

# Missouri Workers' Compensation Insurance



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## Regulatory Overview



Employer – Employee Relationship



Insurer - Employer Relationship



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## Insurance Regulation

- Department of Insurance, Financial Institutions and Professional Registration
  - Financial Solvency
  - Producer Licensing
  - Consumer Services
  - Market Regulation



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Market Regulation

- Market Conduct
  - Examination to ensure compliance with insurance laws
- Form/Rate/Rule Filings (Property & Casualty)
  - Review NCCI filings
  - Review company filings
  - Coordinate activities of Determinations Review Board




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Determinations Review Board

- Empowered by Statute (287.335 RSMo.)
- Reviews Basic Manual, Classification and Experience Rating
- 5 Members
- Gubernatorial Appointments; Senate Consent
- Balanced Perspective
  - Employer, union, company, and producer
  - No more than 3 from same political party




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Determinations Review Board, cont'd

- Appeals Process
  - Consumer Services
  - D-Board Hearing
  - Appeal to Director
- NCCI Involvement
  - Advising D-Board on technical issues
  - Secretary for the D-Board




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### Oversight of Insurance Market

- Per Missouri law, all insurers adhere to the same rules and use the same policies
- National Council on Compensation Insurers (NCCI)
  - Advisory Organization / Statistical Agent
  - Collect statistical data from all insurers
  - Develops classification codes
  - File policy forms and underwriting rules on behalf of insurers
  - Compute loss costs that insurers use to determine their workers' comp rates




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### Payroll

- Most common complaint / questions outside of classification are payroll related
- Payroll is used as a common unit of measure that is consistent across all industries to calculate premium
- Employers are not "insuring" the payroll of their employees
- Workers' comp uses different definition than the IRS
- Gross wages, salaries, commissions, bonuses, overtime (straight time portion only)

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### Classification Codes

- They are intended to group together employers with a similar type of work or who have a similar type of risk
  - Collection of data
  - Premium computation
- There are over 600 classification codes intended to cover the millions of jobs being performed everyday
- Most businesses, with the exception of construction, are classified by the general type of work performed by the business
- All payroll, premium and claims data are reported to and collected by the NCCI by classification code

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Rates

**CLAIMS** / **PAYROLL** = **RATE**

**DIFP** Department of Insurance, Financial Institutions, & Professional Regulation

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Experience Modification Factor

- Sometimes called the Mod, E-Mod, X-Mod
- This is the rating factor that adjusts premiums based on the loss history of the employer
  - If you have claims, your premiums will increase (a debit mod);
  - If you don't have claims, you will likely see a discount (a credit mod)
- It is based on a rolling 3-year window of claims activity
- Small employers (<\$7,000; \$3,500 2+ years) are not experience rated

**DIFP** Department of Insurance, Financial Institutions, & Professional Regulation

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Basic Premium Formula

Payroll Amount (Per \$100) x Classification Rate x Experience Modification Rate = Premium Rate

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Missouri State Special Rule 1-F

- Rules on Changes in Classification
- Reallocations Rise
  - Complaints rise
    - *-Putting us out of business-*
- D-Board Appeals
  - Clarification of Reallocation and Corrections
- NCCI Rule Revision
  - Missouri State Special filed and approved




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Changes and Corrections

- Changes in Classification
  - Applied as of date change in insureds' operation
- Corrections in Classification
  - Operations and duties have no change
  - Upon audit, carrier discovers incorrect code
    - Premium decrease applied to inception
    - Premium increase applied per reference table




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Corrections in Classification (Increases)

Correction is discovered	Correction is applied
Within first 120 days of coverage	Retroactively to inception
After the first 120 days, but before the final 120 days	As of the date the insured is notified of the correction
During the last 120 days of coverage or at audit	Only to a renewal policy, if any




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Reallocations

- Employee's duties change
  - Change from clerical to outside sales mid-term
- Payroll reallocated from 8810 to 8742
- Classification must be listed on policy
  - Do not list random "if any" classes on policy
- No recalculation of Experience Mod




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Things to Remember

- Is there a change in operations?
  - Change in Classification
- Is there a change in an employee's duties?
  - Reallocation or Change in Classification
- Did we just discover the risk was misclassified?
  - Correction in Classification
- Is there "fair warning" to the insured?
- Was there fraud or misrepresentation?
  - Revised to policy inception
  - Potential fraudulent act




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120 day Audit Rule

Performance Standards – Audits  
Regulation 20CSR500-6.500(2)(A)

Audits shall be completed, billed and premiums returned within 120 days of policy expiration or cancellation ... shall not be applicable:

- 1) if a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented; or
- 2) if a delay is by the mutual agreement of the policyholder and insurance company provided that the agreement is adequately documented.




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Non-Responsive Insured – What to do

- Communicate Early
  - Do not wait until AFTER policy expires
- Communicate Often
  - One request – NOT enough
- Communicate in writing
  - Document, Document, Document



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DIFP Resources & Assistance

- Online Resources
  - insurance.mo.gov/consumers/wc
- Online Services
  - WC Rate Checker
- Employer Hotline
  - 800-394-0964
- Consumer Affairs Complaint Resolution
- Determinations Review Board



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