



Premium Impact of Legislative and Court Decisions

Montana Economic Affairs Interim Committee

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What Impacts Premiums?

- Payrolls, losses and experience in the state
- Legislative actions, court decisions and new regulations can have a substantial effect on costs
 - Most changes are prospective
 - Some can have retroactive and unfunded cost consequences

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Legislative Actions

Changes can have an immediate impact on premiums by:

- Instituting higher or lower wage loss payments
- Redefining compensable injuries
- Amending other areas such as the definition of subject worker

Most of these can be actuarially analyzed and a cost impact estimated

Court Decisions

These have the possibility of altering any Workers Compensation law by ruling on:

- Compensability, Course and Scope, Occupational Disease, Subjectivity, etc.
- Impacts can be immediate, in the future, or contain a retroactive application
- Usually quantifiable, however, retroactivity can create problems and be very expensive

Regulations

Regulation and rule changes are generally more long term in nature

- Independent Contractors
- Anti-Fraud Initiatives
- Safety Programs

Others can be more immediate:

- Assessment changes
- Fee Schedules

Some are quantifiable, others are not and must wait for experience to flow through to assess any impact

Other Impacts

- Depending on the nature of the law or rule, other possible changes can result:
 - Claims handling process changes
 - Changes in reserving
 - Employer reaction – Higher use of deductible plans, greater safety awareness, etc
 - Unintended consequences

Summary

- Not all legislative, regulatory or court decisions will have a direct cost impact
- Most, but not all changes can be priced
- Some changes may take years to measure
- Unintended consequences may impact the results of the enacted changes:
 - Workers seek more attorney representation
 - Workers staying out of work longer
 - Workers reluctance to file claims or higher than expected claim filings