

NEWS BRIEF

Provided by: Wheeler & Taylor Inc.

NCCI Publishes Changes to Workers' Compensation Calculations Due to COVID-19

The National Council on Compensation Insurance (NCCI) recently published Manual Rule Changes related to workers' compensation premium calculations. Specifically, the new rule, which went into effect March 1, 2020, clarifies how businesses that furloughed employees as a result of the COVID-19 pandemic should calculate workers' compensation premiums.

This News Brief will provide an overview of the NCCI, the previous rule, the new rule and implications for employers.

What Is the NCCI?

The NCCI is an advisory organization that guides workers' compensation rates and rules in 36 member states. Member states ultimately decide whether to implement NCCI recommendations. There are also 11 independent states and four monopolistic states that formulate their own rules and rates with respect to workers' compensation.

What Was the Previous Rule Related to Workers' Compensation Premium Calculations?

Prior to the most recent changes by the NCCI, any business that suspended operations due to COVID-19, but continued to pay employees who were at home but not working, had to include furloughed payroll in their workers' compensation premium calculations.

What Is the New Rule Related to Workers' Compensation Premium Calculations?

Under the new rule proposed by the NCCI, payroll for furloughed workers will not be used in the calculation

of workers' compensation premiums at the time of audit. This effectively rewards employers that paused or limited their operations as a result of COVID-19 and continued to keep inactive employees on the payroll. Per the new rule, payments to paid furloughed employees must be assigned to classification code 0012 for workers' compensation statistical reporting purposes.

Considerations for Employers

Employers that have furloughed employees will need to track their payroll during periods of inactivity or reduced operations. It should be noted that the new rule is temporary, and is set to expire Dec. 31, 2020. However, that date could be adjusted depending on how the COVID-19 pandemic evolves in the coming months.

Additionally, the NCCI has published a series of FAQs that cover a number of important topics related to workers' compensation insurance. You can review the FAQs [here](#).

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