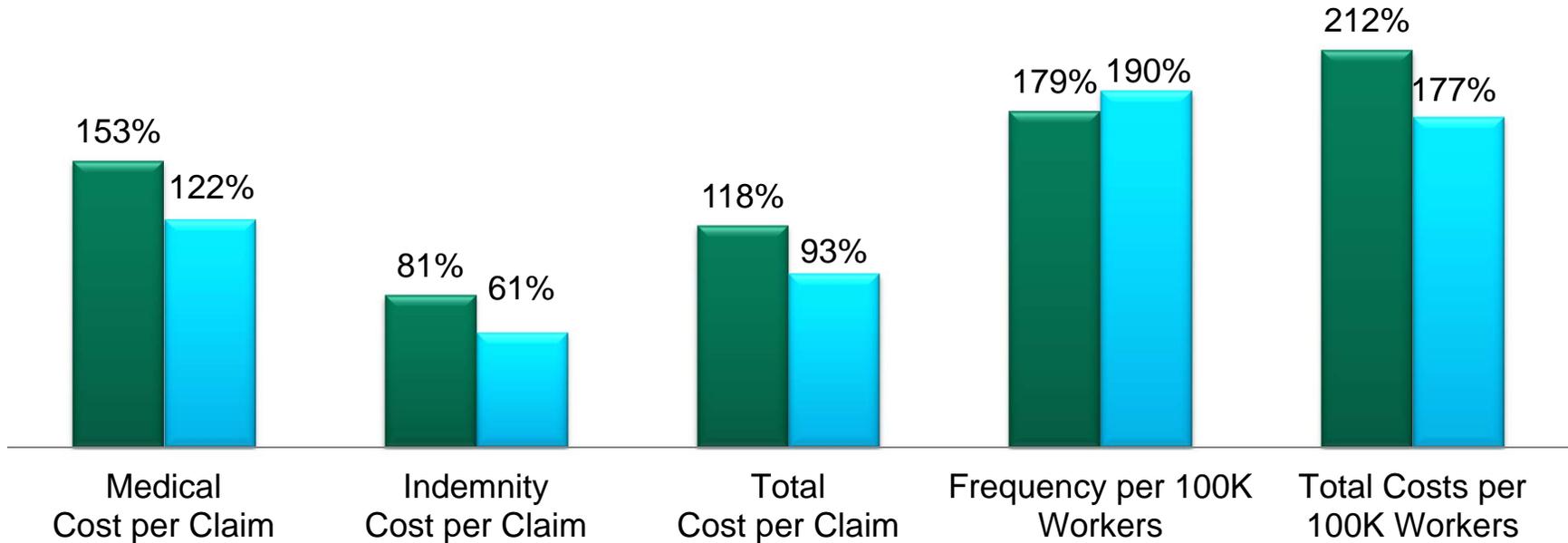
The decrease in
impairment ratings was
impacted by the switch
to the **6th Edition**

Disability modifiers
increased concurrent
with the decrease in
impairment ratings,
although modestly

Permanent Partial Claim Costs

Montana Relative to the Countrywide Average

■ 5 Years Before ■ Latest Year



Source: NCCI's *Statistical Plan* data



Key Takeaways—Indemnity Benefit Costs

Indemnity costs are trending down in Montana

The average indemnity cost is on par with the region and lower than countrywide

PPD average costs are no longer higher than countrywide

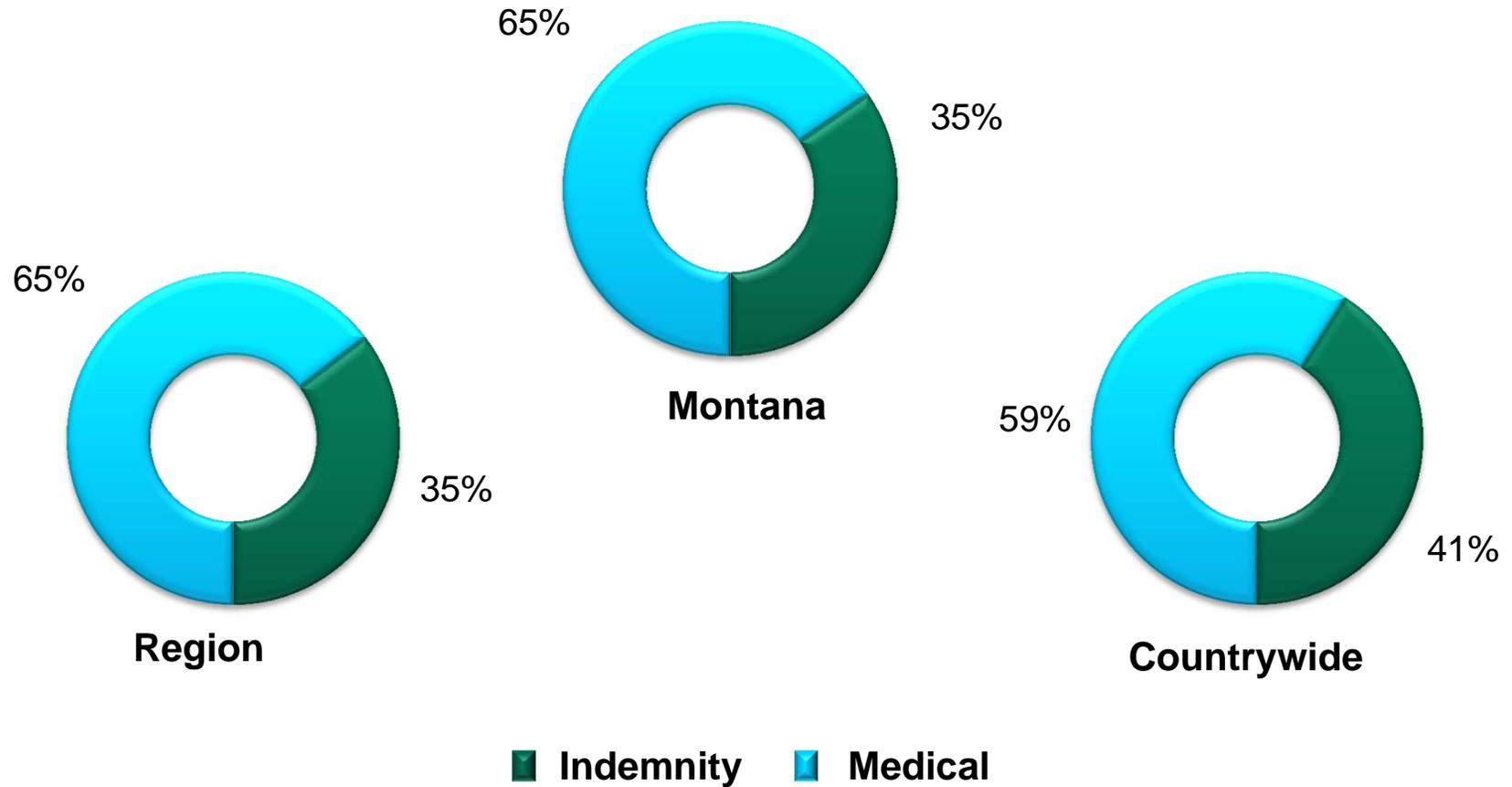
PPD claim frequency, at double the Countrywide average rate, is a cost driver



Medical Severity



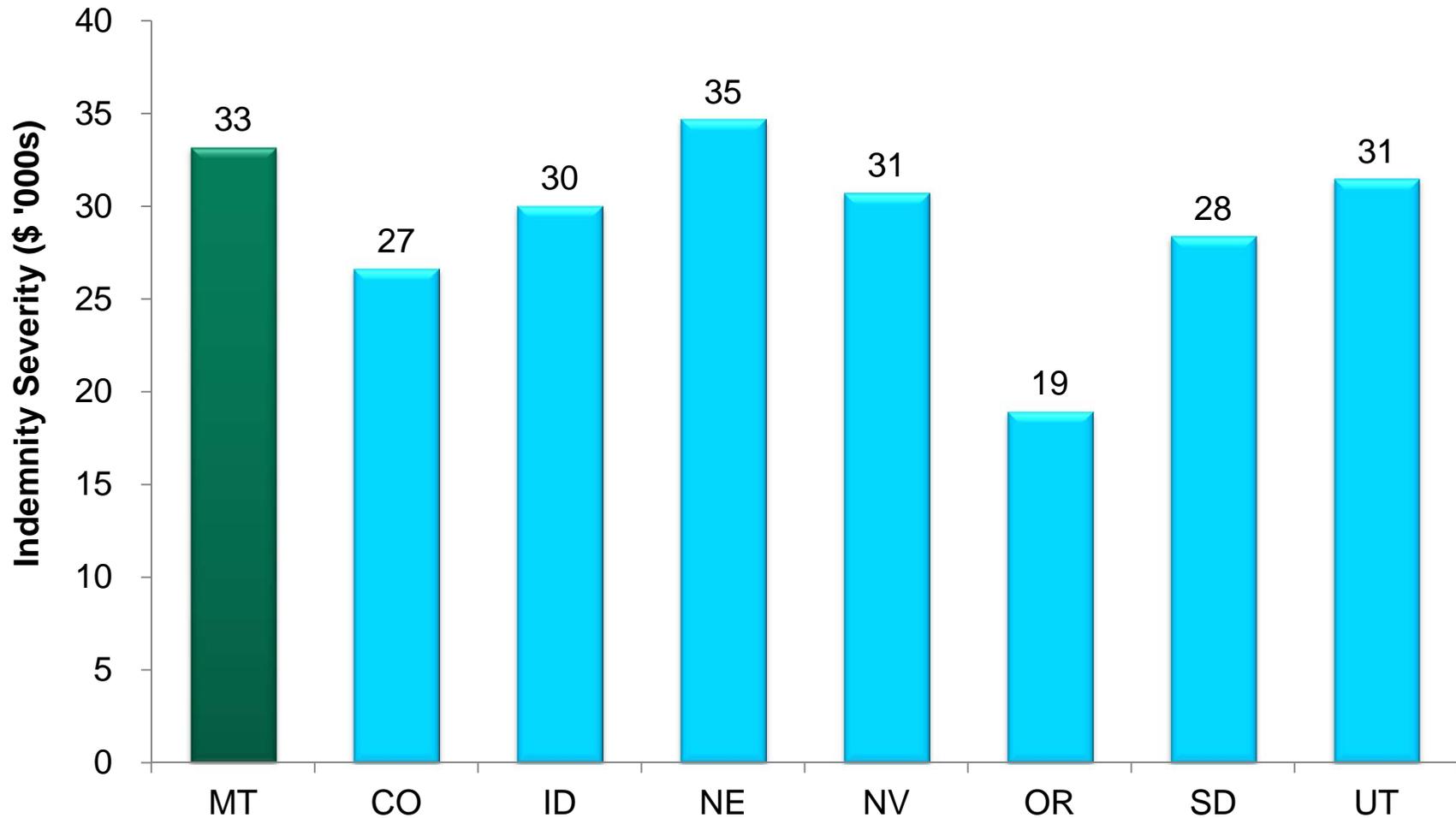
Benefit Costs Distribution



Regional states are CO, ID, NE, NV, OR, SD, and UT
Based on NCCI financial data



Average Medical Claim Severity in the Region



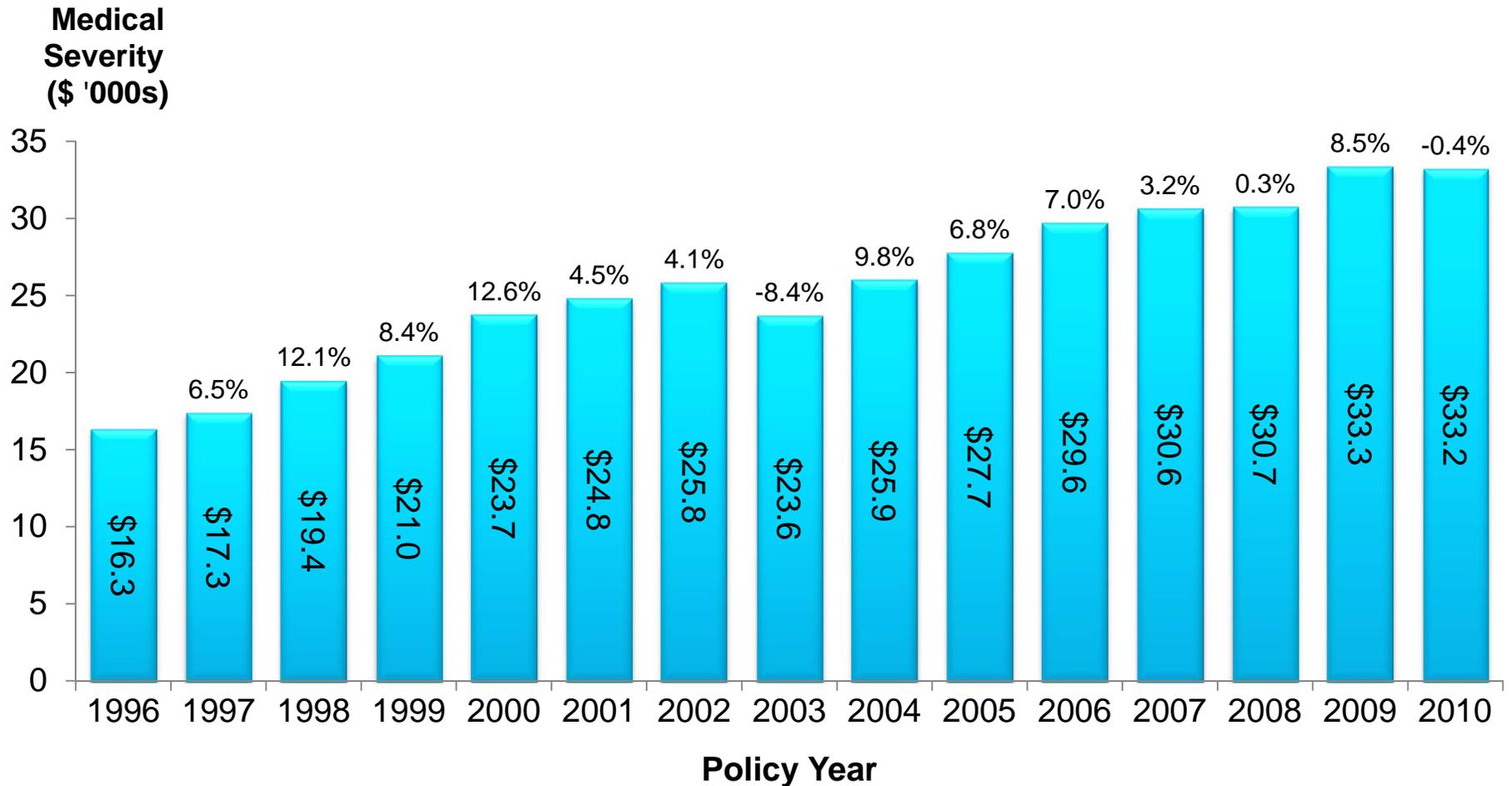
Based on NCCI's financial data for lost-time claims



Montana

Average Medical Claim Severity

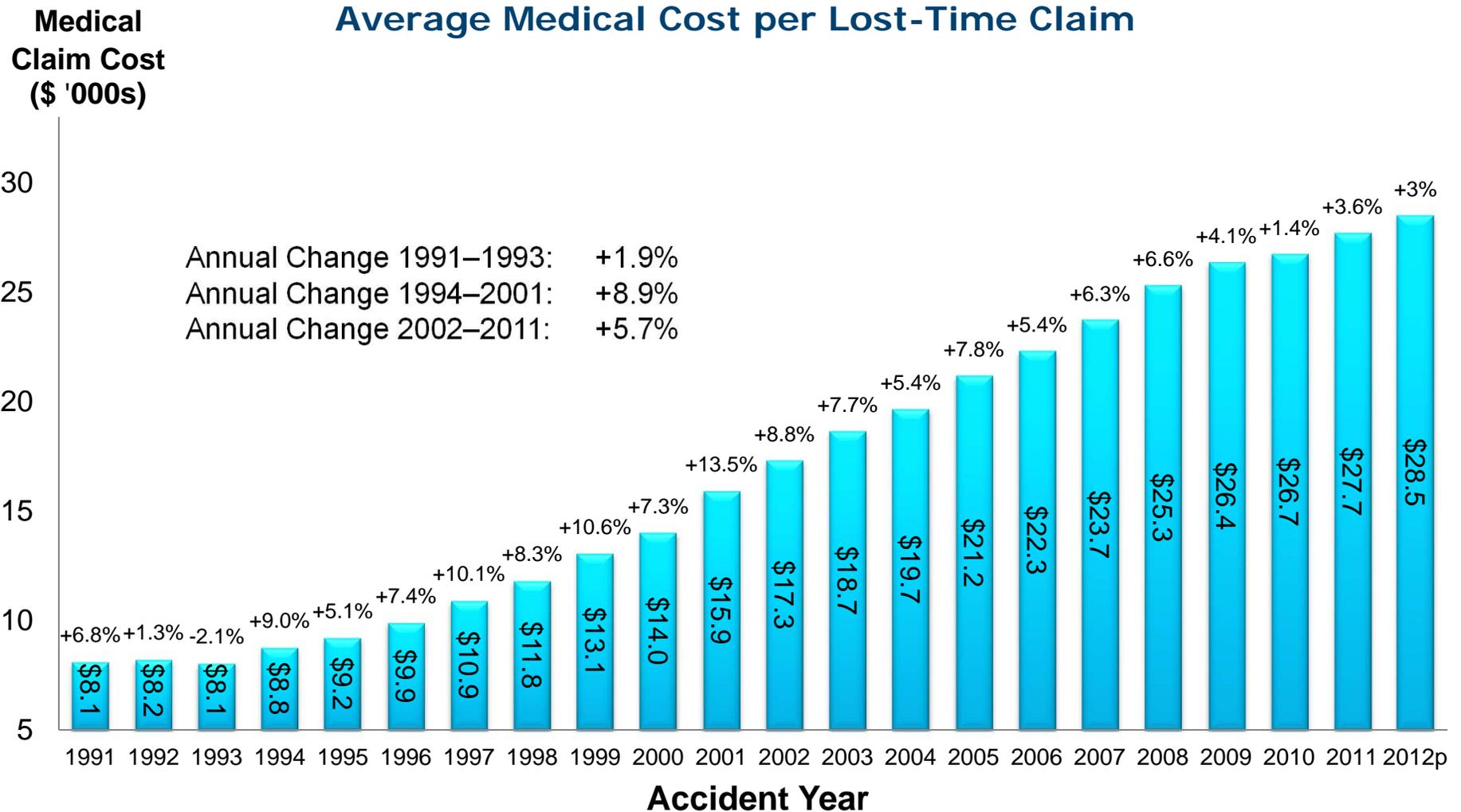
Lost-Time Claims



Based on data through 12/31/2011, on-leveled and developed to ultimate



Countrywide Workers Compensation Medical Severity—Modest Increase in 2012



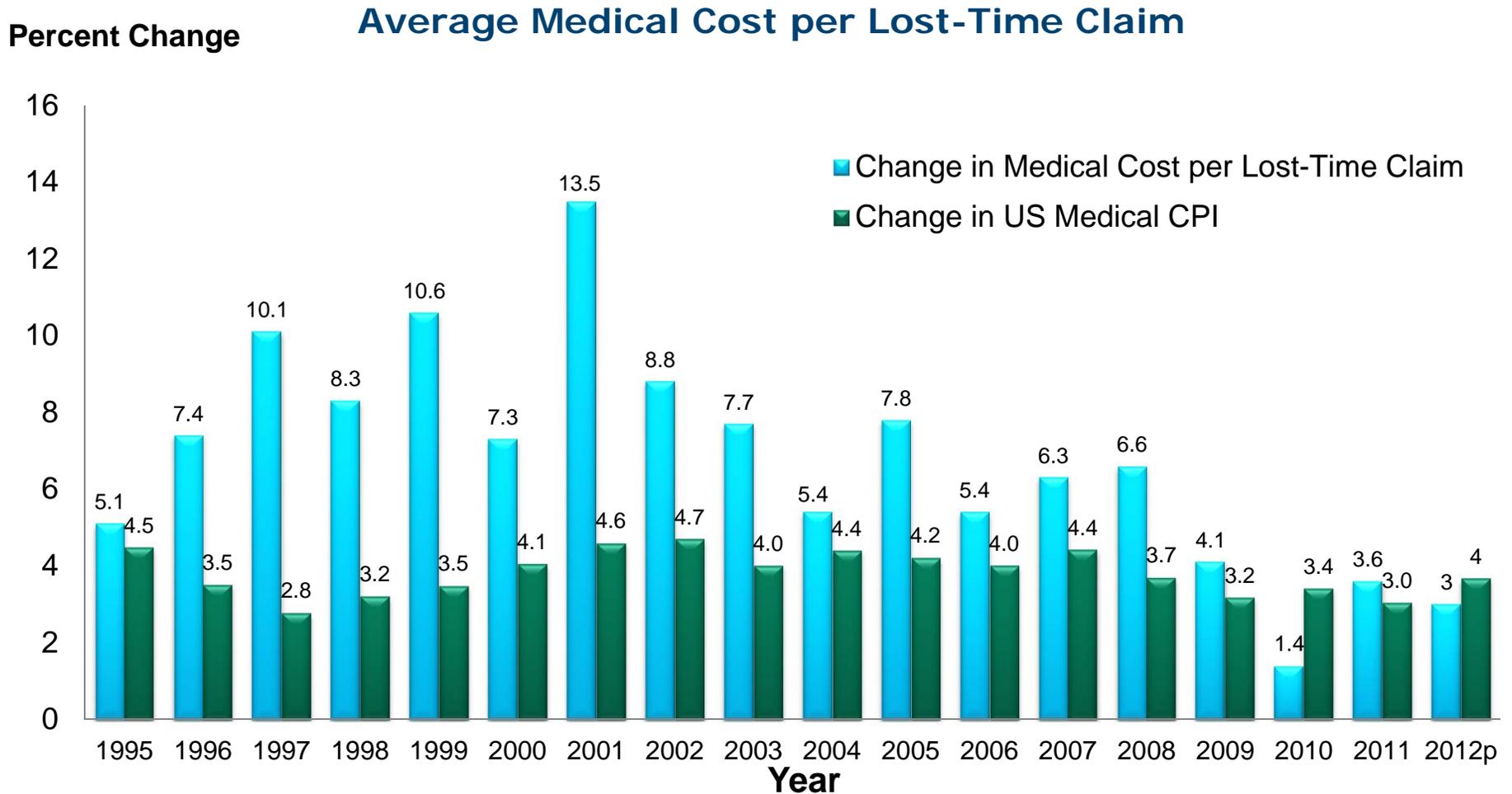
2012p: Preliminary based on data valued as of 12/31/2012

1991–2011: Based on data through 12/31/2011, developed to ultimate; excludes high deductible policies

Average severity for the states where NCCI provides ratemaking services, including state funds, excluding WV



Countrywide Workers Compensation Medical Severity—Modest Increase in 2012



Medical cost per lost-time claim, 2012p: Preliminary based on data valued as of 12/31/2012
 1995–2011: Based on data through 12/31/2011, developed to ultimate; excludes high deductible policies
 Average severity for the states where NCCI provides ratemaking services, including state funds, excluding WV
 US Medical CPI: Bureau of Labor Statistics (BLS)

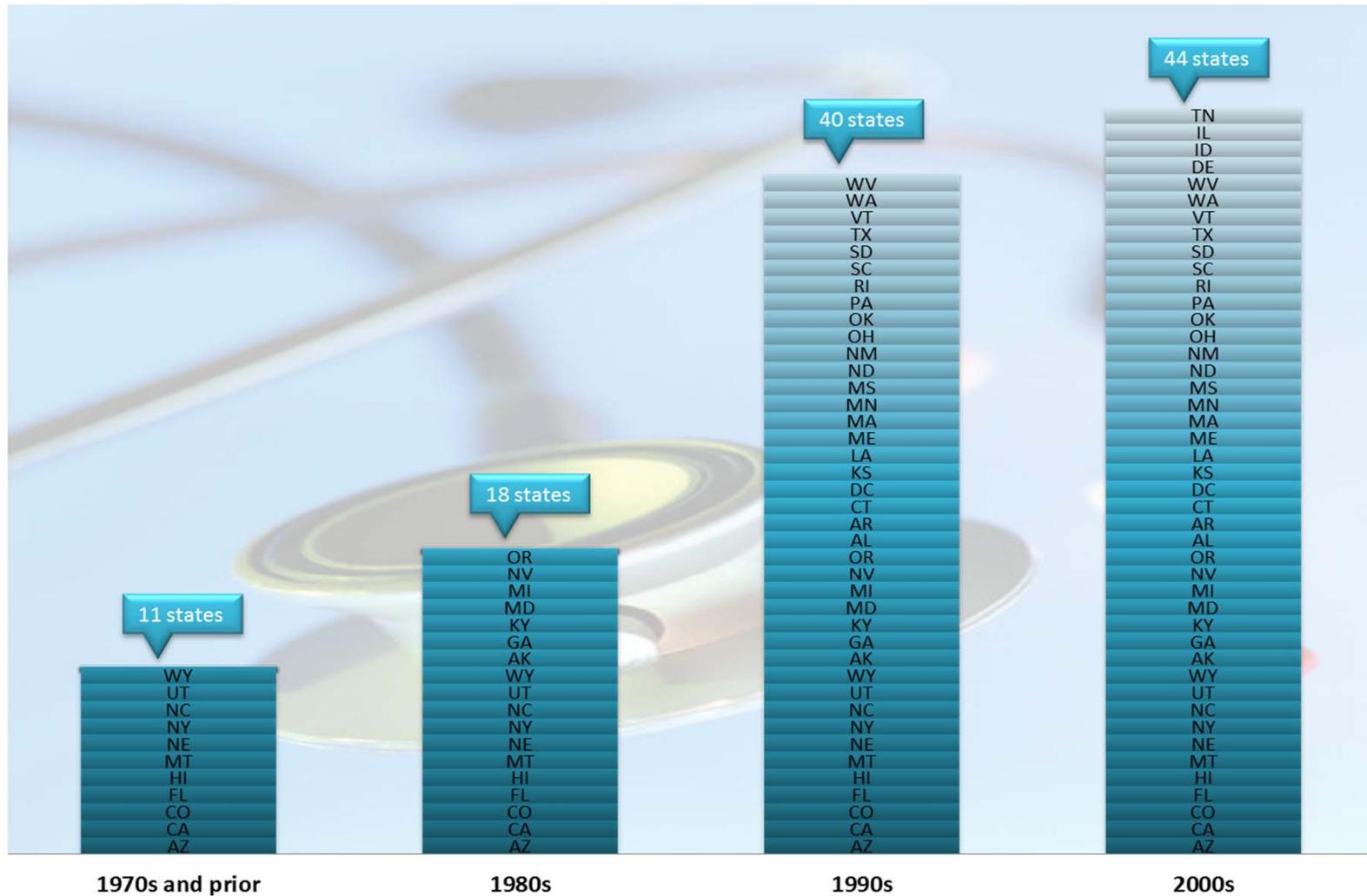


Medical Cost Containment: Prices

- On average, physician costs make up roughly 40% of medical costs
- Physician Fee Schedules
 - 1970s only 11 states
 - Several implemented in the mid-1990s
 - In 2013, 43 states and DC

Medical Cost Containment: Prices

Number of States with Physician Fee Schedules



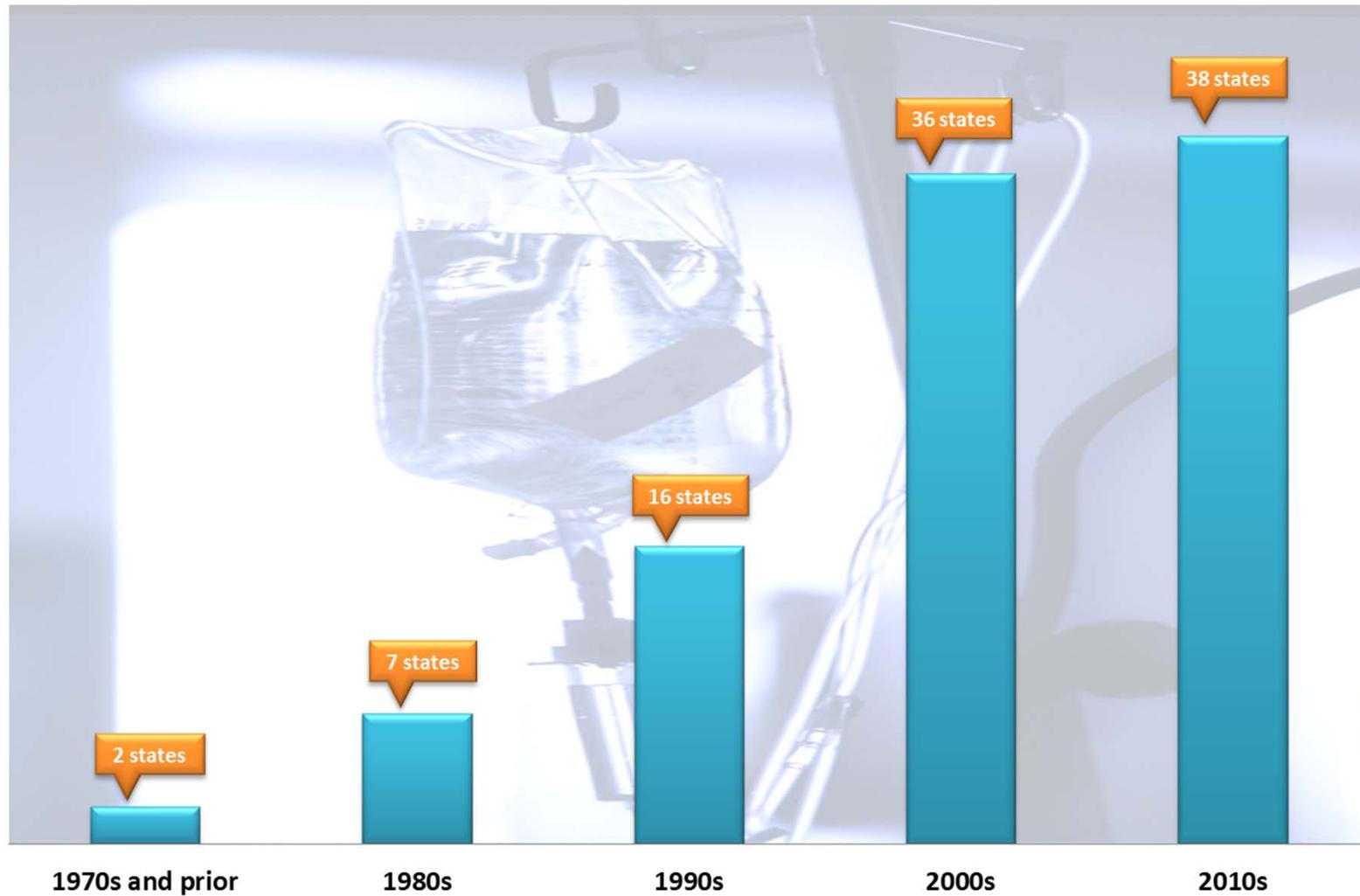
Medical Cost Containment: Prices

- Hospital inpatient costs roughly make up 15% of medical costs
- Hospital inpatient fee schedules
 - 1970s only 2 states
 - Several implemented in the mid-2000s
 - In 2013, 38 states



Medical Cost Containment: Prices

Number of States with Hospital Inpatient Fee Schedules

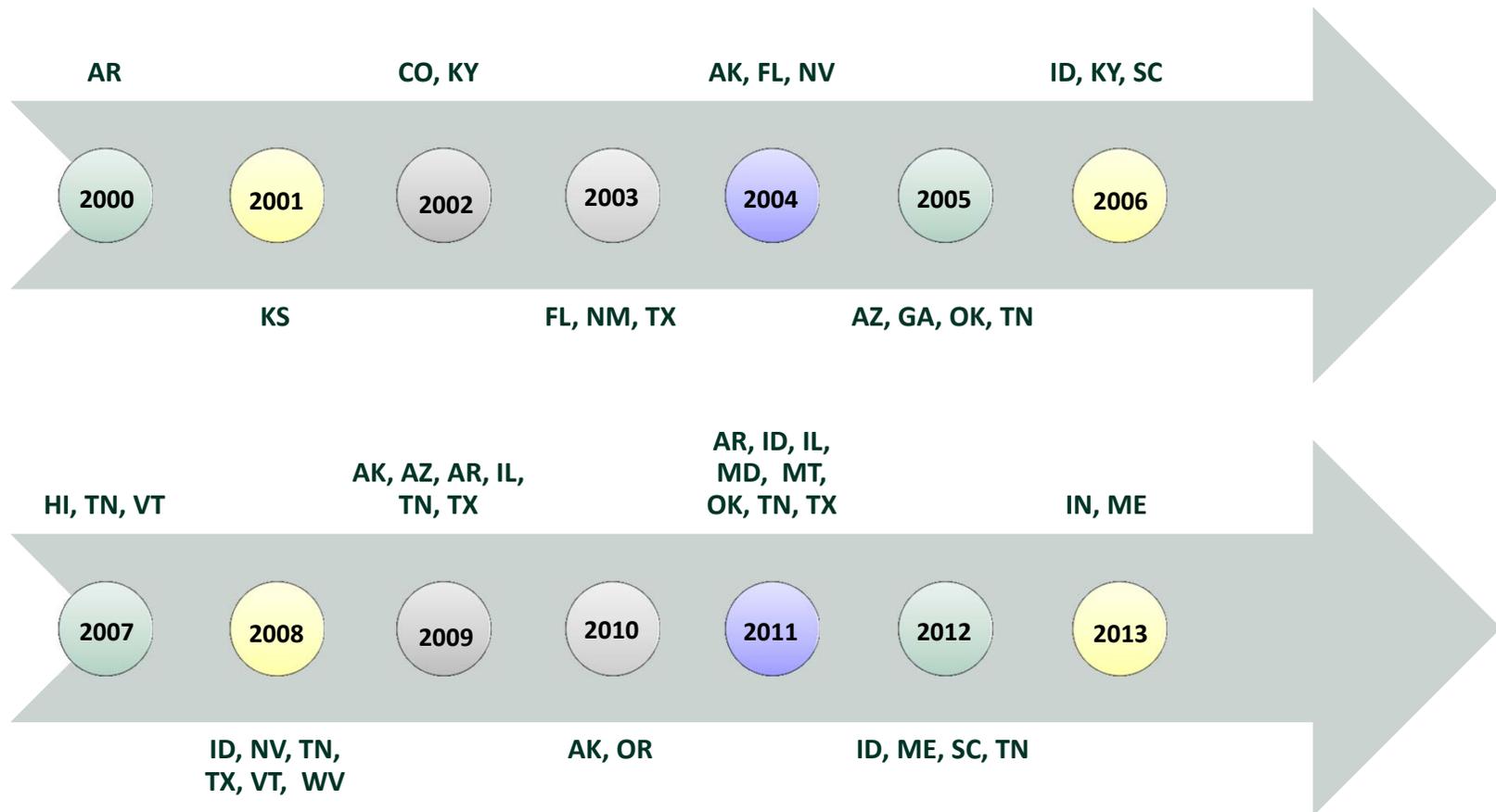


Medical Cost Containment: Prices

- Continued refinement of fee schedules over the last decade
- More than 20 bills/proposals addressing repackaged drugs and pharmaceutical fee schedules in 2013
- Fee schedules and their refinement can serve to contain medical cost increase over time



Workers Compensation Fee Schedules: Significant Changes

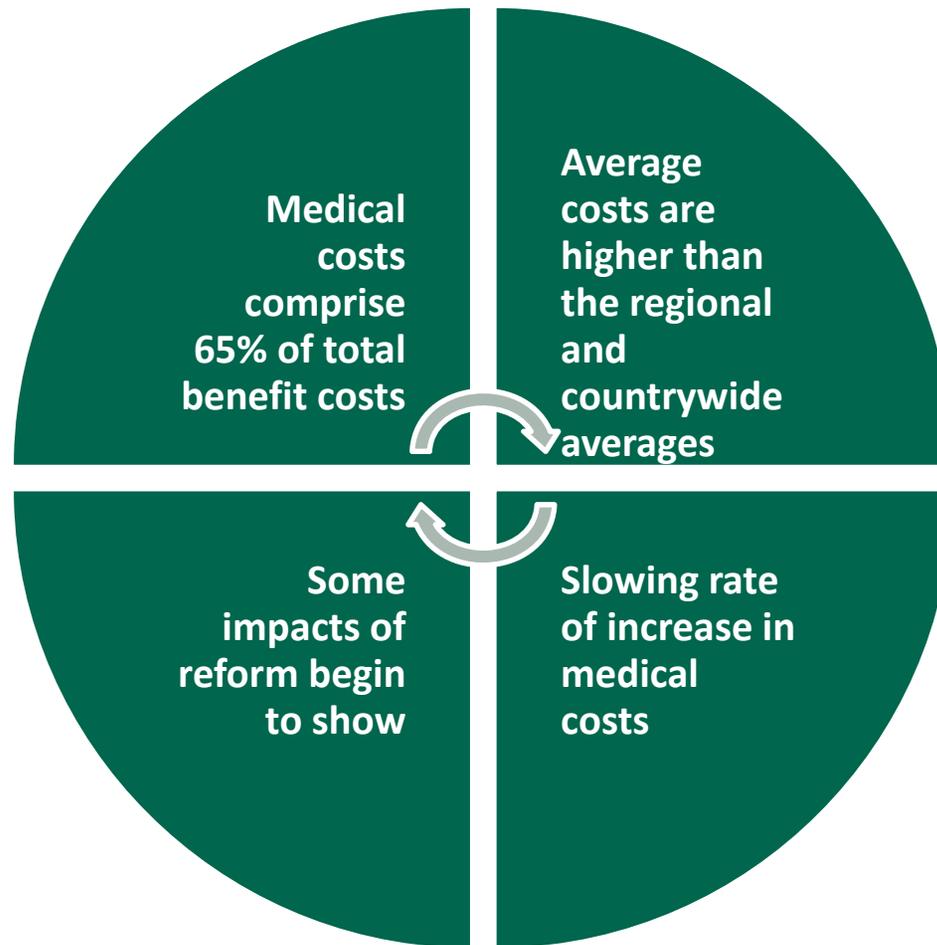


Medical Costs: Looking Ahead

- Limiting duration of medical benefits (MT, GA)
- More hospital fee schedule implementations (IN, VA had proposals in 2013)
- Opioid/controlled substance regulation
- Prescription drug monitoring programs (KASPER)
- Wellness programs
- Alternate settings for rendering medical services
 - Retail clinics
 - E-medicine
 - Medical tourism
- Non-traditional medicine for treatment and pain management
 - Asian medicine
 - Marijuana dispensaries



Key Takeaways—Medical Benefit Costs





Late-Term Medical Care Research

[ncci.com/Industry Information/Research and Outlook](http://ncci.com/Industry%20Information/Research%20and%20Outlook)



Why Is This Study Relevant for Montana?

- Montana's overall medical cost distribution is 65%
- HB 334 affects medical costs five years after injury
- The population is generally aging, and folks are working longer
- Montana's late-term claim payment and proportion of drug cost are high compared to other states

Medical Data Call

- NCCI collects the Medical Data Call in 42 states
 - Captures amount paid, medical procedure, and diagnosis for workers compensation medical services
- Medical Data Call for services provided more than 20 years following injury is important for ...
 - Understanding trend drivers for large claims
 - Estimating future medical costs for mature claims
- Initial findings for medical services provided between 20 and 30 years following injury
 - Drugs, home health services, implants/orthotics, and supplies are more than half the costs
 - OxyContin is 11% of drug costs

NCCI collects the Medical Data Call for the 35 states for which NCCI provides ratemaking services and seven independent bureau states—IN, MA, MN, NC, NJ, NY, and WI



Observations Nature of the Data

- Services provided between January, 1, 2009 and April 1, 2011
- Data used represents approximately 73% of countrywide market share

NCCI collects the Medical Data Call for the 35 states for which NCCI provides ratemaking services and seven independent bureau states—IN, MA, MN, NC, NJ, NY, and WI



Observations

Late-Term Medical Care

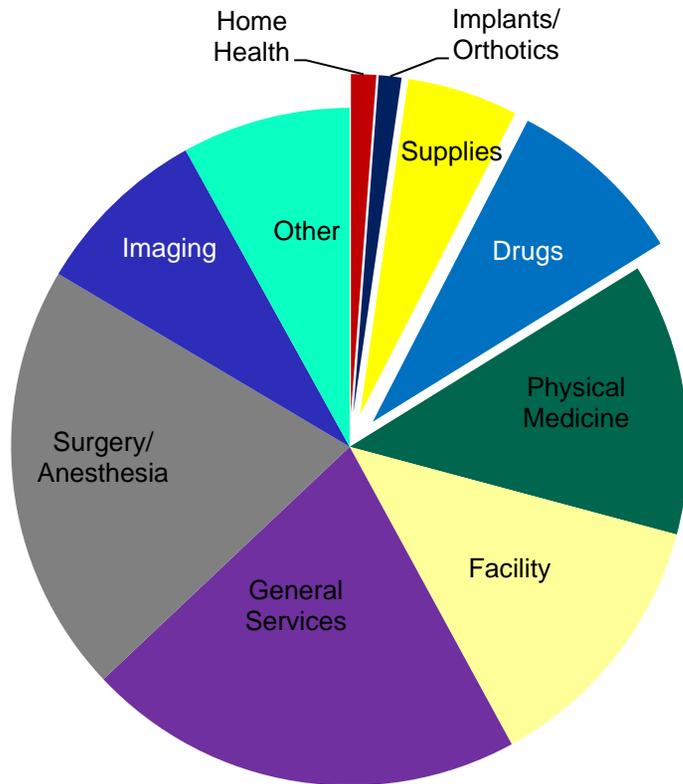
- Male claimants represent 76% of payments
- Drugs have the largest share of cost by type of service
- Disease musculoskeletal system and traumatic complication have the largest shares by medical condition
- Pharmacy, office, and inpatient hospital have the largest shares of cost by place of service

NCCI collects the Medical Data Call for the 35 states for which NCCI provides ratemaking services and seven independent bureau states—IN, MA, MN, NC, NJ, NY, and WI

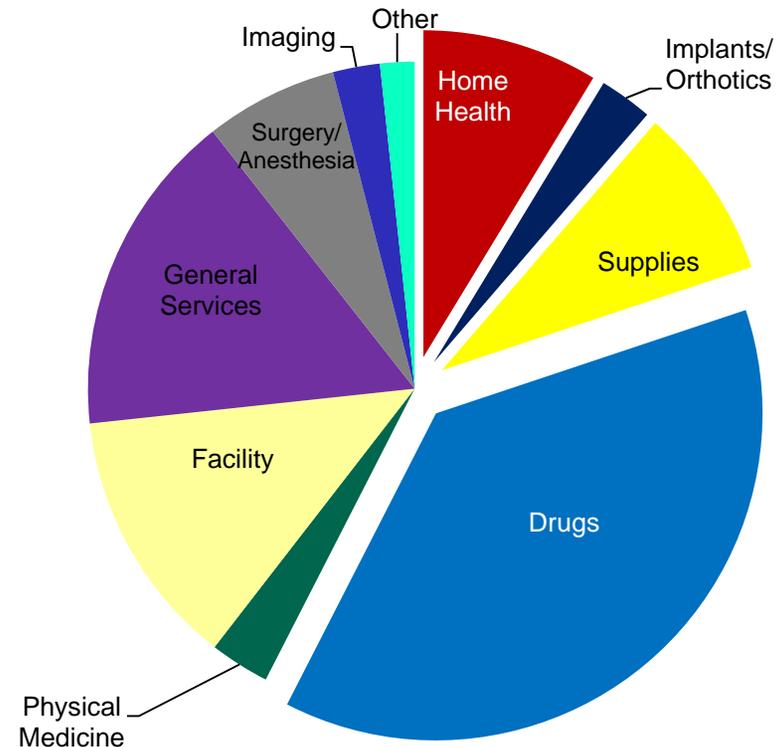


Distribution of Payments by Service Category

Services provided within 20 years after injury



Late-term care—Services provided from 20 to 30 years after injury



Drugs, Supplies, Implants/Orthotics, and Home Health Services make up less than *one-sixth* of the cost for cases *less than 20 years old* but well over *half* of the outlay for late-term care, provided from *20 to 30 years after injury*.

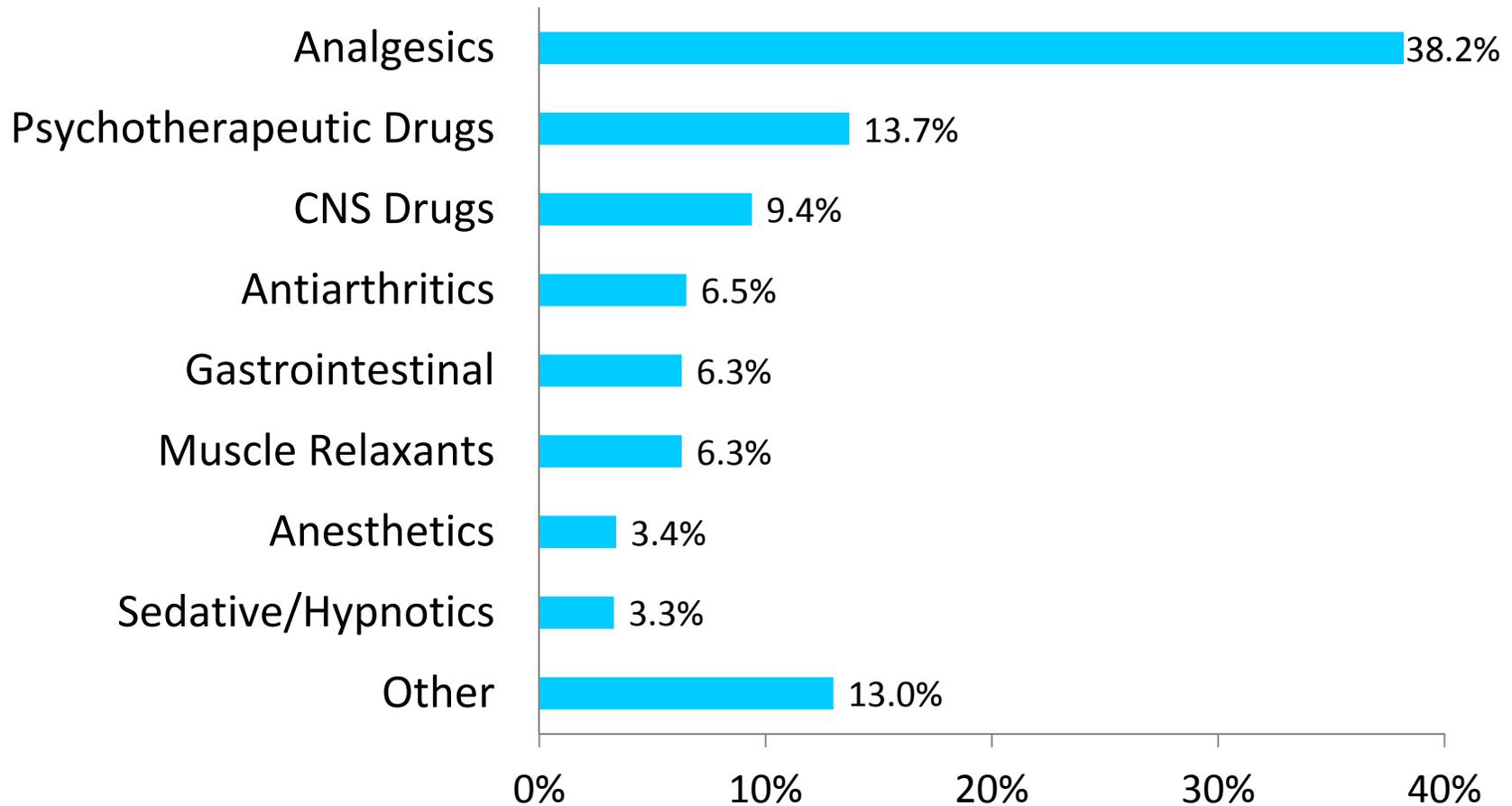
Source: NCCI Medical Data Call
 Services provided between 1/1/2009 and 4/1/2011 and transactions processed between 7/1/2010 and 4/1/2011
 Based on data from the 35 states for which NCCI provides ratemaking services plus IN, MA, MN, NC, NJ, NY, and WI

Share of Drug Costs for the Top Workers Compensation Drugs: Overall Care and Late-Term Care

Name of Drug	Share of Late-Term Care (20 to 30 years after injury)	Share of Service Year 2009
Drugs in the top 10 for both Service Year 2009 and for late-term care		
OxyContin	11.3%	6.1%
Lidoderm	3.8%	5.2%
Hydrocodone-Acetaminophen	2.0%	5.1%
Lyrica	3.0%	4.4%
Celebrex	3.8%	3.7%
Cymbalta	2.4%	2.7%
Drugs in the top 10 for late-term care but not for Service Year 2009		
Fentanyl	2.9%	1.8%
Percocet	2.3%	1.0%
Oxycodone HCL	2.0%	1.4%
Duragesic	1.9%	0.7%
Drugs in the top 10 for Service Year 2009 but not for late-term care		
Gabapentin	0.1%	3.4%
Skelaxin	0.3%	2.8%
Meloxicam	0.8%	2.3%
Cyclobenzaprine HCL	0.0%	2.3%



Share of Payments for Late-Term Medication by General Therapeutic Category



ACOEM Practice Guideline

“Given the uncertainty regarding the balance between benefit and risk when opioids are used in the management of chronic non-malignant pain, and, in particular, in association with their use for chronic musculoskeletal pain, the use of opioids during the sub-acute and chronic phases of an injury, especially in the absence of an objectively identifiable pain generator, cannot be recommended.”

ACOEM—American College of Occupational and Environmental Medicine





Closing Remarks

Thank You!





Glossary



Glossary

- **Assigned Risk Adjustment Program (ARAP)**—An assigned risk market program that surcharges residual market risks based on the magnitude of their experience rating modification.
- **Calendar Year (CY)**—Experience of earned premium and loss transactions occurring within the calendar year beginning January 1, irrespective of the contractual dates of the policies to which the transactions relate and the dates of the accidents.
- **Calendar-Accident Year (AY)**—The accumulation of loss data on all accidents with the date of occurrence falling within a given calendar year. The premium figure is the same as that used in calendar year experience.
- **Claim Frequency**—The number of claims per unit of exposure; for example, the number of claims per million dollars of premium or per 100 workers.

Glossary

- **Claim Severity**—The average cost of a claim. Severity is calculated by dividing total losses by the total number of claims.
- **Combined Ratio**—The sum of the (i) loss ratio, (ii) expense ratio, and (iii) dividend ratio for a given time period.
- **Detailed Claim Information (DCI)**—An NCCI Call that collects detailed information on an individual workers compensation lost-time claim basis, such as type of injury, whether or not an attorney was involved, timing of the claim's report to the carrier, etc.
- **Direct Written Premium (DWP)**—The gross premium income adjusted for additional or return premiums, but excluding any reinsurance premiums.



Glossary

- **Indemnity Benefits**—Payments by an insurance company to cover an injured worker's time lost from work. These benefits are also referred to as "wage replacement" benefits.
- **Loss Ratio**—The ratio of losses to premium for a given time period.
- **Lost-Time (LT) Claims**—Claims resulting in indemnity benefits (and usually medical benefits) being paid to or on behalf of the injured worker for time lost from work.
- **Medical-Only Claims**—Claims resulting in only medical benefits being paid on behalf of an injured worker.
- **Net Written Premium (NWP)**—The gross premium income adjusted for additional or return premiums and including any additions for reinsurance assumed and any deductions for reinsurance ceded.



Glossary

- **Permanent Partial (PP)**—A disability that is permanent but does not involve a total inability to work. The specific definition and associated workers compensation benefits are defined by statute and vary by jurisdiction.
- **Policy Year (PY)**—The year of the effective date of the policy. Policy year financial results summarize experience for all policies with effective dates in a given calendar year period.
- **Schedule Rating**—A debit and credit plan that recognizes variations in the hazard-causing features of an individual risk.
- **Take-Out Credit Program**—An assigned risk program that encourages carriers to write current residual market risks in the competitive voluntary marketplace.
- **Temporary Total (TT)**—A disability that totally disables a worker for a temporary period of time.





Appendix



NCCI Workers Compensation Resources

- Financial Aggregate Calls
 - Used for aggregate ratemaking
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
 - Used for class ratemaking
- Detailed Claim Information
 - In-depth sample of lost-time claims
- Policy Data
 - Policy declaration page information

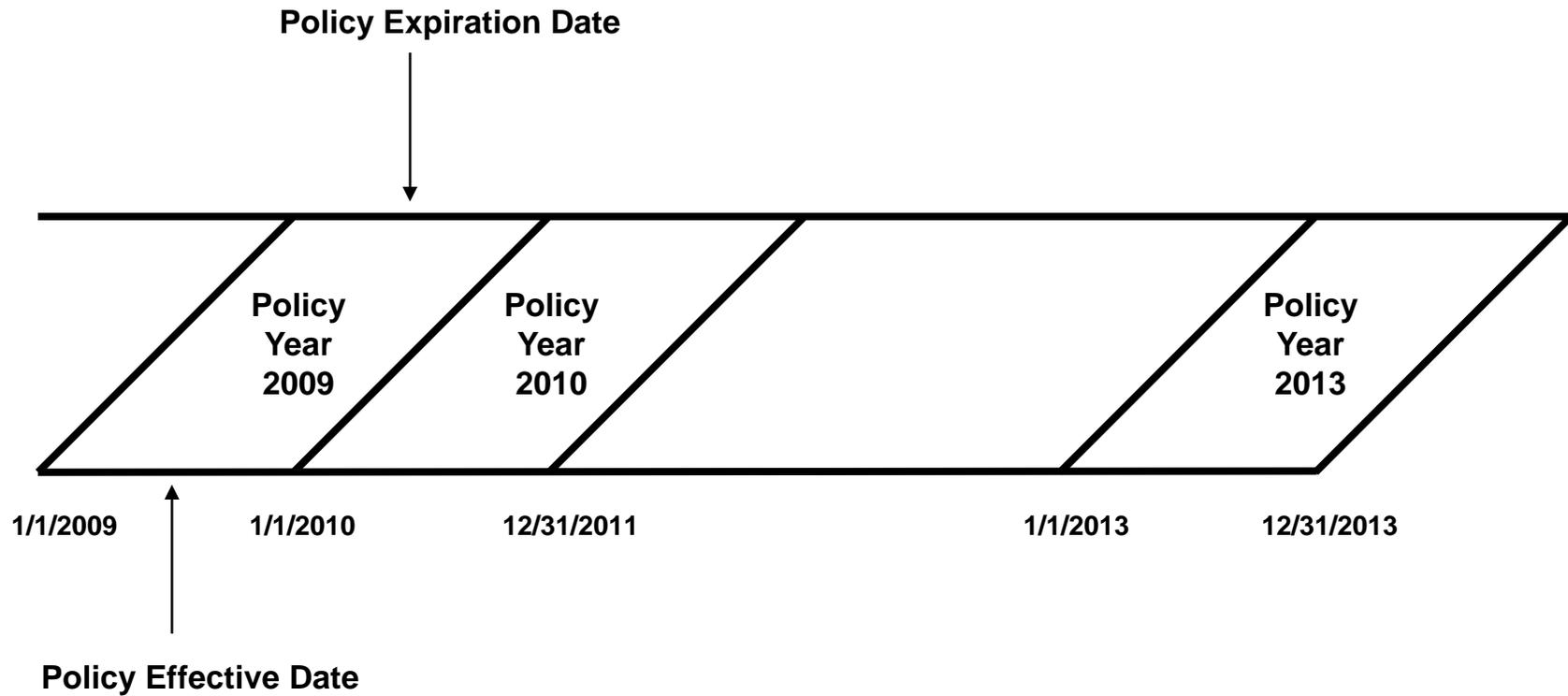


Financial Aggregate Calls

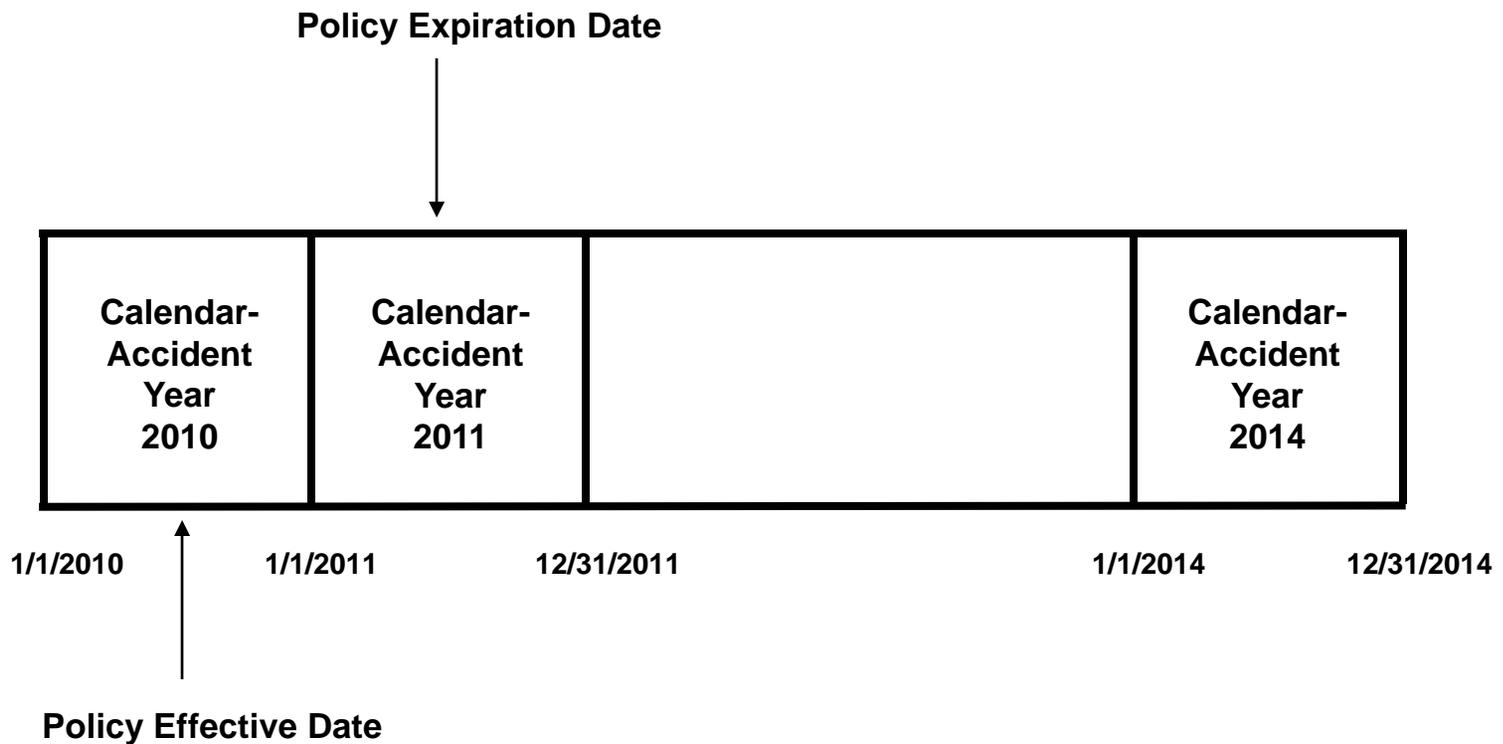
- Collected Annually
 - Policy and calendar-accident year basis
 - Statewide and assigned risk data
- Premiums, Losses, and Claim Counts
 - Evaluated as of December 31
- Purpose
 - Basis for overall aggregate rate indication
 - Research



Policy Year Financial Aggregate Data



Calendar-Accident Year Financial Aggregate Data



Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan) Data

- Experience by Policy Detail
 - Exposure, premium, experience rating modifications
 - Individual claims by injury type
- Purposes
 - Classification relativities
 - Experience Rating Plan
 - Research



Valuation of Statistical Plan Data

