

NEVADA WORKERS' COMPENSATION



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Industrial Insurance Rate Changes Approved

On May 11, 2000, Alice A. Molasky-Arman, Commissioner of Insurance, Division of Insurance, Department of Business and Industry, issued Order for Cause No. 00.046, announcing approval of new workers' compensation rates and rating values as proposed by the National Council on Compensation Insurance (NCCI).

An overall workers' compensation premium increase of 6.3 percent became effective on July 1, 2000. The overall increase reflects a combined manual rate decrease of 1.9 percent and a standard premium increase of experience rated risks of 8.3 percent.

The 1.9 percent manual rate decrease recommended by NCCI is an average across all risk classifications. Therefore, the actual rate change for each risk

classification varies. In fact, the rates for some classifications will increase under the approved filing.

The 1.9 percent decrease will affect all policyholders (both experience rated and non-experience rated accounts), while the 8.3 percent increase will affect experience rated accounts only.

According to Barry Lipton, FCAS, MAAA, an actuary with NCCI, the change to the experience rating plan is necessary to bring the statewide average experience modification factor closer to 1.00, which would result in a "balanced plan."

The current change in the experience rating plan will increase the statewide average experience modification from 0.84 to 0.91. Future changes to the experience rating plan are expected to ultimately bring the

average experience modification factor to approximately 1.00.

Mr. Lipton explained that increasing the average experience modification factor to 1.00 all at one time would have been a drastic change to the experience rating plan. He explained that such a change would have been disruptive to the marketplace.

The NCCI filing included proposals regarding a small risk deductible plan, a large risk deductible plan, and large risk alternative rating options that also were approved by the Commissioner.

Industrial insurance rates increased 6.4 percent in January 2000, due to benefit increases approved during the 1999 Legislative Session. Beginning July 1, 2000, state law allows insurers to deviate a maximum of 15 percent below the NCCI established rate.

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Workplace Injuries in Nevada Declining

According to the U.S. Department of Labor, incidence rates of nonfatal occupational injuries and illnesses are declining in Nevada. Rates per 100 full-time workers declined in seven out of nine industries from 1996 to 1998.

The finance, insurance, and real estate industry showed the greatest decline in nonfatal workplace injuries, falling 28.3 percent from a rate of 4.6 per 100 workers in 1996 to 3.3 in 1998. However, despite this marked improvement, Nevada's incidence rate in this sector was still higher than the 1998 national rate of 1.9 per 100 workers.

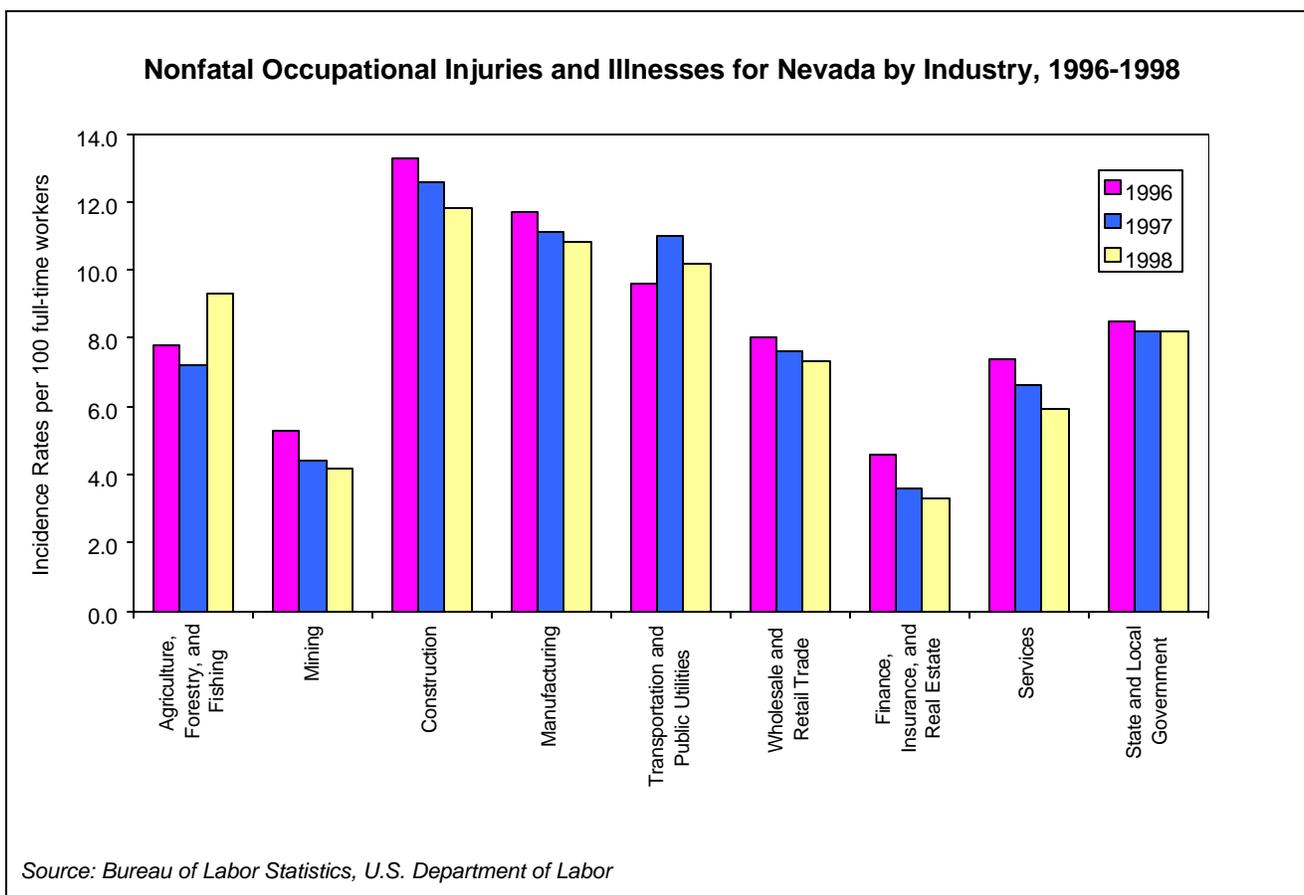
The mining and services industries also showed considerable reductions in injury and illness rates. The rate of workplace injuries declined 20.8 percent in mining and 20.3 percent in services from 1996 to 1998. Nevada's 1998 incidence rate in the mining industry was 4.2 injuries per 100 employees, better than the national rate of 4.9.

The incidence rate of nonfatal occupational injuries and illnesses for the agriculture, forestry, and fishing industry

increased 19.2 percent since 1996. In 1996, this sector's incidence rate was 7.8 per 100 employees, by 1998 that rate had increased to 9.3 injuries. In 1998, the national incidence rate for the agriculture, forestry, and fishing industry was 7.9 nonfatal workplace injuries per 100 employees.

The safety and health of Nevada workers has long been determined a matter of considerable public policy interest by the Nevada Legislature. In 1973, the *Nevada Occupational Safety and Health Act*, codified in Chapter 618 of *Nevada Revised Statutes*, was enacted. The Act provides for the establishment and enforcement of safety and health regulations, in addition to certain education and training requirements for employees.

The Division of Industrial Relations of the Department of Business and Industry enforces the safety and health standards required by the *Nevada Occupational Safety and Health Act*.



Back to the Basics

Return to Work Under Workers' Compensation

One of the primary goals of an industrial insurance program is to facilitate an injured worker's return to work. Workers' compensation is designed to provide needed medical care and to encourage workers to return to work as soon as practical.

Timely return to work generally is in the best interest of both employers and injured workers. The longer an employee's return to work is delayed, the greater is the likelihood that he not only will lose earnings, but that his job skills and work habits will be diminished as well. The employee's future productivity and earnings potential also are likely to suffer.

To combat some of these effects, many employers provide what is generally called "light duty" or modified duty jobs for employees who are recovering from injuries. Such positions may involve a temporary reassignment of the employee to an entirely new job with lighter physical

demands, or it may consist of allowing the worker to perform the regular job at less than full productivity. Light duty work also may include a temporary exclusion of certain difficult or physically strenuous tasks from the employee's regular job duties.

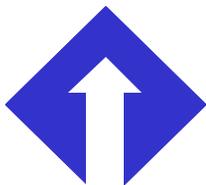
A 1996 study of the Wisconsin workers' compensation system conducted by the Workers' Compensation Research Institute showed the importance of timely return to work and identified factors that determine return to work. The study found that among other factors, job tenure, size of the employer, and monetary incentives impact timely return to work.

The study further found that pre-injury employment history affected return to work rates. For example, workers with intermittent employment histories before their injuries took 34 percent longer to return to work.

In addition, the amount of time off work was found to be lower for injured workers who returned to their pre-injury employers than for those who changed employers. Employees at smaller firms were less likely to return to their pre-injury employers than those at larger firms.

Industry Trends

Commercial Property and Casualty Rates on the Rise



According to the Commercial Insurance Market Index published by the Council of Insurance Agents and Brokers (CIAB), commercial property and casualty rates across the country continued to rise (indicating a "hardening" of the market) during the second quarter of 2000.

The CIAB's Commercial Insurance Market Index surveys member firms across the United States. The most recent survey, sent to 250 CIAB members, was conducted during the first two weeks of May 2000.

The results of the survey show a continuation of an upward trend in 2000 in the pricing of four of five lines of commercial property and casualty insurance (auto, workers' compensation, property, and general liability). The exception was pricing for umbrella coverage, which according to survey respondents, remains steady.

In particular, workers' compensation rates in the second quarter were described as "somewhat hard" by 60 percent of the respondents and "very hard" by 14 percent. No change was reported by 22 percent of the respondents.

By contrast, in the first quarter survey, workers' compensation rates were described by 66 percent of those responding as "somewhat hard" and "very hard" by another 4 percent. Approximately 25 percent of the respondents reported no change.

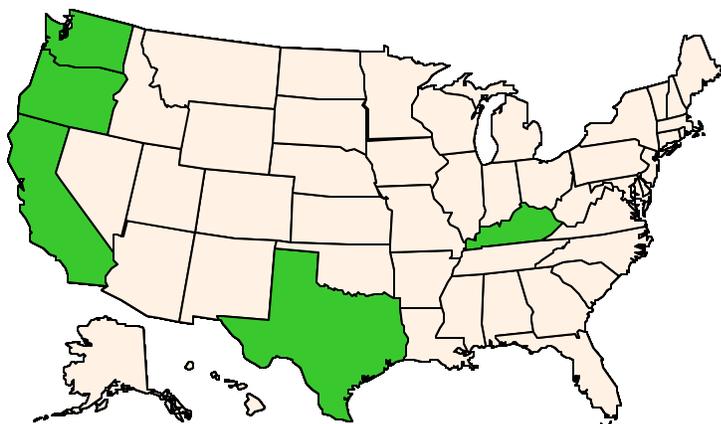
Next Meeting of the Legislative Committee on Workers' Compensation

The Legislative Committee on Workers' Compensation (*Nevada Revised Statutes* 218.5375) is scheduled to meet at 8:00 a.m. on Friday, September 15, 2000, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada. The meeting will be videoconferenced to the Legislative Building, Room 3138, Carson City, Nevada.

Among various topics, the Committee will continue its discussion of Nevada's subsequent injury funds. In addition, the Committee plans to hear reports regarding the medical fee schedules.



Events In Other States



71 percent said they utilize some type of drug testing or employee screening. The most prevalent type of testing used was pre-employment testing, followed by random testing, post-accident testing, probable-cause testing, and scheduled testing. Eight percent of those surveyed reported having one or more employees who experienced drug- or alcohol-related work injuries in the last three years.

California -- According to the California Workers' Compensation Institute (CWCI), incurred benefit costs in the California workers' compensation system rose 10 percent from \$3.4 billion in policy year 1996 to \$3.7 billion in 1997. Approximately 83,000 permanent partial disability (PPD) claims were filed in 1997, at an average cost of more than \$34,400 each. This average cost for PPD claims was 8.2 percent higher than in 1996, and accounted for \$264 million of the increase. The average cost of a temporary disability claim also rose from about \$3,800 in 1996 to nearly \$4,500 in 1997, accounting for more than \$85 million of the increase. The CWCI reported that approximately 11,000 more workers' compensation claims were filed in 1997 than in 1996.

1998 among Oregon's private sector workers. The survey found a rate of 6.9 work-related injuries and illnesses in 1998 for every 100 full-time employees, the lowest figure since the annual survey began in 1972. The 1998 rate is 21.6 percent lower than the average injury and illness rate in the state for the period 1989-1998. The 1997 rate was 7.8 per 100 full-time private sector employees.

Kentucky -- The Kentucky Supreme Court recently ruled that a public employee who traveled to banks as part of his job is entitled to workers' compensation for serious injuries he sustained as a result of a slip-and-fall accident at a fast-food restaurant during a coffee break (*Meredith v. Jefferson County Property Valuation Administrator*, Ky. S. Ct., No. 1999-SC-0592-WC, 5/18/00). The court said the injury was work-related because, as a traveling employee, it was foreseeable that he would take breaks for his personal comfort and this particular stop at a restaurant was not such a substantial deviation from his business mission as to exclude him from receiving workers' compensation benefits.

Texas -- The Texas Research and Oversight Council on Workers' Compensation conducted a telephone survey in the summer of 1999, in which employers participating in the state's optional workers' compensation system were asked about such topics as drug and alcohol testing, insurance carrier claim management practices, safety and accident prevention services, medical care, benefit adequacy, and salary continuation programs. Of the 1,002 employers surveyed,

Washington -- As of July 1, 2000, workers' compensation benefits in the State of Washington increased 8.4 percent. The increase is based on the average annual wage of workers in the state, which increased by 8.4 percent in 1999. The raise applies to all workers receiving compensation, regardless of whether their employers are self-insured or insured through the Washington State Fund. The maximum monthly benefit is \$3,561 or 120 percent of the state's average monthly wage for workers injured after June 30, 1996.

Oregon -- According to the 1998 Oregon Occupational Injury and Illness Survey, work-related injuries and illnesses fell to a record low in

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