



STATE ADVISORY

# FORUMS

2020

Montana State Advisory  
September 2020

Todd\_Johnson@ncci.com  
561-893-3814

John\_Deacon@ncci.com  
561-893-3835



STATE ADVISORY

# FORUMS

2020

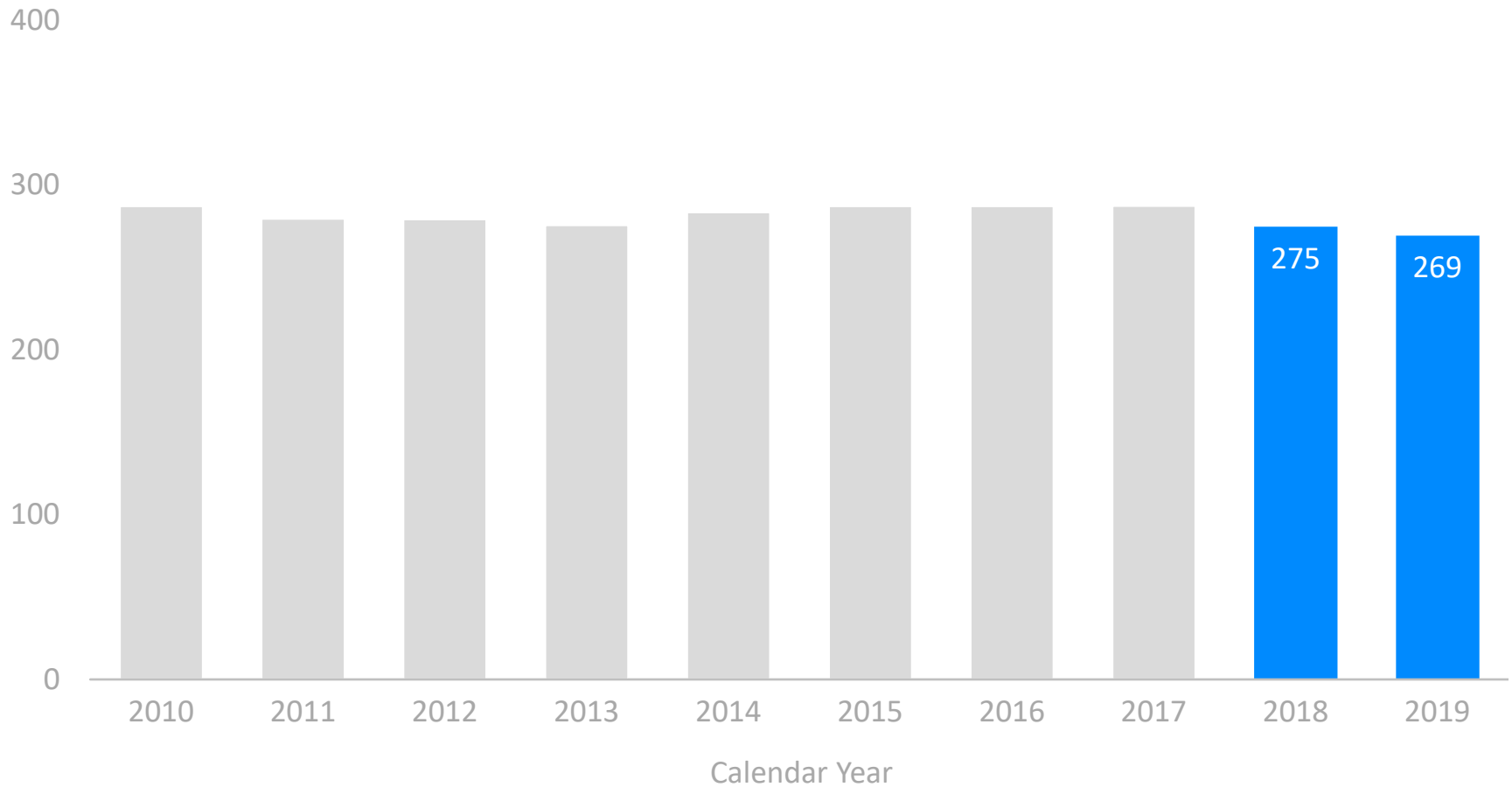
## Montana Workers Compensation System

# Montana Workers Compensation System— An Overview

- Written premium has been stable, with a decrease in the latest calendar year
- Increase in combined ratio for the latest accident year
- Lost-time claim frequency continues to decline

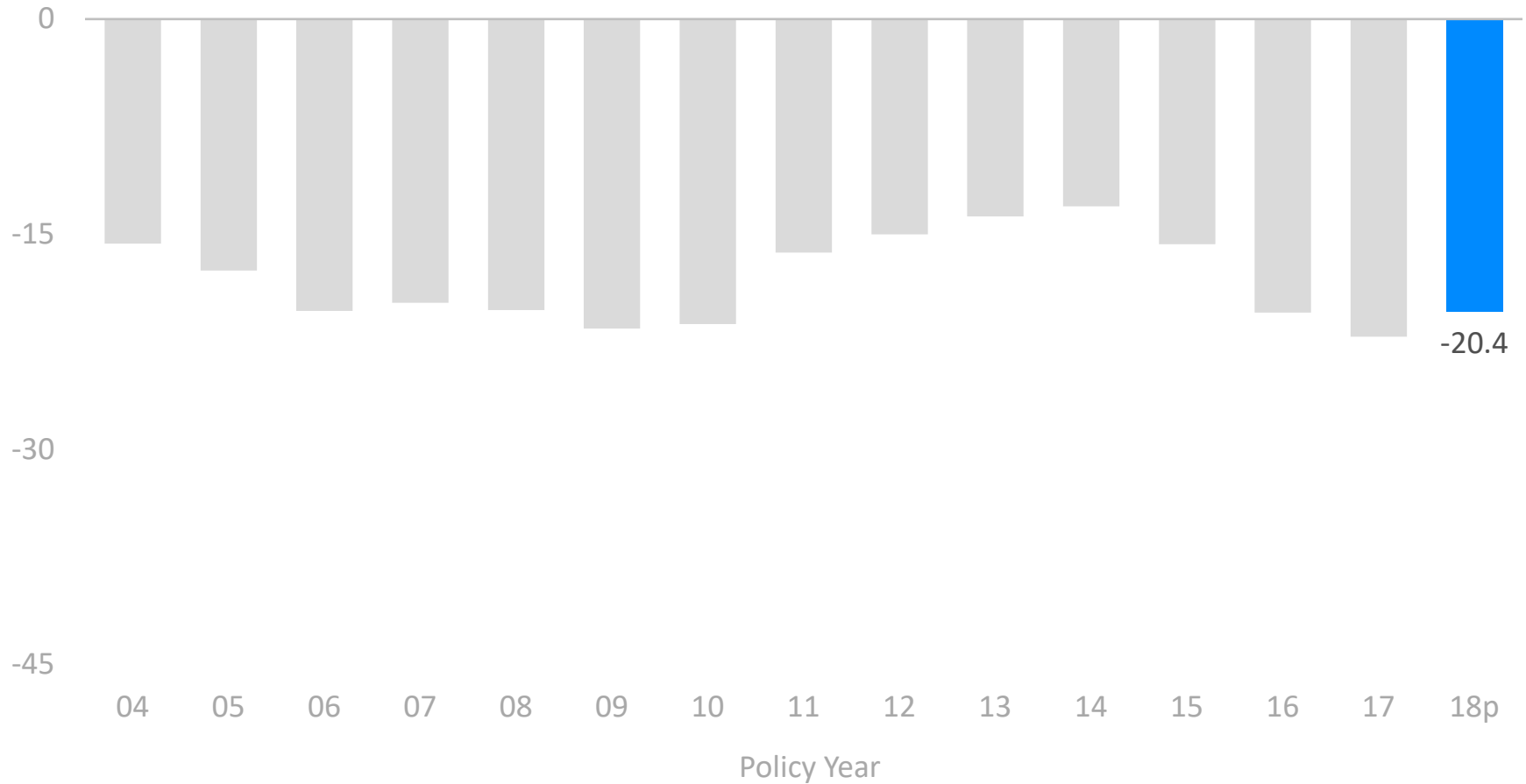
# Montana Premium Volume

Direct Written Premium in \$ Millions



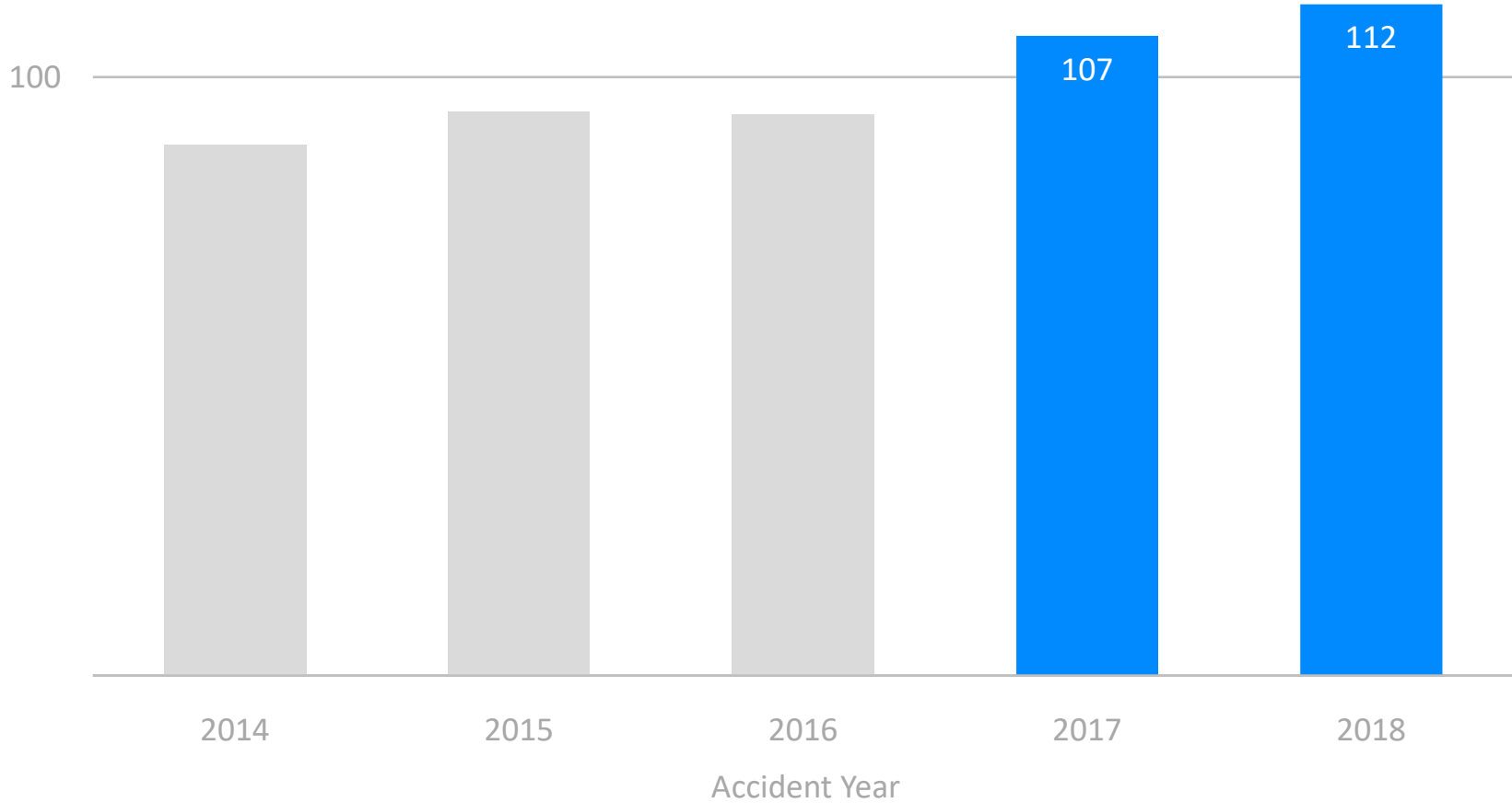
Source: NAIC's Annual Statement data.

# Impact of Discounting on Workers Compensation Premium in Montana



p Preliminary  
Based on data through 12/31/2018.

# Montana Combined Ratios



Sources: NCCI's financial data through 12/31/2018 and NAIC's Annual Statement data.

# Montana Combined Ratios by Component

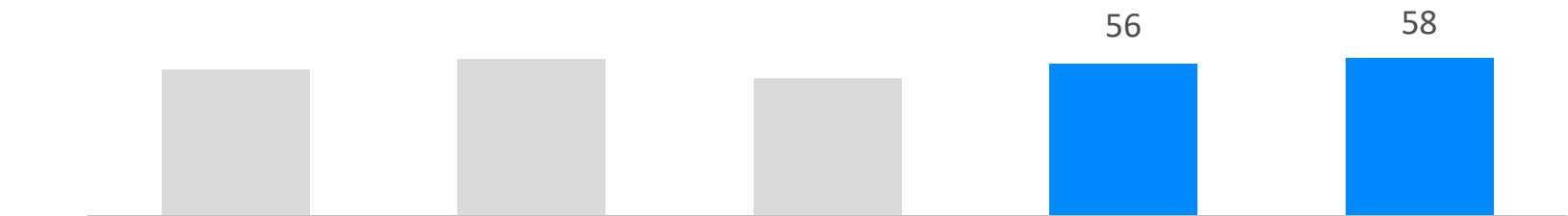
## Dividends



## Expense Ratio



## Loss Ratio



2014

2015

2016

2017

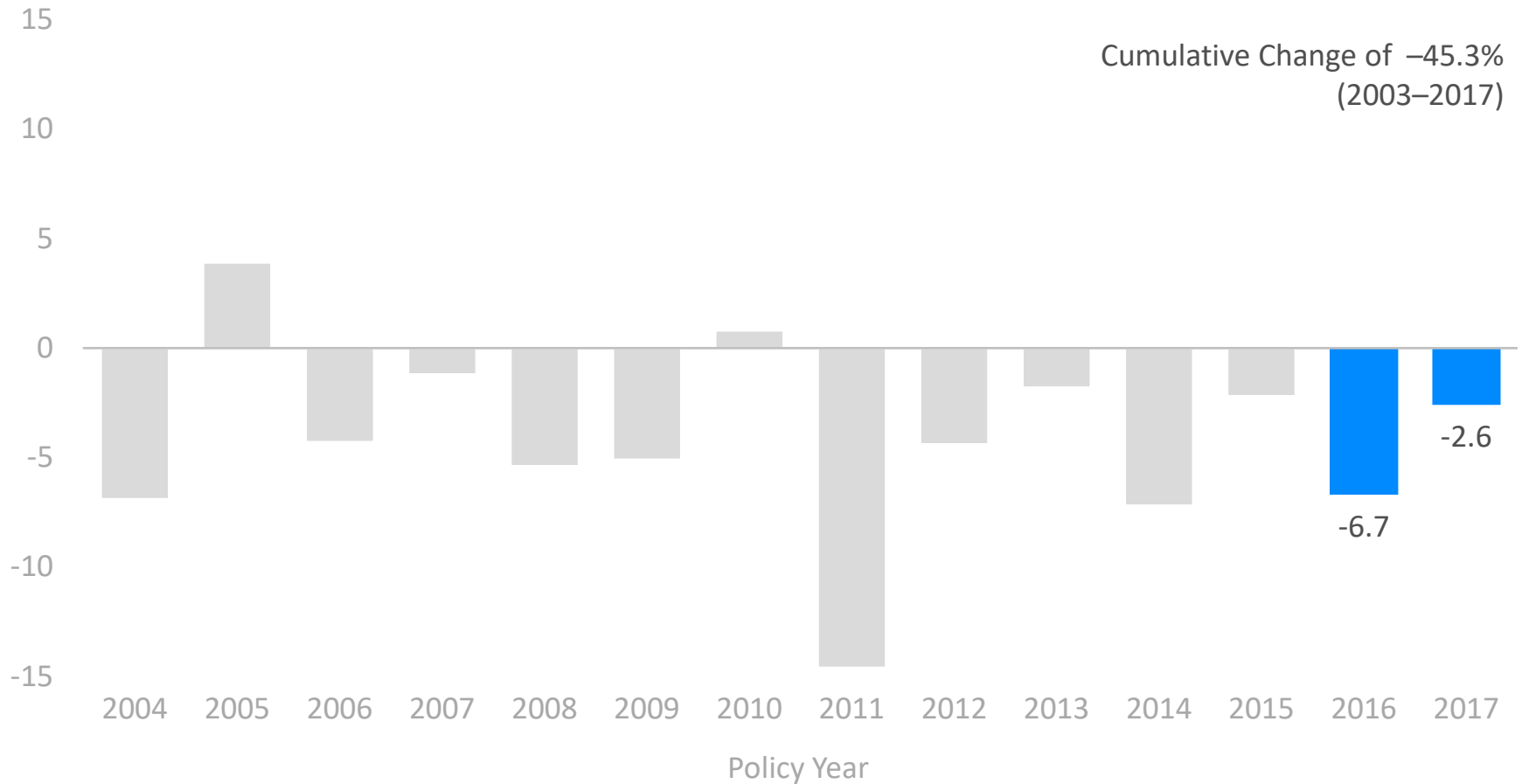
2018

Accident Year

Sources: NCCI's financial data through 12/31/2018 and NAIC's Annual Statement data.

# Montana Change in Claim Frequency

Percent Change in Lost-Time Claims, per \$ Million of On-Levelled Premium

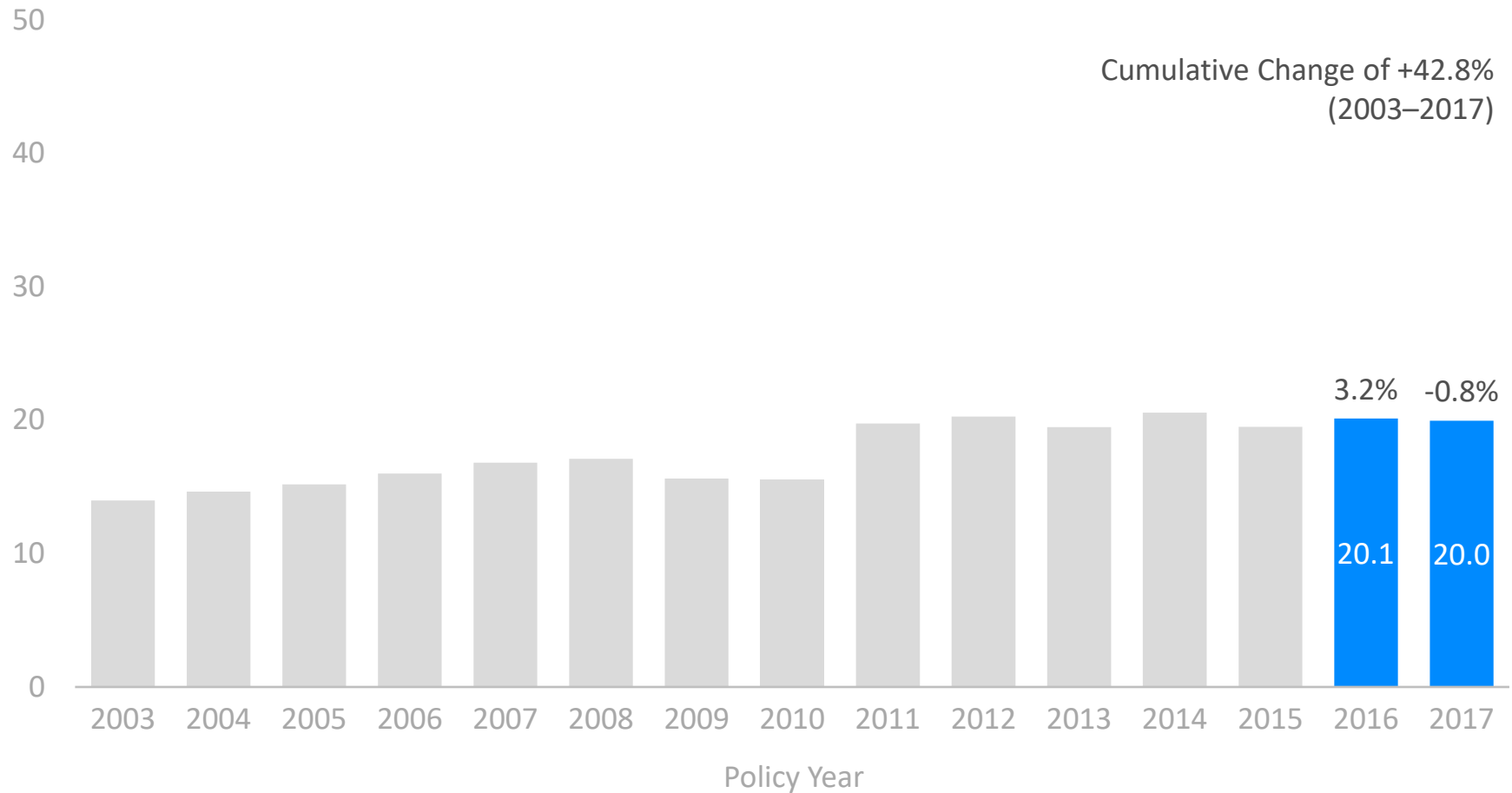


Based on NCCI's financial data through 12/31/2018, on-levelled and developed to ultimate, with premium adjusted to common wage level.



# Montana Average Indemnity Claim Severity

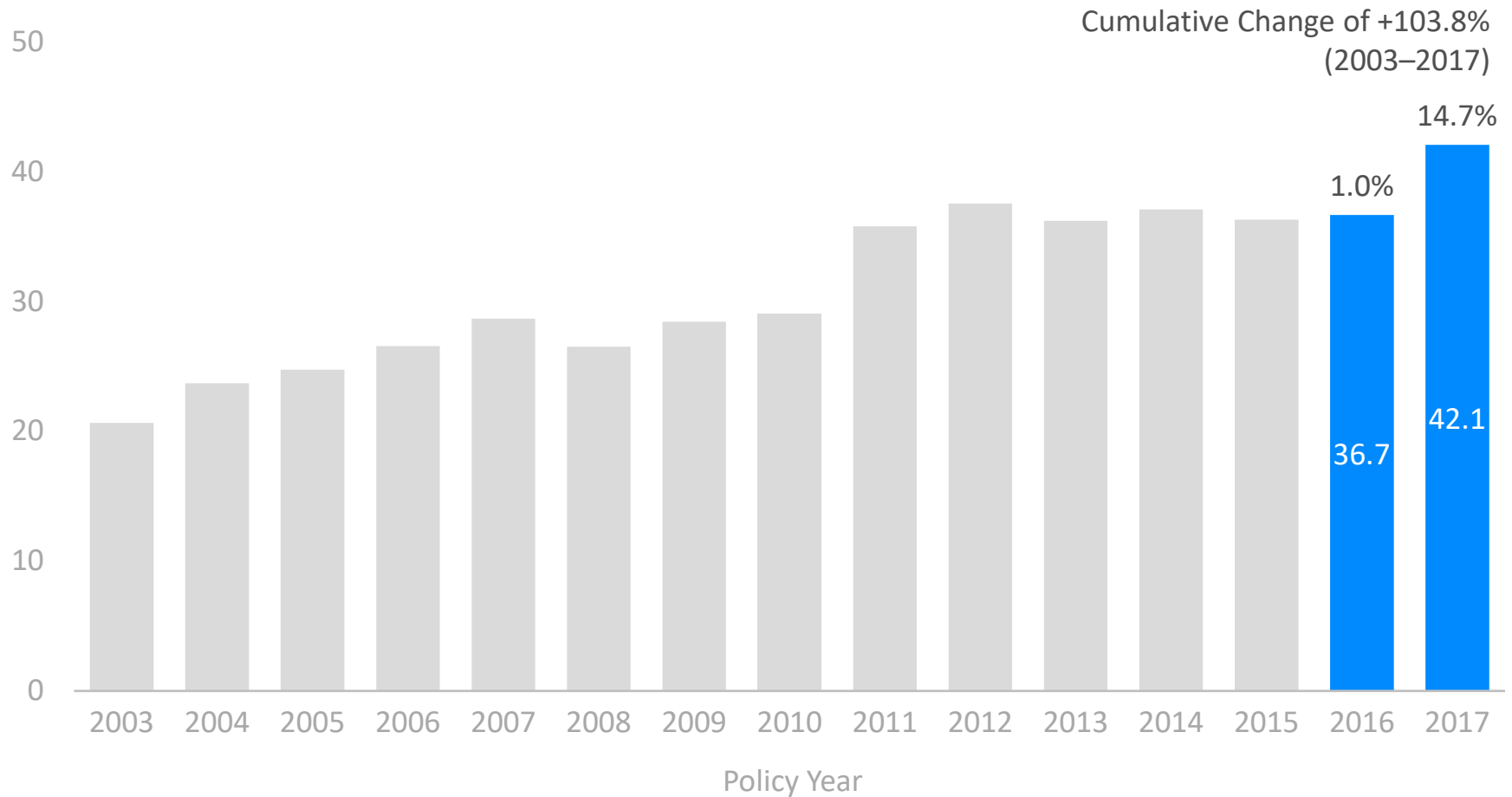
## Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data through 12/31/2018, on-leveled and developed to ultimate.

# Montana Average Medical Claim Severity

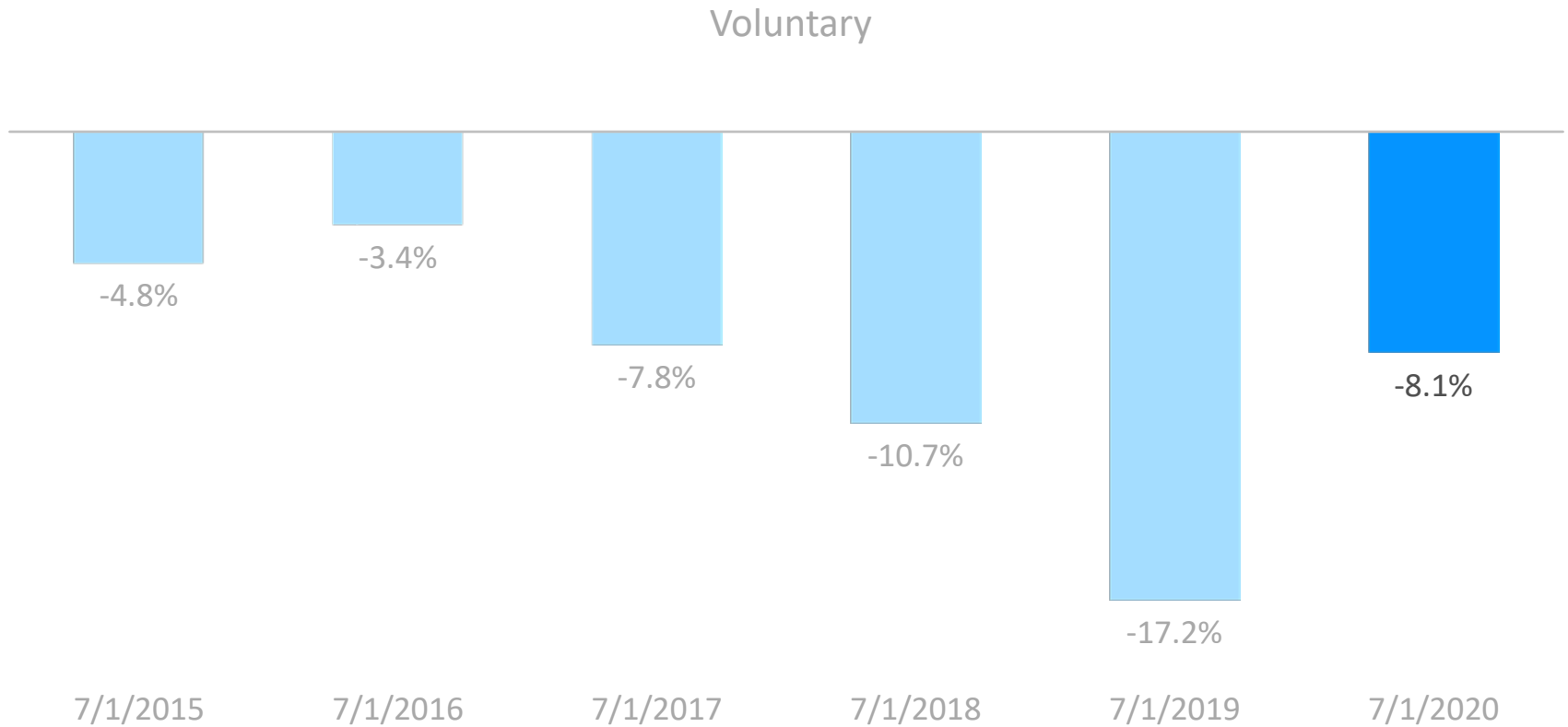
## Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data through 12/31/2018, on-leveled and developed to ultimate.

# Montana Filing Activity

## Voluntary Loss Cost Changes

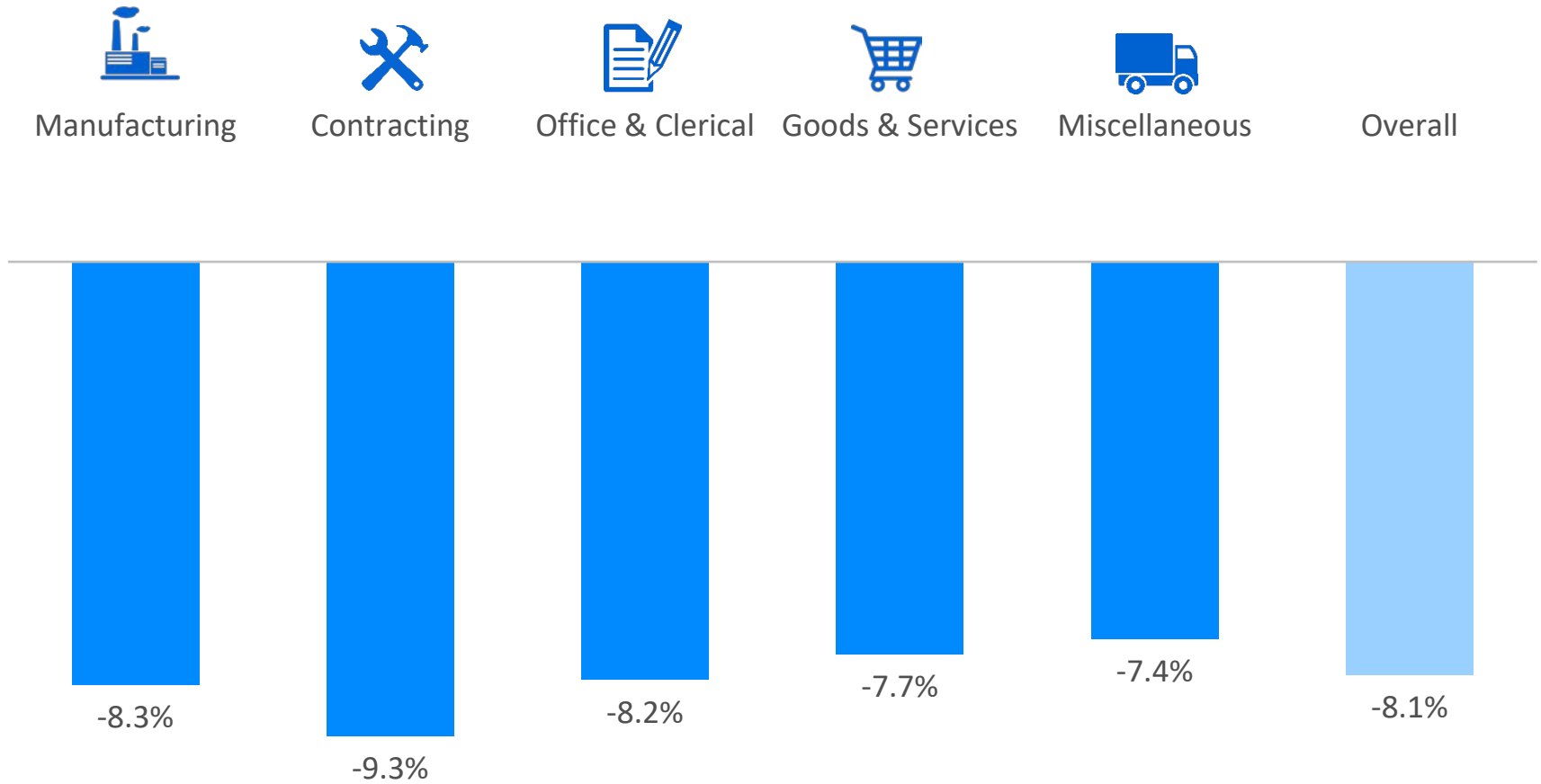


# Montana July 1, 2020 Loss Cost Filing

Change in Experience:	-8.9%
Change in Trend:	-1.0%
Change in Benefits:	+0.7%
Change in All Other:	+1.2%
<hr/>	
Overall Loss Cost Level Change:	-8.1%

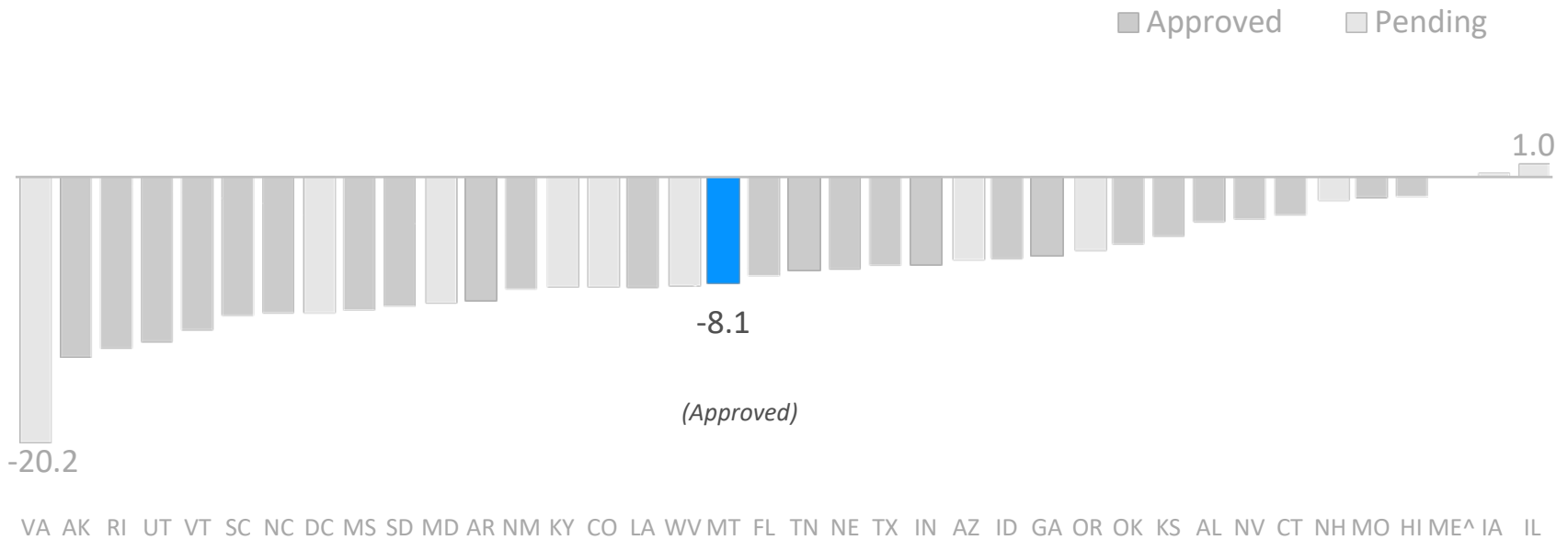
# Montana July 1, 2020 Loss Cost Filing

## Average Changes by Industry Group



# Current NCCI Voluntary Market Loss Cost/Rate Level Changes

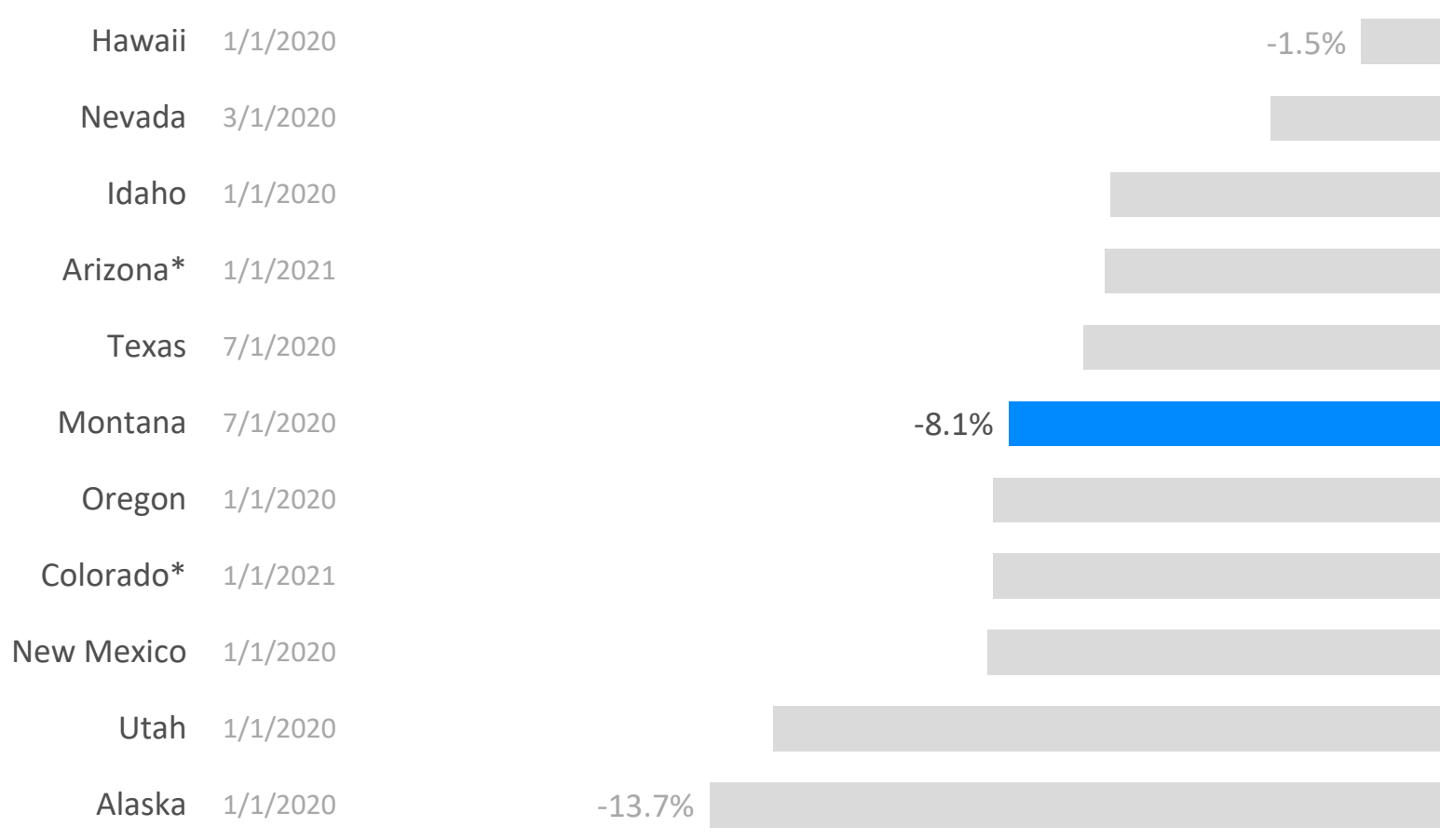
Excludes Law-Only Filings



^Maine approved a flat (0.0%) loss cost level change.  
 Reflects the most recent experience filing in each jurisdiction as of 8/14/2020.  
 Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons.

# Current Voluntary Market Loss Cost/Rate Changes

## Western States



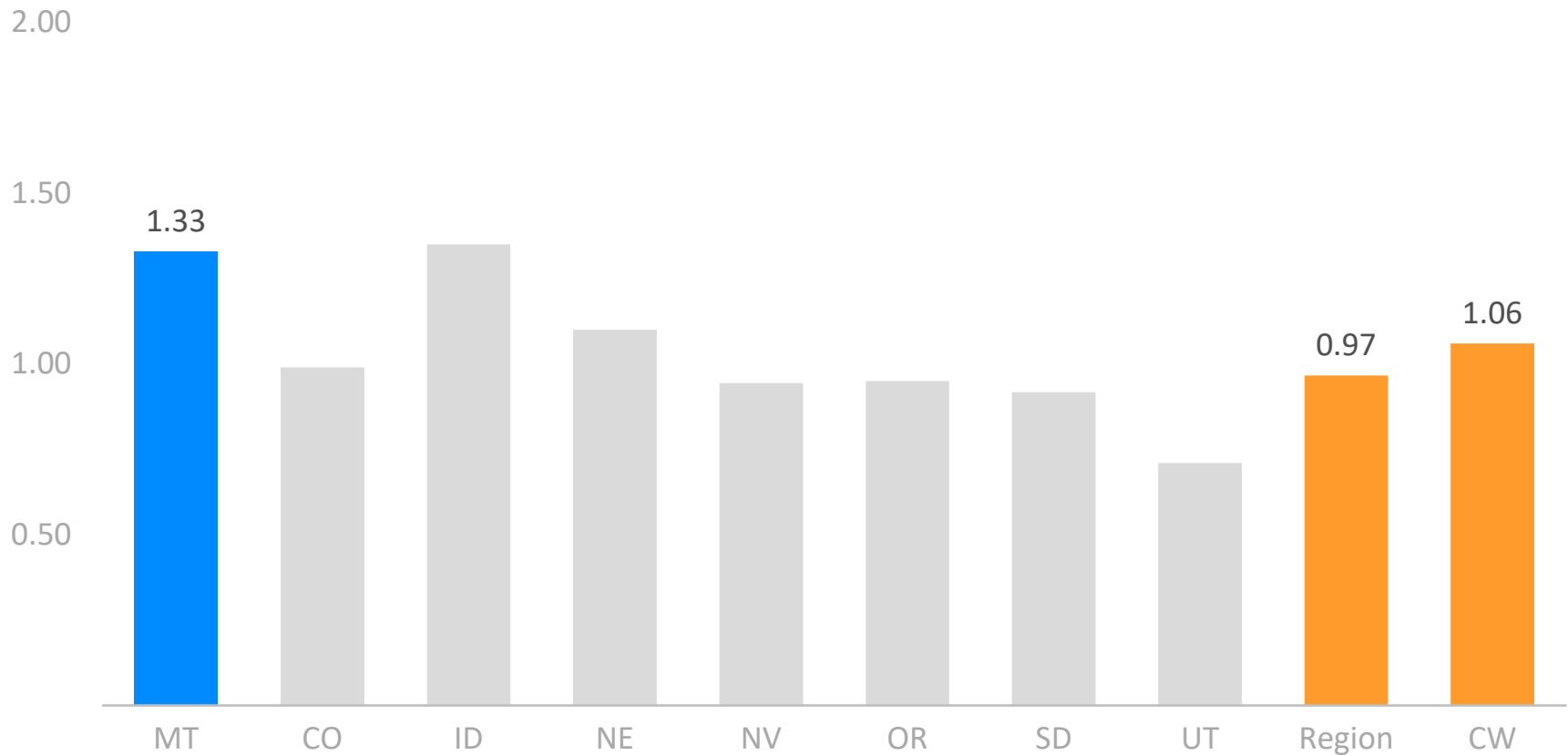
\*Pending

Reflects the most recent experience filing in each jurisdiction as of 7/31/2020.

Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons.

# Average Voluntary Pure Loss Costs

Using Montana Payroll Distribution



Based on approved rates and loss costs in various jurisdictions from filings using data valued as of 12/31/2018.





# Supplemental Information

# Total Benefit Costs in Montana

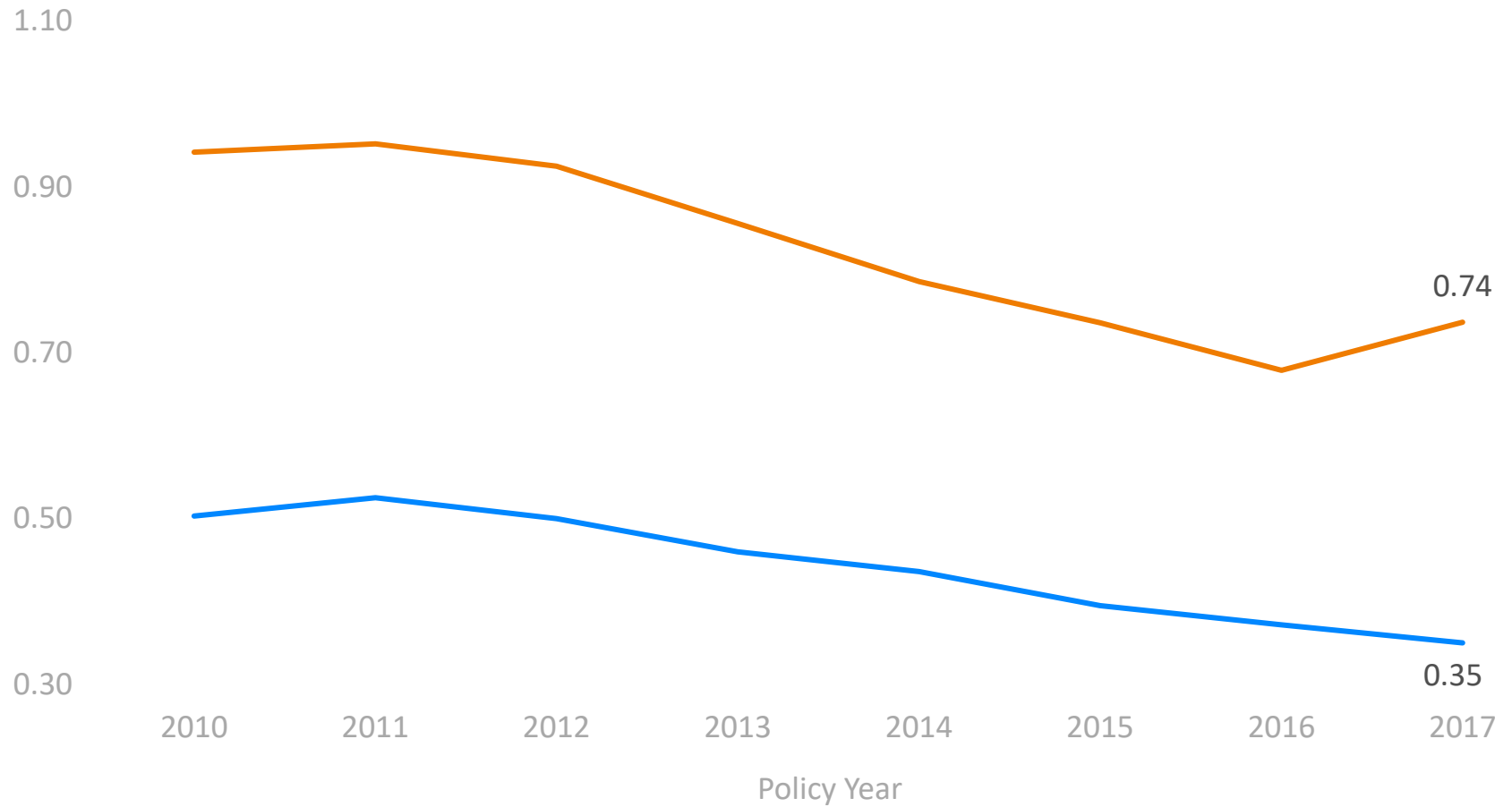
Indemnity vs. Medical



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

# Montana Loss Ratios

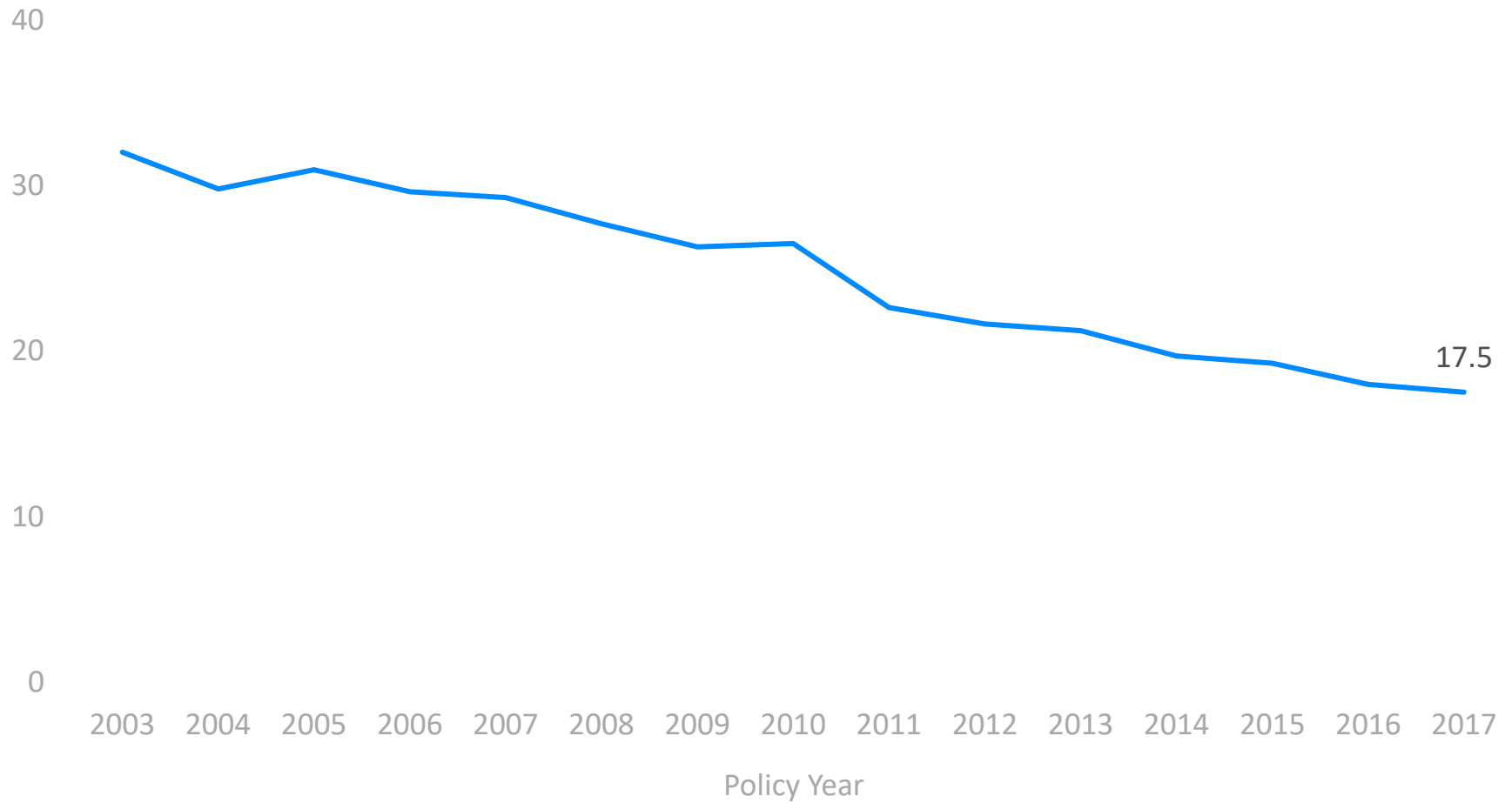
Indemnity vs. Medical



Based on NCCI's financial data through 12/31/2018 at current benefit level and developed to ultimate.

# Montana Claim Frequency

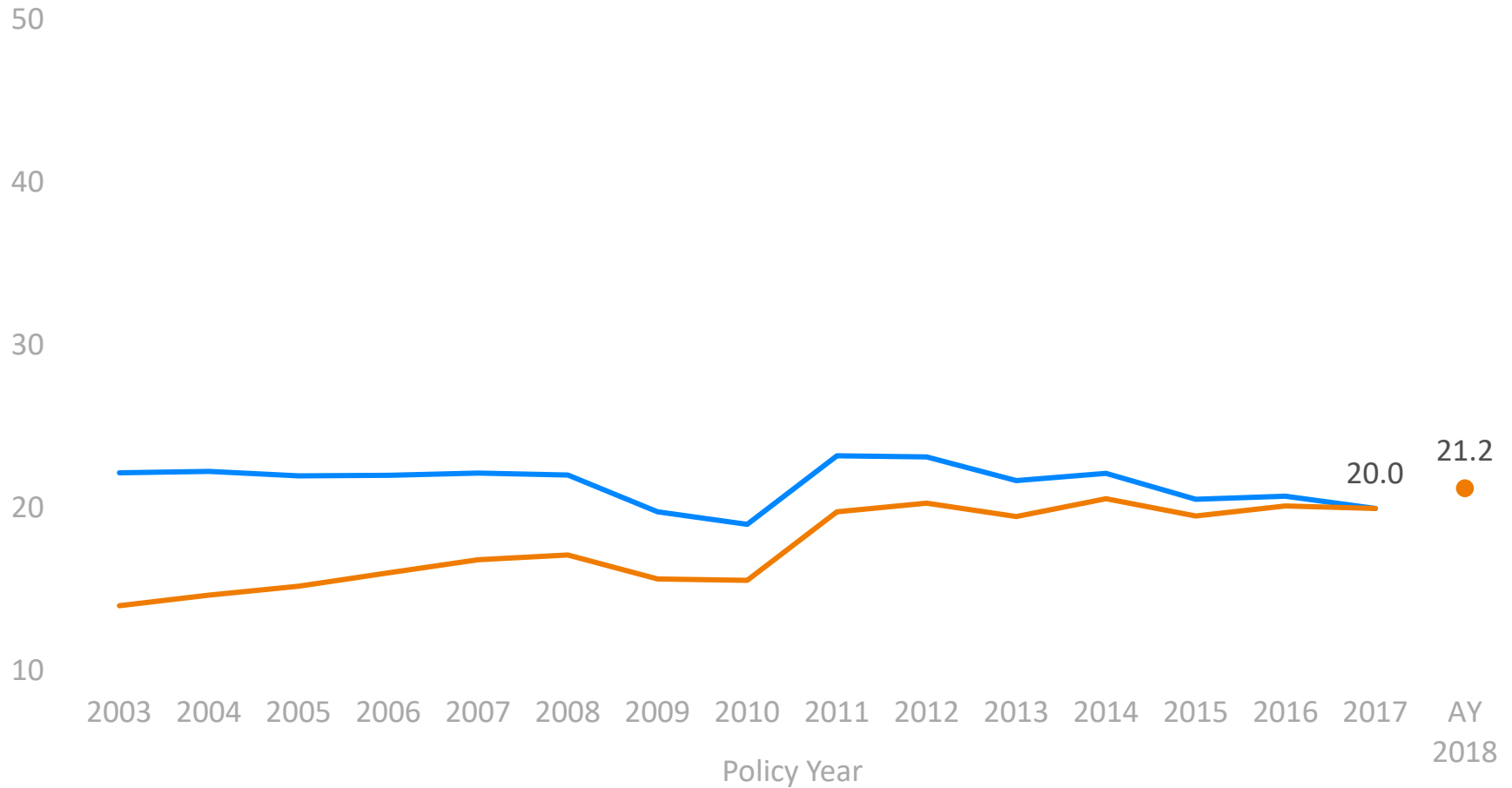
Lost-Time Claims, per \$ Million of On-Leveled Premium



Based on NCCI's financial data through 12/31/2018, on-leveled and developed to ultimate, with premium adjusted to common wage level.

# Montana Average Indemnity Claim Severity

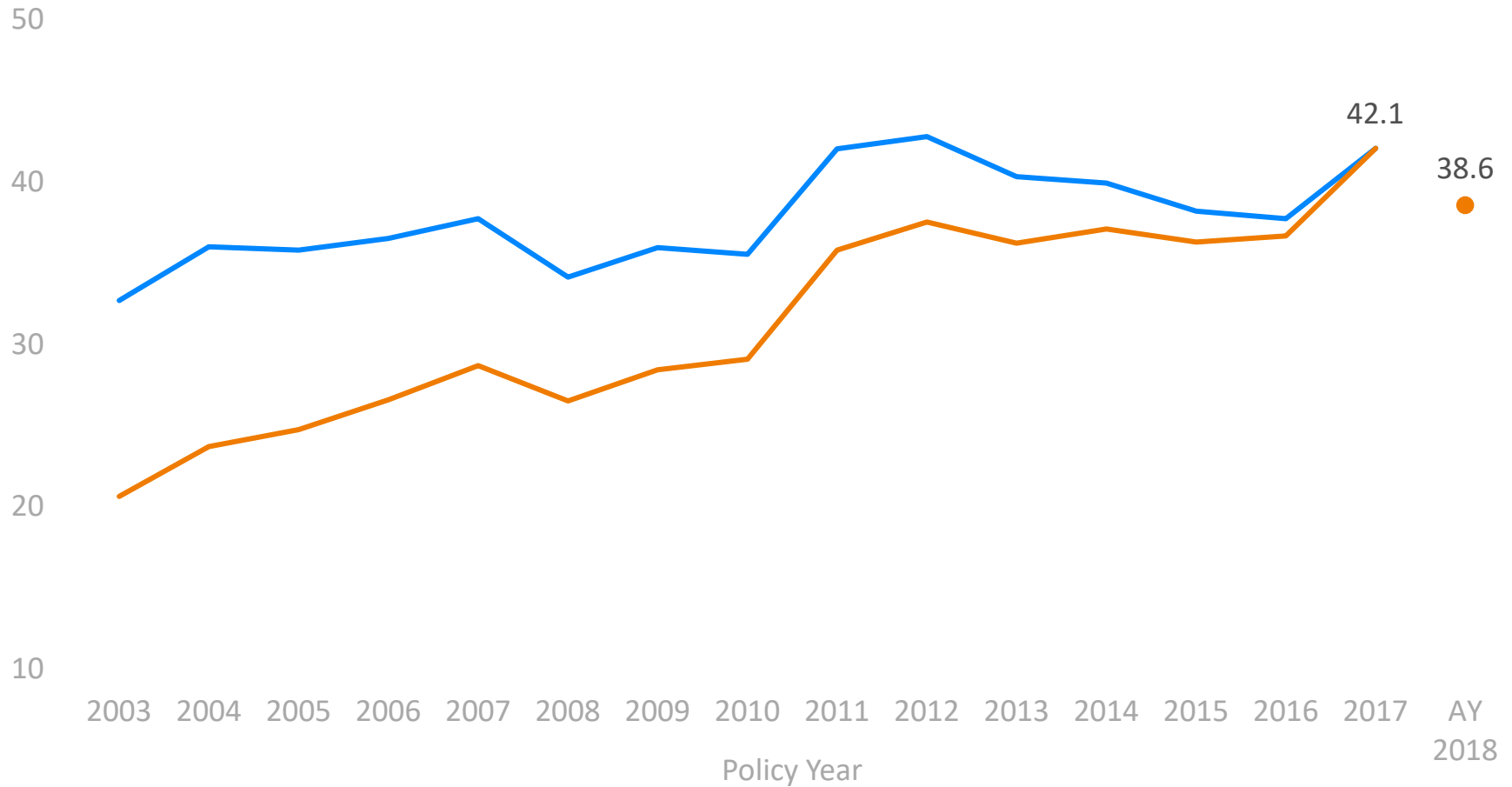
Adjusted to Common Wage Level vs. Actual, in \$ Thousands



Based on NCCI's financial data through 12/31/2018 for lost-time claims at current benefit level and developed to ultimate.

# Montana Average Medical Claim Severity

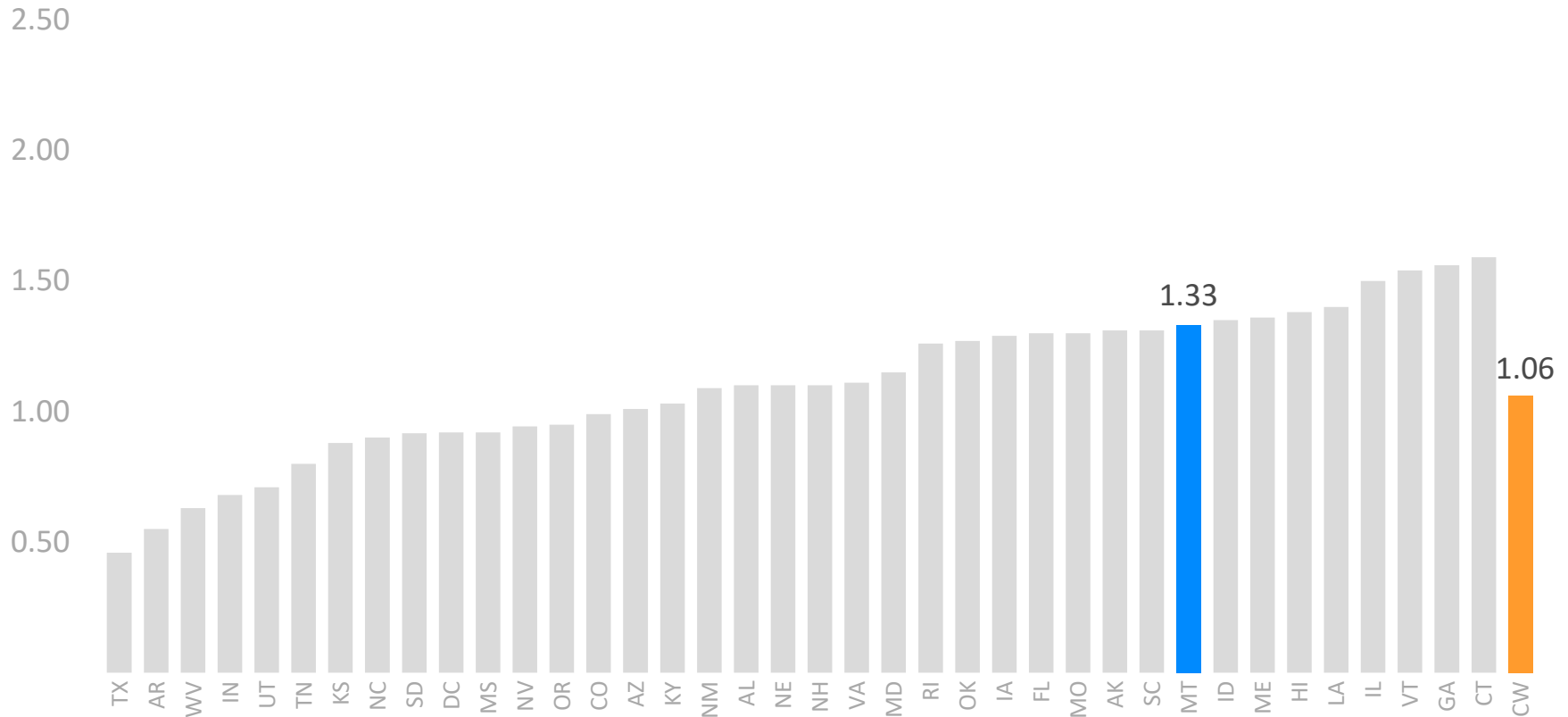
Adjusted to Common Wage Level vs. Actual, in \$ Thousands



Based on NCCI's financial data through 12/31/2018 for lost-time claims at current benefit level and developed to ultimate.

# Average Voluntary Pure Loss Costs

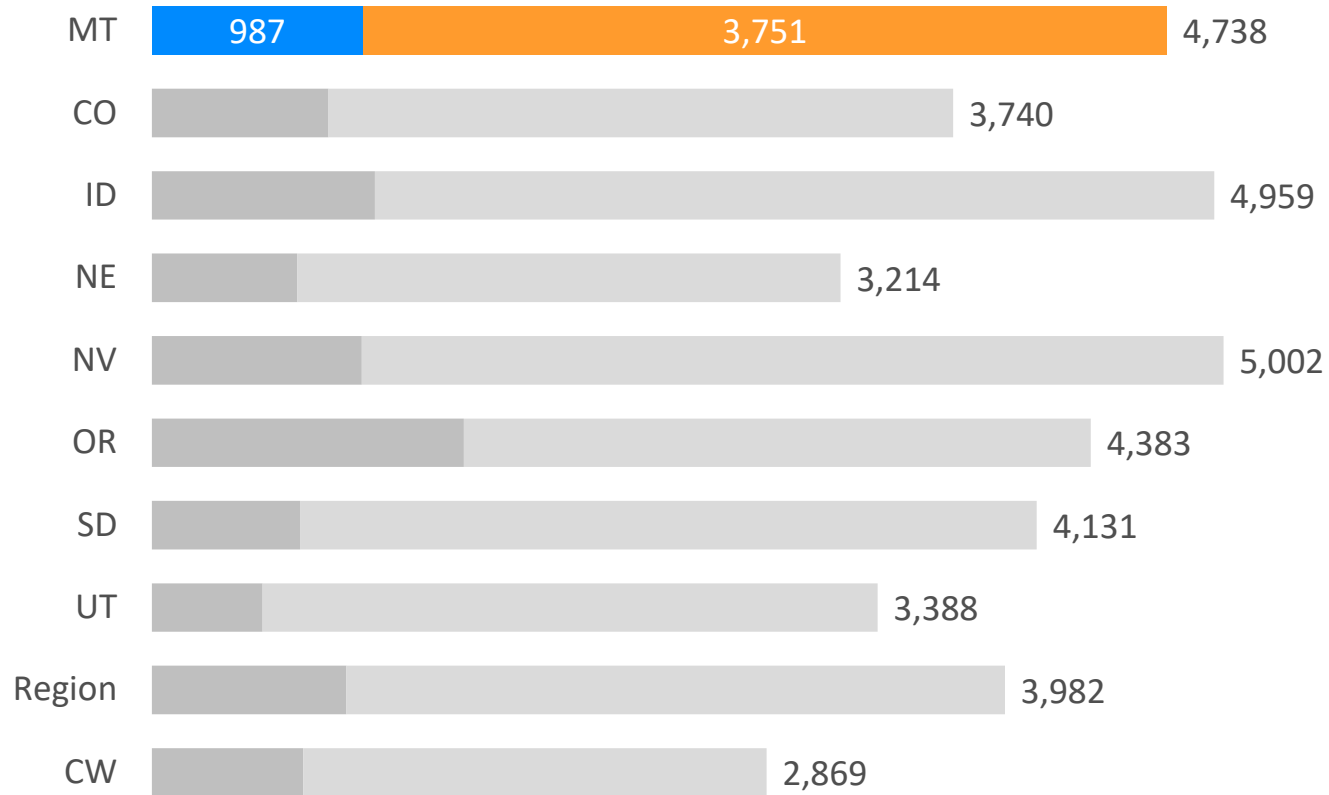
Using Montana Payroll Distribution



Based on approved rates and loss costs in various jurisdictions from filings using data valued as of 12/31/2018.

# Montana Average Claim Frequency

Lost-Time vs. Medical Only, per 100,000 Workers

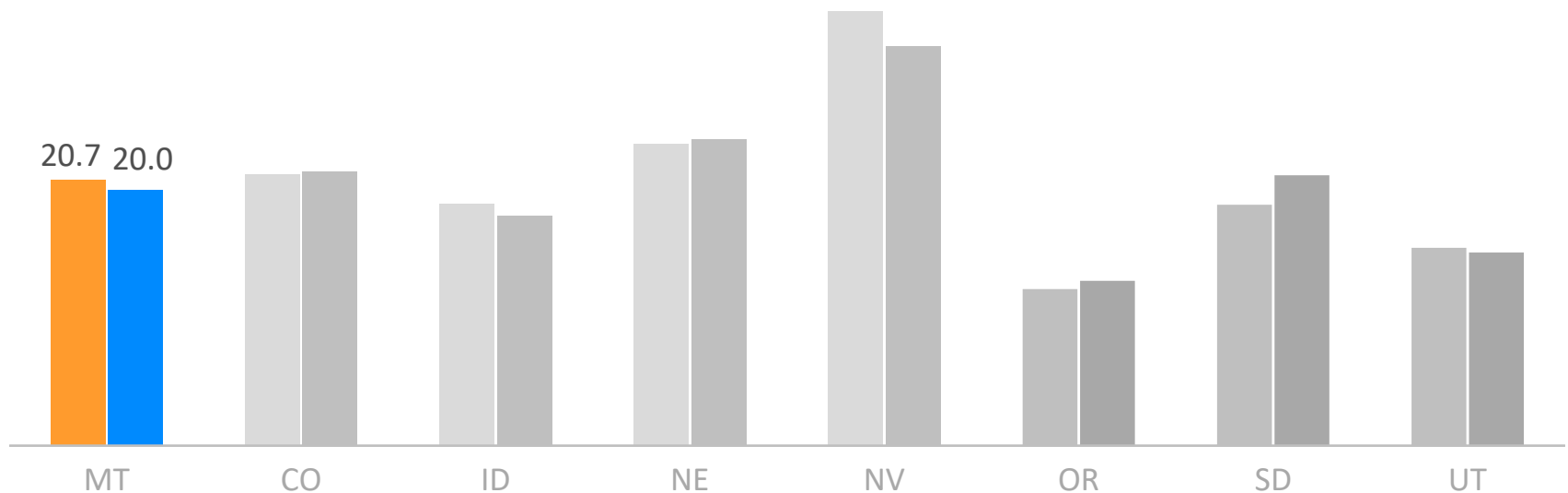


Based on NCCI's *Statistical Plan* data.



# Average Indemnity Claim Severity in the Region

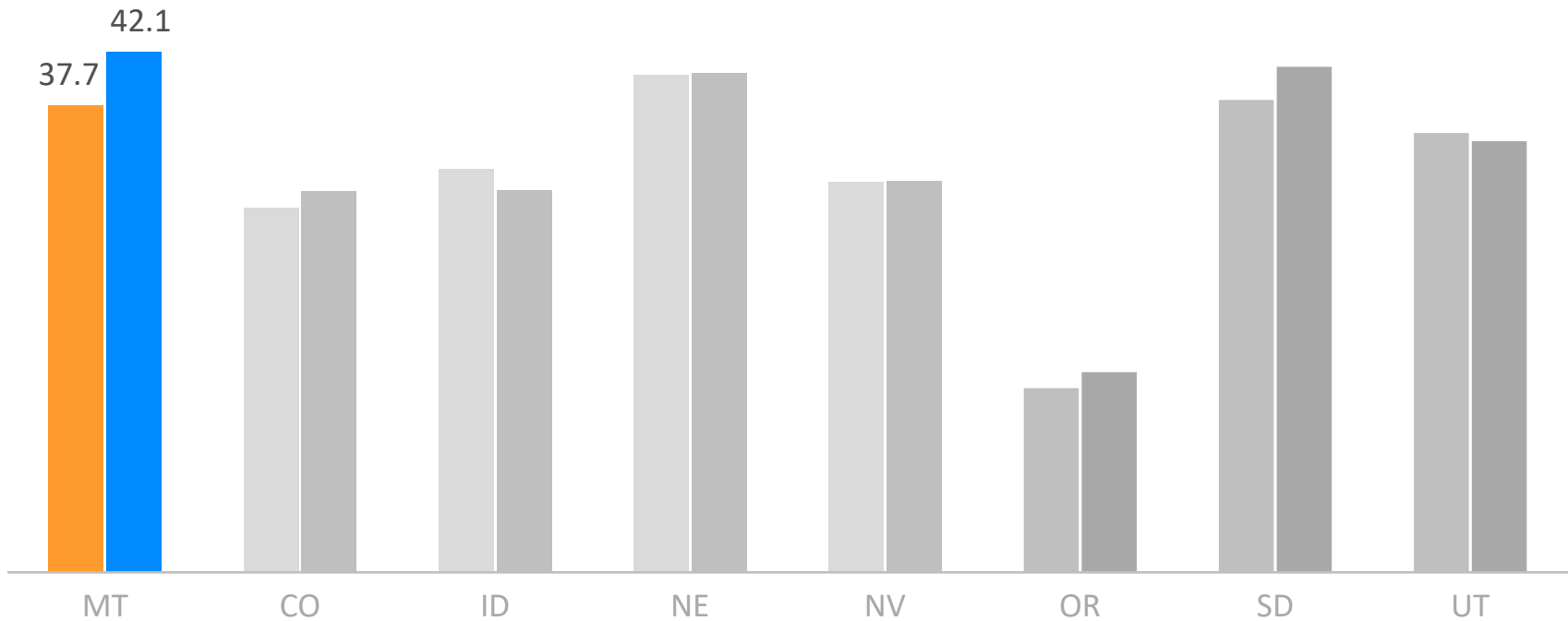
PY 2016 vs. PY 2017, in \$ Thousands



Based on NCCI's financial data for lost-time claims at current benefit level and developed to ultimate, with premium adjusted to common wage level.

# Average Medical Claim Severity in the Region

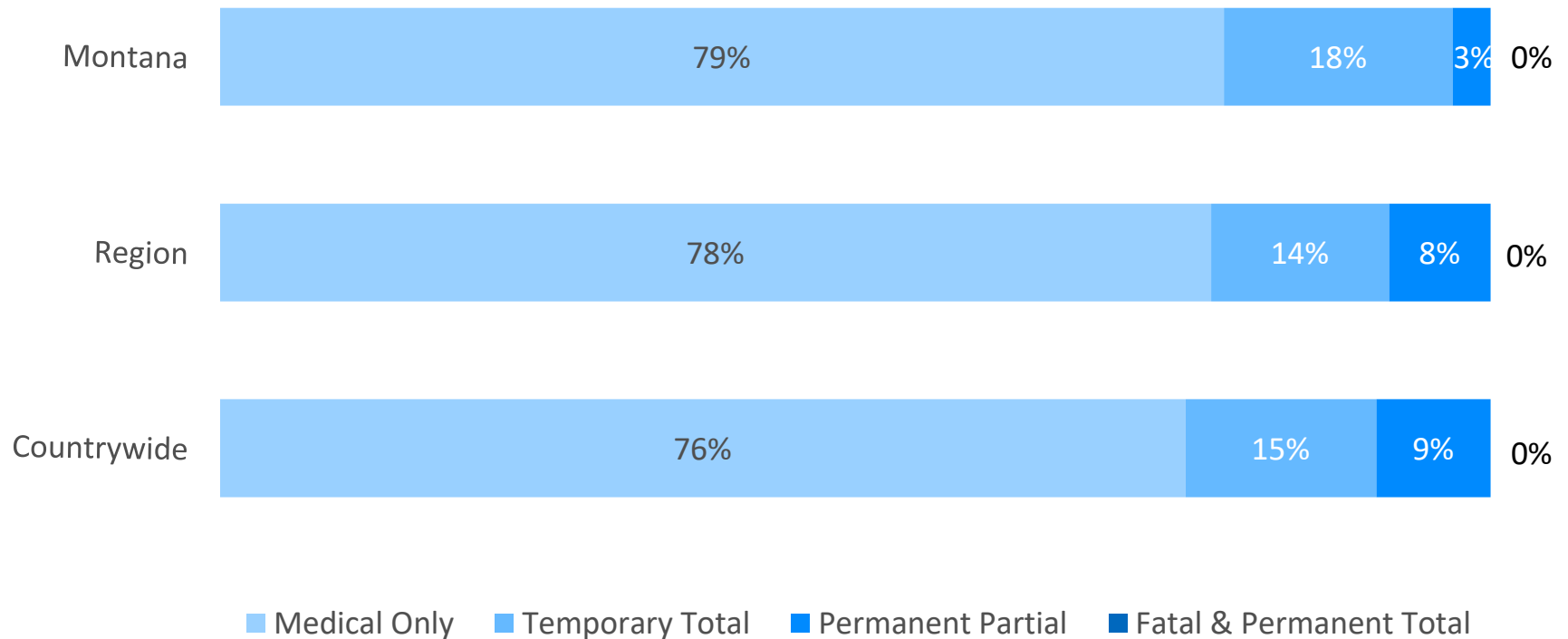
PY 2016 vs. PY 2017, in \$ Thousands



Based on NCCI's financial data for lost-time claims at current benefit level and developed to ultimate, with premium adjusted to common wage level.

# Montana

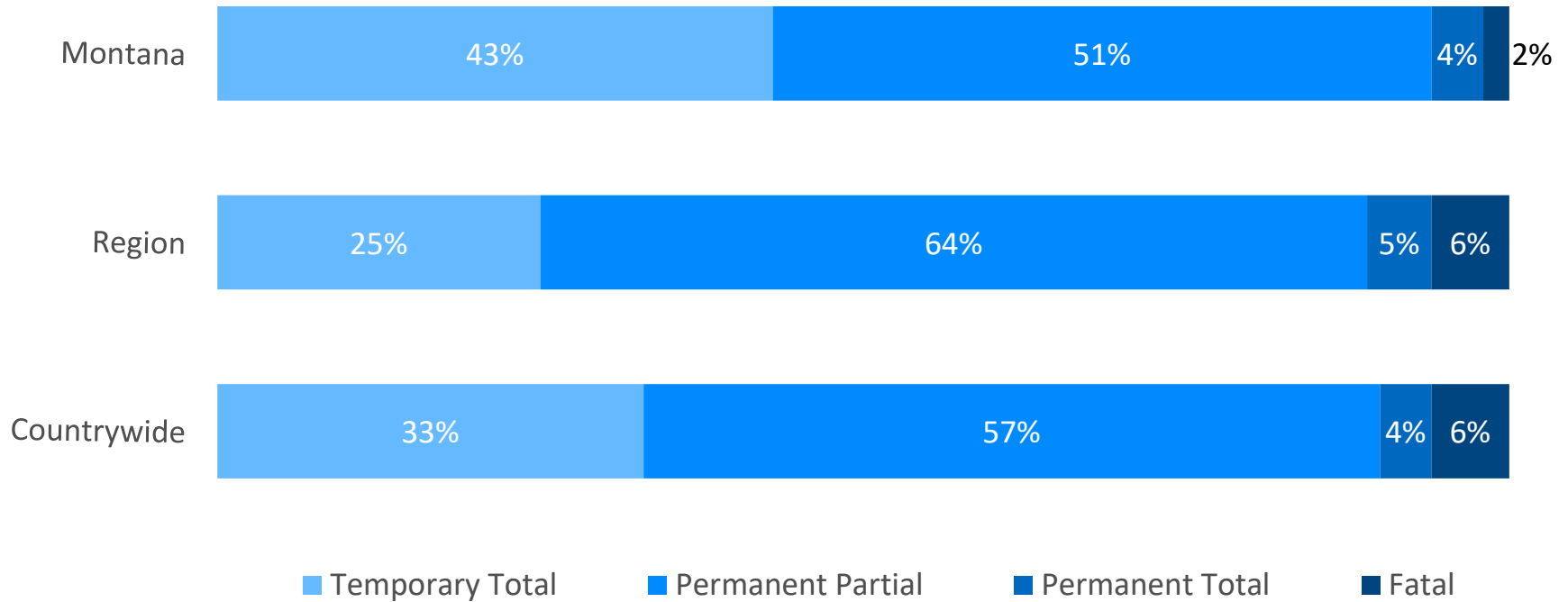
## Distribution of Claims by Injury Type



Regional states are CO, ID, NE, NV, OR, SD, and UT.

Based on NCCI's *Statistical Plan* data for jurisdiction/claim type combinations for which three or more cases exist.

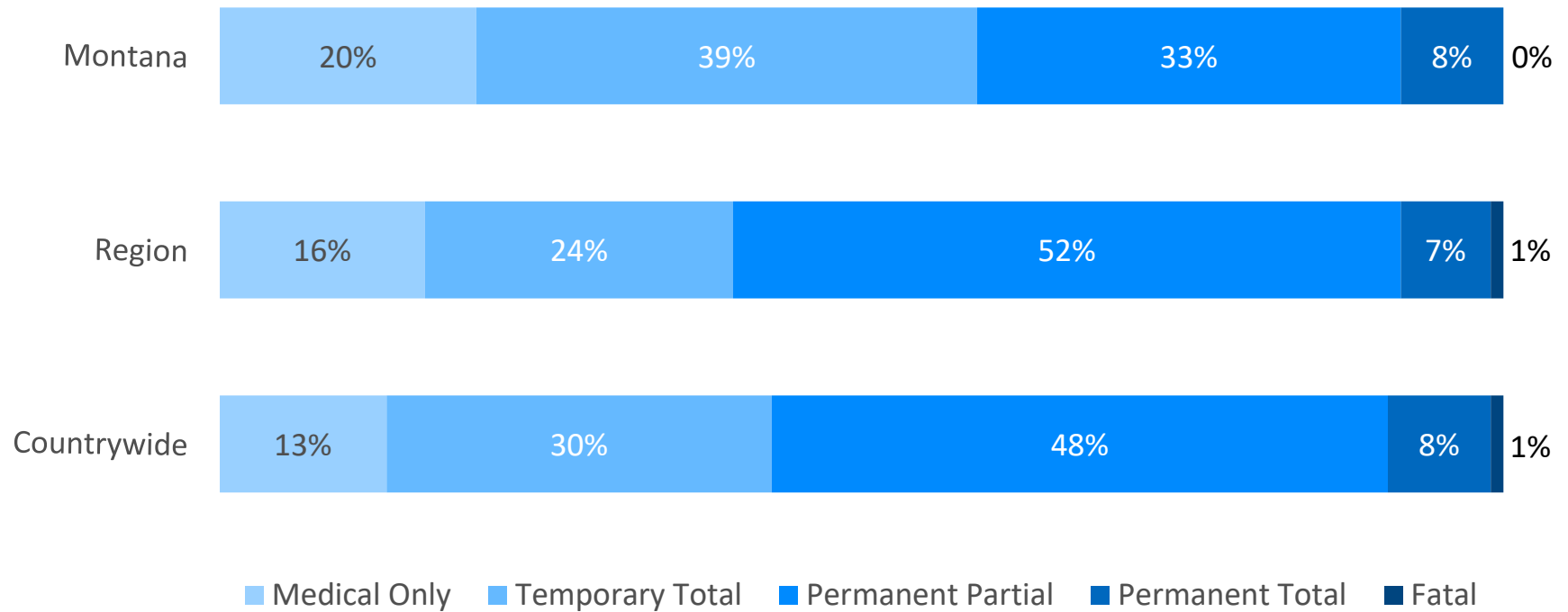
# Montana Indemnity Loss Distribution by Injury Type



Regional states are CO, ID, NE, NV, OR, SD, and UT.

Based on NCCI's *Statistical Plan* data for jurisdiction/claim type combinations for which three or more cases exist.

# Montana Medical Loss Distribution by Injury Type



Regional states are CO, ID, NE, NV, OR, SD, and UT.

Based on NCCI's *Statistical Plan* data for jurisdiction/claim type combinations for which three or more cases exist.



# Glossary



# Glossary

**Active Claim**—A workers compensation claim for which there is at least one medical service provided during that service year.

**Ambulatory Surgical Center (ASC)**—A state-licensed facility that is used mainly to perform outpatient surgery, has a staff of physicians, has continuous physician and nursing care, and does not provide for overnight stays. An ASC can bill for facility fees much like a hospital, but generally has a separate fee schedule.

**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-Accident Year (CAY)**—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.



# Glossary

**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.

**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.

**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 (1) loss ratio, (2) expense ratio, and (3) 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, and the timing of the claim's report to the carrier.





# Glossary

**Diagnosis Groups**—Based on ICD-10 codes; groups based on similar injuries and parts of body.

**Direct Written Premium (DWP)**—The gross premium income adjusted for additional or return premiums but excluding any reinsurance premiums.

**Drugs**—Includes any data reported by a National Drug Code (NDC). Also included are data for revenue codes, the Healthcare Common Procedure Code System (HCPCS), and other state-specific codes that represent drugs.

**Durable Medical Equipment**—Equipment that is primarily and customarily used to serve a medical purpose, can withstand repeated use, could normally be rented and used by successive patients, is appropriate for use in the home, and is not generally useful to a person in the absence of an illness or injury.



# Glossary

**Hospital Inpatient Service**—Services for a patient who is admitted to a hospital for treatment that requires at least one overnight stay (more than 24 hours in a hospital). Payment for a hospital inpatient service is limited to the payment made for the facility cost.

**Hospital Inpatient Stay**—A hospital admission of a patient requiring hospitalization of at least one 24-hour period.

**Hospital Outpatient Service**—Any type of medical or surgical care performed at a hospital that is not expected to result in an overnight hospital stay (less than 24 hours in a hospital). Payment for a hospital outpatient service is limited to the payment made for the facility cost.

**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.



# Glossary

**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 Data Call**—Captures transaction-level detail for medical billings that were processed on or after July 1, 2010. All medical transactions with the jurisdiction state in any applicable Medical Data Call state are reportable. This includes all workers compensation claims, including medical-only claims.

**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; includes 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.

**Prescription Count**—Number of drug prescriptions, where refills are counted separately.

**Schedule Rating**—A debit and credit plan that recognizes variations in the hazard-causing features of an individual risk.

**Service Year**—A loss accounting term for experience that is summarized by the calendar year in which a medical service was provided.



# Glossary

**Surgery Visit**—A visit in which at least one surgery procedure is performed based on the reported procedure code.

**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.

**Units**—The number of units of service performed or the quantity of drugs dispensed. For Paid Procedure Codes related to medications, the quantity/units depend on the type of drug:

- For tablets, capsules, suppositories, and nonfilled syringes, units represent the actual number of the drug provided. For example, a bottle of 30 pills would have 30 units.



# Glossary

- For liquids, suspensions, solutions, creams, ointments, and bulk powders that are dispensed in standard packages, the units are specified by the procedure code. For example, a cream is dispensed in a standard tube, which is defined as a single unit.
- For liquids, suspensions, solutions, creams, ointments, and bulk powders that are not dispensed in standard packages, the number of units is the amount provided in its standard unit of measurement (e.g., milliliters, grams, ounces). For example, codeine cough syrup dispensed by a pharmacist into a four-ounce bottle would be reported as four units.

**Visit**—Any hospital outpatient or ASC service or set of services provided to a claimant on a specific date. At any visit, more than one procedure may be performed, and any claimant may have more than one visit.



# Appendix

# NCCI's Workers Compensation Resources

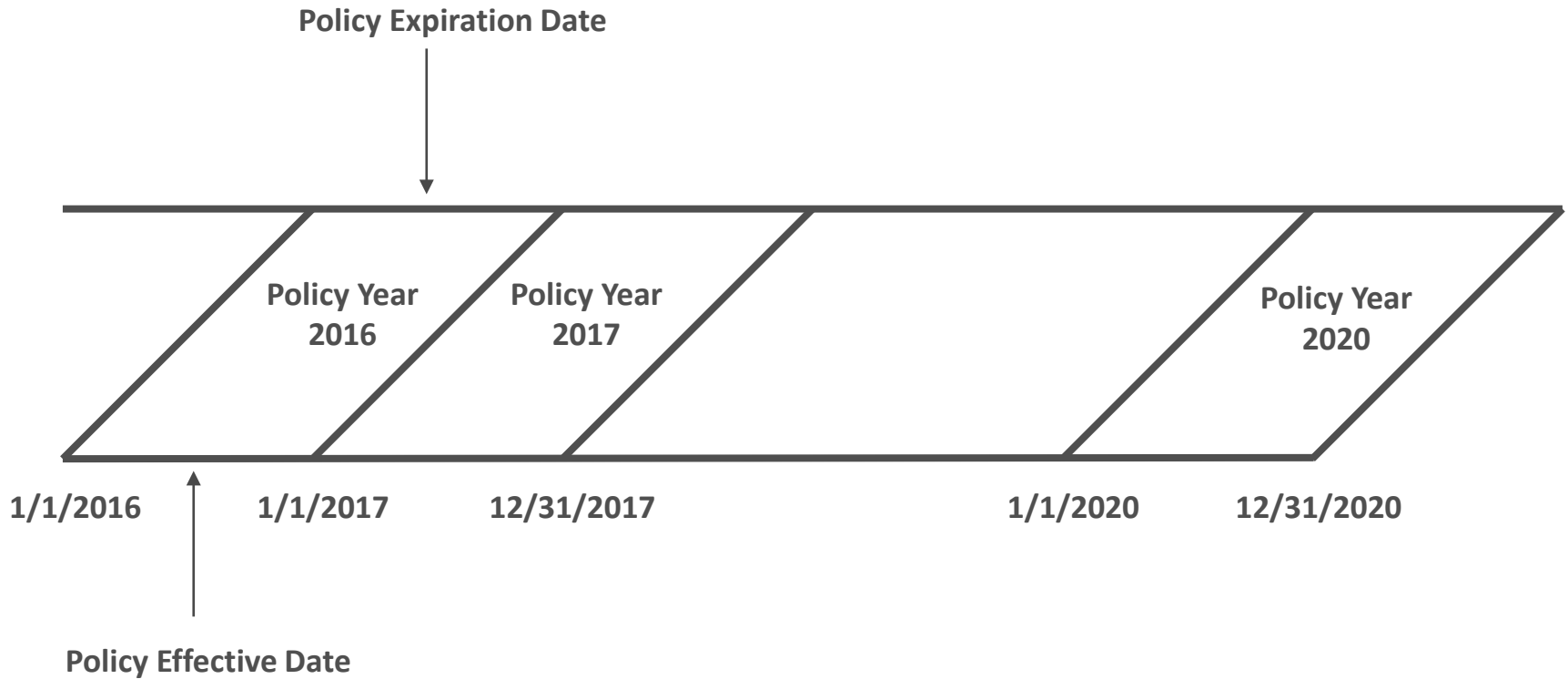
- Financial Aggregate Calls
  - Used for aggregate ratemaking
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
  - Used for class ratemaking
- Detailed Claim Information
  - In-depth sample of lost-time claims
- Policy Data
  - Policy declaration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



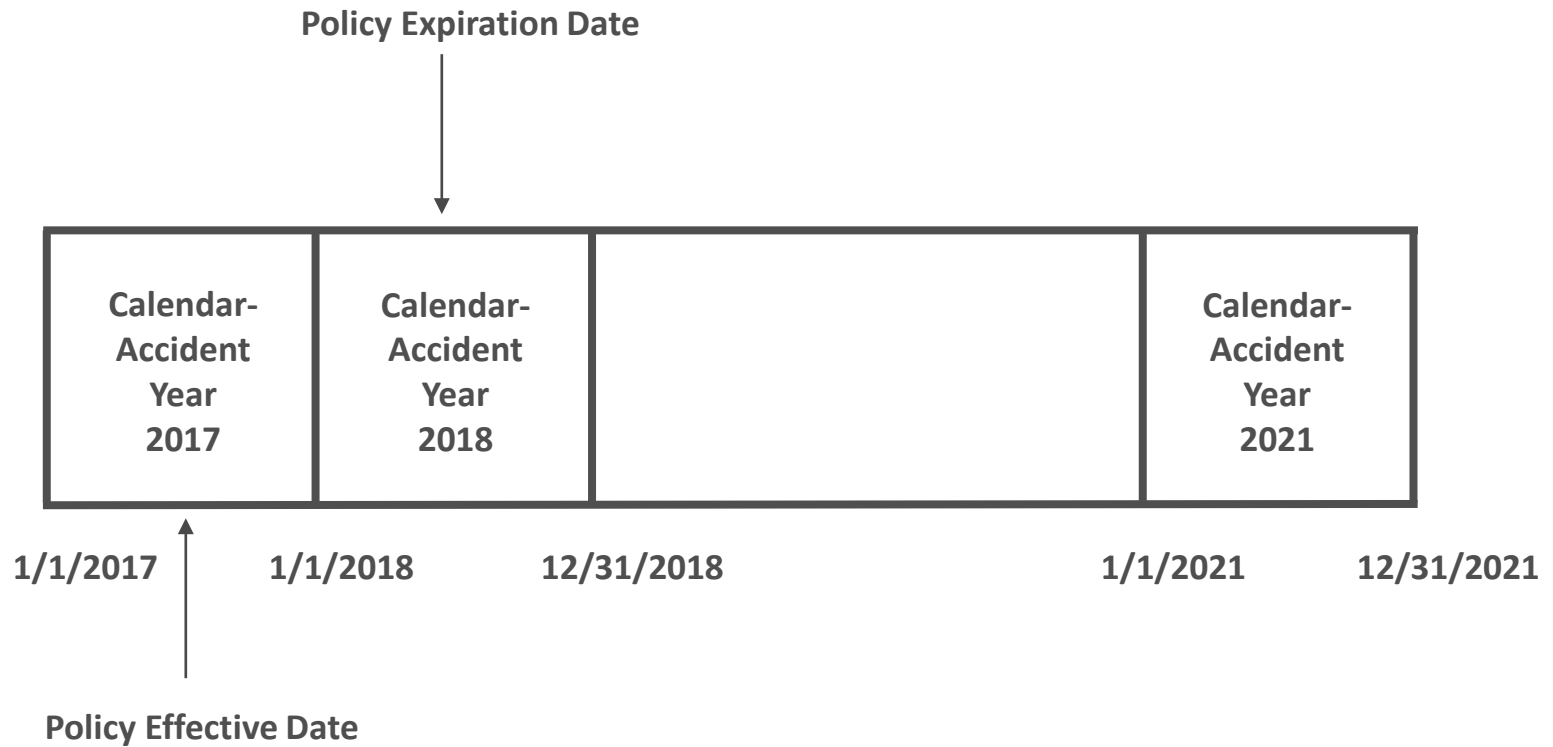
# Financial Aggregate Calls

- 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, and experience rating modifications
  - Individual claims by injury type
- Purposes
  - Classification relativities
  - Experience Rating Plan
  - Research

# Valuation of Statistical Plan Data

