



September 2, 2021

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

2021 Report – Workers Compensation Insurance in North Carolina

The North Carolina Rate Bureau is pleased to make available the *2021 Report – Workers Compensation Insurance in North Carolina*. This report provides an overview of matters related to workers compensation in which the North Carolina Rate Bureau has oversight or could be impacted. Along with legislative updates and industry changes, this report includes an overview of items such as premium volumes, and changes in loss cost and assigned risk rates for the past five years.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at support@ncrb.org.

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:amt
Attachment
C-21-16

North Carolina Rate Bureau

2021

INDUSTRY REPORT

Workers Compensation in
North Carolina

North Carolina Rate Bureau
2910 Sumner Boulevard
Raleigh, NC, 27616
July 12, 2021

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I. Report Scope

This 2021 report of workers compensation Insurance in North Carolina provides an overview of Workers Compensation matters impacting the North Carolina Rate Bureau (Bureau) or where the Bureau has oversight.

The Bureau files assigned risk rates, voluntary loss costs, rules, and forms on behalf of all member companies writing workers compensation insurance in North Carolina. The Bureau does not have regulatory authority over the approval of the filed rates, loss cost, rules, and forms. However, there are many industry related activities and considerable data that the Bureau and its member companies must consider when making decisions related to their roles and responsibilities.

The report that follows provides an overview of workers compensation insurance matters that are under the jurisdiction of the Bureau or that have an impact on its operations.

II. Report Limitations

This report does not encompass a complete study of all issues affecting workers compensation in North Carolina. It has been prepared using the best available information on workers compensation insurance. The data used in this report has been provided to the Bureau by carriers writing workers compensation insurance in North Carolina or data that has been reported to or collected by various industry groups. This report has been independently prepared by the Bureau.

III. Executive Summary

Workers compensation insurance provides benefits to employees for injury, disability or death that occurs in the course of their employment. Benefits may include replacement of wages, providing medical treatment, compensation for disability and/or death benefits. The workers compensation system is a no-fault system, providing protection for both the employer and the employee. In North Carolina, the employer is held liable for certain benefits by way of the Workers Compensation Act. In return for the protection provided by these statutes, the injured employee waives most of their rights to seek compensation for work related losses through the court system.

North Carolina has several options for employers to meet their statutory obligations for workers compensation insurance. Those options include, but may not be limited to, voluntary coverage, residual market coverage (assigned risk), self-insurance, or participation in a self-insured fund.

Overall the North Carolina workers compensation market continues to be stable. The number of carriers licensed in North Carolina to write workers compensation as of June 1, 2021 totaled 564. This is a slight increase of less than 2% over the prior year and an indication that North Carolina is a healthy market for workers compensation insurance. The increase in the number of carriers available to write workers compensation insurance in North Carolina enables most employers to find coverage in either the voluntary or the assigned risk market.

In North Carolina, as in most other states, there is an ongoing concern about the cost of workers compensation for employers and carriers, and the fees associated with administering adequate benefits for injured workers. Assigned risk rate and loss cost filings over the past several years have yielded more decreases than increases. It is the Bureau's responsibility to provide information and expertise to the General Assembly and various state agencies on how changes in rules may impact the workers compensation system in North Carolina.

IV. North Carolina Workers Compensation Insurance Market

A. Overview of the Workers Compensation System

In 1929, North Carolina enacted the state's first Workers Compensation Act (the Act) through state statutes. Since then, the Act has evolved and continues to change. The Act requires employers who regularly employ three or more employees to purchase workers compensation insurance. The Act is designed to ensure that employees, who are injured in the course of their employment, are provided timely and predictable compensation and medical care without regard to fault. In exchange, employees relinquish their rights to sue and are required to file their claims with the North Carolina Industrial Commission, not the courts.

The requirement of having three or more employees includes all employers operating as corporations, sole proprietorships, limited liability companies, and partnerships. There are limited exceptions to this rule. Those exceptions include operations that present radiation exposure, sawmill and logging operators – all of which must have workers compensation insurance for one or more employees. Additionally, domestic servants, and seasonal agricultural workers do not require workers compensation insurance. With the exception of certain executives (executive officers, sole proprietors, and partners), employees are not permitted to waive their right to workers compensation coverage.

According to North Carolina Workers Compensation statutes, employers have several options for providing coverage. Along with the voluntary and residual markets, employers may also seek coverage through a group self-insured fund or elect to become an individual self-insured employer. When seeking coverage through a group fund, businesses pay into a larger fund comprised of similar companies based on number of employees and the total payroll. All members of the fund share the risk while receiving necessary coverages in return. When an employer elects to be self-insured, the employer agrees to pay for their workers compensation claims directly. In order to gain status as a Self-Insured Employer status, the business must seek approval from the North Carolina Department of Insurance and show that they are financially able to provide coverage for their employees.

B. State of the North Carolina Workers Compensation Insurance Market

North Carolina workers compensation premium from insurers in 2020 was approximately \$1.3 Billion. The North Carolina Department of Insurance *Summary of Property and Casualty Business* indicates workers compensation premiums account for nearly 7% of the total North Carolina property and casualty direct premiums written for the year ending December 31, 2020. These premiums do not include any self-insured employers or funds.

The following table shows the total Workers Compensation premium for the last 5 years.

Year	Written Premium Volume	Change from Prior Year
2016	\$1,493,077,196	0.4%
2017	\$1,448,416,031	-3.0%
2018	\$1,422,791,847	-1.8%
2019	\$1,395,398,030	-1.9%
2020*	\$1,292,320,484	-7.4%

*Some of the decrease in 2020 written premium can be attributed to COVID-19 and the fact that employment declined during the pandemic.

In North Carolina, workers compensation coverage provided by insurance companies may be purchased in the voluntary market (private carriers) or through the residual market (assigned carriers). The majority of workers compensation insurance written in North Carolina is through the voluntary

market. In 2020, 96.3% of workers compensation premium reported to the Bureau was written in the voluntary market and 3.7% was written through the Assigned Risk Plan.

A number of factors, such as market share and trend, should be considered when evaluating the sustainability of the workers compensation market in North Carolina. However, the number of policies written in assigned risk is often viewed as an indication of the overall health of the market. The table that follows shows the year end number of policies assigned and the total premium volume in force for coverage written through the assigned risk market for the past five years.

Year End	Policy Count		Premium Volume		Average Premium	
	Assigned Risk % of Mkt	Voluntary % of Mkt	Assigned Risk % of Mkt	Voluntary % of Mkt	Assigned Risk	Voluntary
2016	12.6%	87.4%	3.7%	96.3%	\$3,101	\$12,082
2017	12.4%	87.6%	3.9%	96.1%	\$3,089	\$10,837
2018	12.5%	87.5%	4.4%	95.6%	\$3,176	\$9,985
2019	12.3%	87.7%	4.0%	96.0%	\$2,708	\$9,099
2020	11.3%	88.7%	3.7%	96.3%	\$2,676	\$8,824

Another factor to consider for workers compensation in North Carolina is the breakdown of premium by industry as shown in the table below.

Industry	% of Market
Goods & Services	28.8%
Contracting	26.2%
Manufacturing	17.2%
Miscellaneous	17.1%
Office & Clerical	10.6%

i. Voluntary Market

The availability of insurance is usually described in terms of insurer capacity and the supply of insurance products in the market. As in other lines of insurance, the availability of workers compensation coverage is impacted by the number of carriers writing and their capacity to write in the market. There were 564 member companies available to write workers

compensation coverage in North Carolina in 2020. As shown in the table below, the number of member companies has increased over the past five years.

Year	# of Carriers
2017	535
2018	549
2019	554
2020	564

Many of the workers compensation carriers writing coverage in North Carolina are members of insurance groups that write a large segment of the overall premium in the marketplace. The chart that follows shows the top ten groups and their 2020 calendar year written premium for North Carolina.

2020 RANK	GROUP NAME	2020 WRITTEN PREMIUM	WRITTEN PREMIUM MARKET SHARE	% CHANGE FROM 2019
1	Blue Cross Blue Shield of MI Group	\$101,612,669	7.82%	-5.1%
2	Hartford Fire and Casualty Group	\$100,890,324	7.76%	-4.7%
3	Travelers Group	\$99,855,500	7.68%	-10.9%
4	Builders Group	\$91,526,866	7.04%	-8.4%
5	Liberty Mutual Group	\$71,839,530	5.53%	-12.3%
6	Zurich Insurance Group	\$59,746,159	4.60%	-8.8%
7	WR Berkley Corp Group	\$58,010,770	4.46%	+5.4%
8	Ace Ltd Group	\$49,500,772	3.81%	-5.4%
9	American Financial Group	\$46,472,674	3.58%	+3.1%
10	Berkshire Hathaway Group	\$42,785,307	3.29%	-3.9%

ii. Residual Market

Residual markets exist to ensure the availability of insurance coverage. The North Carolina Workers Compensation Insurance Plan (NCWCIP) is the mechanism for residual market coverage in North Carolina. Most often, the NCWCIP is referred to as the Assigned Risk Plan. The Assigned Risk Plan for North Carolina is administered by the North Carolina Rate Bureau and is available for most employers unable to secure workers compensation insurance coverage in the voluntary market. Employers must be in good standing with the NCWCIP rules to qualify for coverage through the assigned risk plan. Employers seek coverage in the assigned risk plan for a variety of reasons. The most prevalent reasons are (1) they are a new company;

(2) they have a small number of employees; or (3) they have poor claim history.

The residual market is the market of last resort and is not intended to compete with the voluntary market. Rates for policies in the residual market are higher than those available in the voluntary market. In the assigned risk market, 90% of policies have premiums less than \$5,000, with an average premium of \$1,614. These statistics are shown below.

Policy Year 2020			
Premium Size	Number of Policies	Written Premium	Average Premium
0-\$4,999	23,386	\$37,740,505	\$1,614
\$5,000-\$24,999	2,180	\$19,697,586	\$9,036
\$25,000-\$99,999	166	\$6,786,758	\$40,884
\$100,000+	12	\$2,069,048	\$172,421
Total	25,744	\$66,293,897	\$2,575

The top 10 types of business written in the Residual Market include:

Top 10 Assigned Risk Class Codes for 2020		
Rank*	Class Code	Phraseology
1	5645	Carpentry-Construction of Residential Dwellings Not Exceeding Three Stories in Height
2	5474	Painting NOC & Shop Operations, Drivers
3	5437	Carpentry-Installation or Cabinet Work or Interior Trim
4	5551	Roofing-All Kinds & Drivers
5	7219	Trucking NOC-All Employees & Drivers
6	5403	Carpentry-NOC
7	8810	Clerical Office Employees NOC
8	5445	Wallboard, Sheetrock, Drywall, Plasterboard or Cement Board Installation Within Buildings & Drivers
9	9014	Janitorial Services by Contractors - No Window Cleaning Above Ground Level & Drivers
10	5348	Ceramic Tile, Indoor Stone, Marble or Mosaic Work

*by policy count

Both servicing and direct assignment carriers provide assigned risk coverage written through the North Carolina assigned risk plan. Servicing carriers issue policies and provide services to assigned employers in return for a servicing carrier fee paid by the National Reinsurance Pool. The servicing carriers are selected through a competitive bid process to write plan

coverage for a three (3) year period. The share or quota of assigned risk business for servicing carriers is determined based on their bid. Carriers not selected as servicing carriers may request permission to write assigned risk coverage as a direct assignment carrier. Direct assignment carriers are not reinsured through the National Reinsurance Pool and are solely responsible for the financial results of their written policies. Their share or quota is based on their percentage of premium writings in the voluntary market. Effective 1/1/2020, carriers writing assigned risk business include:

Direct Assignment Carriers:

ACE American Insurance Company
American Interstate Insurance Company
American Zurich Insurance Company
Auto Owners Insurance Company
Builders Mutual Insurance Company
Cincinnati Insurance Company
Continental Casualty Company
Hartford Underwriters Insurance Company

Servicing Carriers:

AmGuard Insurance Company
LM Insurance Corporation
Travelers Property & Casualty Company

V. The North Carolina Workers Compensation Ratemaking Process

In North Carolina, workers compensation carriers are required by statute to be a member of the North Carolina Rate Bureau. The Bureau is a non-profit organization established by NCGS 58-36-1. One role of the Bureau is to establish and administer class codes, assigned risk rates, loss cost, rating plans, policy forms, and policy provisions for workers compensation insurance in North Carolina. The Bureau is responsible for preparing and filing workers compensation loss cost and assigned risk rates with the North Carolina Department of Insurance on an annual basis by September 1st, as required by statute.

Only the loss costs, loss cost multipliers, and assigned risk rates approved by the Commissioner of Insurance can be used by carriers issuing workers compensation policies in North Carolina.

Loss costs are the amounts needed for the carrier to pay medical, indemnity, disability claims and loss adjustment expenses. Loss adjustment expenses are expenses directly related to the handling of claims and include attorney fees for both the claimant and the employer.

It is the responsibility of each individual carrier to file for the approval of their loss cost multiplier. Loss cost multipliers are based on other costs a carrier may incur in the course of doing business. Other costs include salaries, commissions, rent, utilities and assessments levied by the guaranty fund and the assigned risk plan.

Assigned risk rates are developed using a combination of voluntary loss cost and a loss cost multiplier specific to the assigned risk market. The loss cost multiplier

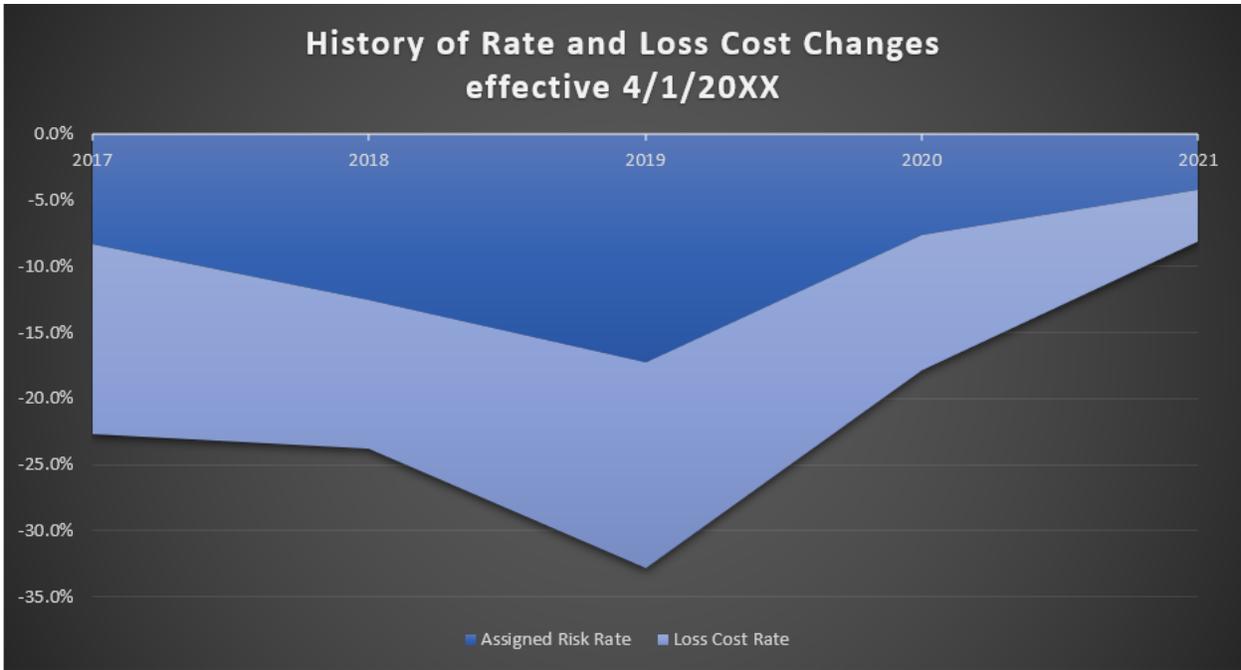
for assigned risk is based on an analysis of expenses relative to the insureds in the assigned risk market, with the largest component being the assigned risk loss differential. The loss differential reflects that policies in the assigned risk market are generally of higher risk than those insured in the voluntary market.

For workers compensation insurance, premium is developed using the insured employer's payroll, the appropriate loss cost and loss cost multiplier, or the assigned risk rate. The loss cost or assigned risk rate will vary based on classification. The appropriate classification is determined based on the type of business or industry of the employer. For voluntary coverage, the loss cost is multiplied by the loss cost multiplier of the voluntary carrier, and then by the employer's payroll divided by 100 to determine the manual premium. The manual premium is then multiplied by the employer's experience modification factor to develop the standard premium. The experience modification factor is developed by comparing an employer's actual loss experience by class code to the average experience of all employers in that class code. The development of premium for assigned risk policies uses an assigned risk rate instead of a loss cost and loss cost multiplier.

A. Loss Cost and Assigned Risk Rates

The filings for loss cost and assigned risk rates are submitted by the Bureau to the North Carolina Department of Insurance on behalf of all member companies. The selections and assumptions used in the filings are prepared by actuarial and advisory service contractors hired by the Bureau. Once compiled, the assumptions and selections are presented to Bureau staff. The results are then summarized and offered to the Bureau's Workers Compensation Committee for consideration. The Workers Compensation Committee provides feedback and makes selections that are further summarized and presented to the Bureau's Governing Committee. The Governing Committee then reviews and approves the final filing submitted to the Department of Insurance. In both the residual and voluntary markets, rates charged for policies must comply with the statutory requirement that rates not be inadequate, excessive, or unfairly discriminatory (NCGS 58-36-10).

While workers compensation coverage may be readily available in the voluntary market, for most employers, affordability is an ongoing concern. The need for an annual review to determine if loss costs should be increased or decreased is an effort to ensure that rates are not excessive or inadequate. As shown in the graph that below, the past five years have brought a series of mostly decreases in the voluntary loss cost and assigned risk rates.



	2017	2018	2019	2020	2021
Assigned Risk Rate	-8.3%	-12.5%	-17.2%	-7.6%	-4.2%
Loss Cost Rate	-14.4%	-11.3%	-15.6%	-10.3%	-3.9%

The Bureau files an update or review annually for loss costs. However, there may be instances in which the approval process becomes lengthy as the Department of Insurance may request additional information or disagree with the data or assumptions that have been offered in support of the filing. This type of activity impacts the ratemaking process. The recent pandemic and economic events will make this process more difficult for the upcoming filing due September 1, 2021.

B. Loss Cost Multipliers

It is up to each carrier to develop and file for approval with the Department of Insurance its own loss cost multiplier (LCM). The LCM is the second component of their rate (Rate = Advisory Loss Cost * Loss Cost Multiplier). This component is based on the company's own operating expenses, taxes, and profit provision.

Although workers compensation carriers are required to use a loss cost approved by the Department, certain provisions of NCGS 58-36-100(j) allow a carrier to elect to use the current prospective loss cost or one that was previously filed and approved with a different effective date. The Bureau maintains a reference tool, available on the Bureau's website, of the loss cost multipliers that have been approved by the Department of Insurance for the industry.

VI. Administration Changes in North Carolina

The North Carolina Industrial Commission (NCIC) is responsible for the adjudication of workers compensation claims and the administration of the Workers Compensation Act in North Carolina. Oversight of the NCIC is the responsibility of the Department of Insurance. The NCIC has six Commissioners, each appointed by the Governor to serve a term of six years. The NCIC is currently under the leadership of Chairman Philip A. Baddour, III and Vice Chair Myra L. Griffin. Chairman Baddour was appointed to NCIC in 2017 and designated as Chair in 2019. Vice Chair Griffin was appointed to NCIC in 2018 and designated to Vice Chair in 2019. They are assisted in adjudicating claims and administering the North Carolina Workers Compensation Act by:

Commissioner, James C. Gillen – Appointed in 2019

Commissioner, Kenneth L. Goodman – Appointed in 2019

Commissioner, Adrian A. Phillips – Appointed in 2021

Commissioner Wanda B. Taylor – Appointed in 2021

Misclassification of employees continues to be a problem throughout the country. The Employee Classification Section was created over 3 years ago to investigate the intentional misclassification of employees as independent contractors in an effort to avoid tax liabilities and evade the requirement for workers compensation coverage. NCGS 143-764(a) (5), which established the Employee Classification Section, requires that a report be made to the Governor and the Joint Legislative Commission on Governmental Operations by October 1st each year. This report is to include the number of identified misclassifications and the amount of back taxes, wages, benefits and penalties assessed and collected. In Fiscal Year 2019-20, the Employee Classification Section's work with the Compliance and Fraud Investigation Section of the NCIC identified businesses engaged in employee misclassification, resulting in \$6,766,467 in penalty assessments and \$789,167 in adjustments. \$166,974 in penalties have already been collected. The remaining millions in assessments are pending and/or in litigation.

Ongoing efforts since inception by the NCIC to decrease fraud and noncompliance within North Carolina's workers compensation industry have been evidenced by millions of dollars in penalties collected from companies that failed to carry adequate workers compensation insurance and thousands of criminal charges issued. In the 2020 Annual Report issued by the NCIC, the Commission reported that in Fiscal Year 2019-20 that 9,254 cases were processed, including 524 misdemeanor charges and three felony charges for failure to maintain workers compensation insurance. \$3,126,034 in non-insured penalties have already been collected.

VII. Regulatory Changes Impacting Workers Compensation in North Carolina

The Bureau monitors industry trends and regulatory activity that may impact workers compensation in North Carolina. There has been minimal legislative activity related to workers compensation in 2021. In North Carolina, the legislature alternates between a long session in odd number years, and a short session in even number years. During the short session, only certain types of legislation are eligible to be filed and only bills introduced in the long session that make the cross-over and veto overrides are considered. Although there was limited legislative activity in 2021, the following are several matters that continue to drive change in the current climate of the industry.

House Bill 224 – Filed March 3, 2021: Occupational Therapy Interstate Compact. Amends Chapter 90 of the General Statutes by adding an act to establish and enter into an interstate compact for the practice of occupational therapy. HB 224 became effective and was signed by Governor Roy Cooper on June 11, 2021.

House Bill 492 – Filed April 5, 2021: WC/Psych. Trauma-Related Injuries. Would amend the Workers Compensation Act to provide that law enforcement officers, firefighters, 911 dispatchers and emergency management services personnel are entitled to workers compensation benefits for psychological trauma under specified circumstances. HB 492 would become effective July 1, 2021 if ratified and signed by Governor Roy Cooper and apply to workers compensation claims filed on or after the bill's effective date. HB 1056 passed the first Senate reading on May 10, 2021 and was referred to the Committee on Rules and Operations of the Senate.

House Bill 535 – Filed April 15, 2021: Firefighters Fighting Cancer Act of 2021. Would amend Chapter 58 the General Statutes to provide a supplemental insurance policy for firefighters diagnosed with cancer. HB 535 would become effective when ratified and signed by Governor Roy Cooper. HB 535 passed the first House reading on April 13, 2020 and is currently with the Committee on Appropriations, and if favorable, would be referred to the Committee on Rules, Calendars and Operations of the House.

COVID-19 – The Bureau has been closely monitoring the development and spread of COVID-19, along with the rest of the industry. Working collaboratively with the National Council on Compensation Insurance (NCCI), the Workers Compensation Committee and the North Carolina Department of Insurance, the Bureau has filed and received approval for filings applicable to North Carolina as noted below.

- The temporary state-specific revision to the North Carolina Basic Manual for Workers Compensation and Employers Liability (NC Basic Manual) allowed employees, whose duties were previously assigned to a higher-rated governing classification, working in a stay-at-home environment and performing duties consistent with clerical operations, when the higher-rated governing classification does not include clerical operations to be reassigned

to Classification Code 8871 – Clerical Telecommuter Employees. The approved payroll reclassification was applicable to policies in effect on or after March 30, 2020 – the day the North Carolina stay-at-home order was issued – until April 12, 2021, 45 days after the order was lifted on February 24, 2021 to allow employers flexibility to implement their own return-to-work-plan.

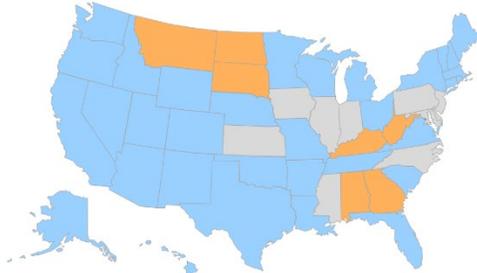
- Revisions to the NC Basic Manual announced by NCCI Item B-1441 – *Revisions to NCCI Manual Rules Related to the COVID-19 (Coronavirus) Pandemic* revised and established rules allowing payments to paid furloughed employees be excluded from premium calculations. Payments made to furloughed employees will be reported as exposure using statistical code 0012, and no premium will be applicable. These approved changes are applicable to all policies in effect on or after March 1, 2020 until a date determined later as circumstances warrant and in consultation with state regulatory authorities.
- Revisions to the NC Statistical Plan Manual (NC Stat Plan) established Nature Injury Code 38 and revised Cause of Injury Code 82 to include adverse reactions to a vaccination or inoculation as proposed by the Workers Compensation Insurance Organization (WCIO). The approved changes are applicable to all new and voluntary and assigned risk policies in effect on or after December 1, 2020.

VIII. National Trends

COVID-19 – NCCI continues to monitor the impact of the COVID-19 pandemic on the workers compensation industry. A series of frequently asked questions (FAQs) based on questions received by NCCI have been compiled and kept up-to-date on NCCI’s site (found [here](#)). While North Carolina is not a NCCI state, North Carolina does follow NCCI very closely. Since FAQs address NCCI manuals and NCCI’s role in the industry, the Bureau’s site will provide current state-specific information.

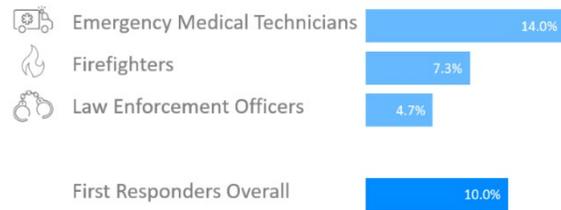
PTSD – According to a study released by NCCI in June 2021, mental health disorders have emerged as a potentially significant factor in workers compensation. In more recent years, legislative activity has increased across the country to broaden and establish workers compensation benefits for post-traumatic stress disorder (PTSD). The momentum of legislative activity could be accelerated due to the impact of the COVID-19 pandemic on the potential to contract PTSD from employment, particularly in the healthcare industry. While workers compensation data on PTSD is limited due to the scarcity of claims, it is still uncertain of the future impact of trending legislation that varies from state to state on issues of mental-mental claims, mental-physical claims, presumption of compensability for first responders, etc.

Mental-Mental Injuries and Workers Compensation
 States That **Exclude Coverage**, **Specify Coverage**,¹ or **Are Silent on Coverage**² in Statutes



¹ The extent of such coverage varies across jurisdictions
² Subject to existing case law
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First Responders—PTSD Rate



Telecommuting – According to a study released by NCCI in January 2021, approximately three-quarters of office-based business and professional employees have been working from home early in the COVID-19 pandemic. While telecommuting has increased, many businesses do not qualify for the clerical telecommuting classification because either the current classification includes clerical work, the work is not classified as clerical work, or employees do not telecommute a majority of the time. This is why clerical telecommuting is relatively small, accounting for approximately 0.5% of countrywide payroll in 2020. While the loss costs associated with telecommuting have been historically low, the new trends could impact this, such as whether telecommuting will be permanent for many businesses, new risks associated with telecommuting, or the timeframe for repetitive injuries associated with telecommuting to present themselves. The Bureau and NCCI will continue to monitor trends in telecommuting and provide updates on workers compensation as appropriate.

Workers Compensation Drug Payments – A study released by the Workers Compensation Research Institute (WCRI) in May 2021 reviewed prescription data from medical-only and indemnity claims per service quarter from 28 states, including North Carolina. The following summarized noteworthy trends in North Carolina. Payment shares for dermatological agents increased significantly by 7 percentage points. Quarterly payments per claim for anticonvulsants decreased over 20%. Opioid prescribing reduced dramatically by over 10%.

Table 1 Changes in Prescription Payments for All Drug Groups, 2017Q1 to 2020Q1

Quarterly Rx Payments for All Rx per Claim with Any Medical Payment														% Change from 2017Q1 to 2020Q1 ^a
2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1		
North Carolina	\$77	\$73	\$70	\$68	\$66	\$65	\$71	\$69	\$73	\$63	\$59	\$56	\$60	-22%

Industry Working Group – The Bureau is a member of the Policy Research Advisory Committee, a workers compensation industry working group (part of the WCIO), created to analyze and evaluate arising workers compensation issues across the industry to collectively develop industry-wide solutions. Topics of

discussion include tips and gratuities, payroll definitions, and per diem reimbursement rates. Per Diem reimbursement is discussed in further detail later in this report.

NCCI Underwriting Committee – NCCI continually researches and refines its manuals, classifications, rules, policy forms, guidelines, and other underwriting-related products. NCCI’s Underwriting Committee, of which the Bureau is a participant, meets to discuss key research and general underwriting topics for the workers compensation industry. NCCI’s proposed National Item Filings are subject to change, but are currently anticipated as follows:

Current NCCI Research Projects

- Museums
- Mobile Food Vendors, Restaurants, and Bars
- COVID-19
- Contract Package Delivery Services
- Telehealth, Mobile Medical Clinics, and Medical Professionals
- Maximum Daily Expense Allowance (Per Diem)
- Disease-Loading Classifications
- Clerical Veterinary Operations
- Admiralty Law/FELA and USL&HW Act Rules, Classifications, Forms, and Statistical Reporting Requirements

Per Diem – Per Diem (Maximum Daily Expense Allowance) is being reviewed by the Policy Research Advisory Committee and the NCCI Underwriting Committee to determine whether refinement of the current rule is required. Per Diem is intended to reimburse additional expenses not normally assumed by the employee incurred by virtue of job location. Feedback from the industry includes issues with misrepresentation by failure to maintain clear or any records, appropriately distinguishing from payroll, and misinterpretation of suitable circumstances that support reimbursement.

The Bureau has recognized a need to amend the current per diem rule. The exception to North Carolina Basic Manual Rule 2-B-1-p as it pertains to per diem reads, “When it can be verified that the employee was away from home overnight on business for the employer, but no verifiable receipts for incurred expenses have been retained, a reasonable expense allowance, also known as a per diem, is permitted to be excluded. The allowance is limited to a maximum of \$75 per day. The remaining non-verifiable expenses are included as payroll.” Research results are to be presented to WCIO in September.

Current Item Filings – The Bureau reviews NCCI’s proposed national item filings for respective pertinence to our state and makes recommendations for adoption based on a thorough analysis. The Bureau also makes state-specific filings as appropriate and necessary based on research. Below is the list of approved item filings:

- Revisions to the NC Basic Manual – This state-specific filing clarifies and enhances rules, corrects formatting, typographical and grammatical errors, and revises classifications to ensure information provided is consistent with previous filing approvals. The approved changes will be effective July 1, 2021. (NCRB Circular C-21-12)
- NCCI Item Filing B-1442: Revises classification treatment to more accurately classify Hazard Groups by level of propensity for large losses of *NC Basic Manual Appendix E – Classifications by Hazard Group*. This filing will be applicable to all new and renewal policies effective concurrently on or after North Carolina’s loss cost/rate filing effective April 1, 2022. (NCRB Circular C-21-4)
- NCCI Item Filing P-1417(A): Revises the Terrorism Risk Insurance Program Reauthorization Act of 2019 Endorsements. This filing will be applicable as optional for voluntary policies and mandatory for all new and renewal assigned risk policies issued on or after January 1, 2021. (NCRB Circular C-20-30)