

Division of Insurance

Workers' Compensation

Insurance Trends in Nevada



Division of Insurance

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Nevada Division of Insurance

Key Functions:

- ◆ Regulation of Nevada's \$15 billion insurance industry
- ◆ Enforcement of Nevada Insurance Code (Title 57 has 59 Chapters)
 - ◆ Chapters 616 A-C give certain duties and authority to the Commissioner of Insurance regarding industrial insurance
- ◆ Licensure of insurance companies, agents, third-party administrators, producers, etc.
- ◆ Market and financial examinations of insurers
- ◆ Consumer support
- ◆ Regulation of insurance rates and forms
- ◆ Public-policy review and recommendation



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Nevada's Insurance Industry

- ◆ Revenue generation – Nevada's General Fund:
 - ◆ Nearly \$300 million in premium tax in 2016 – 4th largest contributor

- ◆ 1,798 admitted insurers in Nevada.
 - ◆ 202 domestic carriers (domiciled in Nevada).

- ◆ Total of 137,871 individual licensed producers, including 16,069 resident producers. 17,082 other license types.

- ◆ Consumer Protection – 3,197 consumer complaints in 2016
 - ◆ Recovered over \$6 million for Nevada consumers



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2017 Legislative Update

During the 2017 Nevada Legislature, the Division of Insurance sponsored 2 bills that impact workers' compensation laws;

AB12: Modifies laws governing adjusters

AB 83: Includes changes to large deductible workers' compensation policies



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AB 12

Added language from the NAIC Independent Adjuster Model

The bill adds:

- Workers' Compensation to the definition of "adjuster" in NRS 684A.020
- Pre-licensing education
- 24 hours of CE, including 3 hours in ethics
- Rules for reciprocal licensing with other states



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The Nevada Legislature added 2 new adjuster licenses related to Workers' Compensation to NRS 684A

- Company
- Staff



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AB 12, Sec. 14 – NRS 684A.030

“Company adjuster” means a salaried employee of an insurer who:

(a) Investigates, negotiates or settles workers’ compensation claims; and

(b) Obtains a license pursuant to this chapter. This license is optional.



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AB 12, Sec. 14 – NRS 684A.030

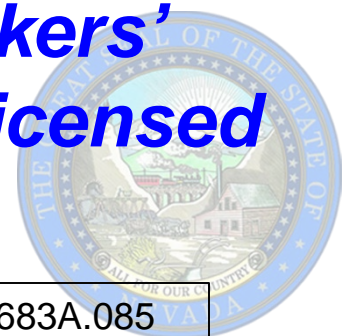
“Staff adjuster” means a person who investigates, negotiates or settles workers’ compensation claims under the authority of a third-party administrator who holds a certificate of registration issued by the Commissioner pursuant to NRS 683A.08524.



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Third Party Administrators required to obtain staff adjuster licenses:

- ***If the person (company) is an individual and adjusts workers' compensation claims in this State, the person is licensed pursuant to chapter 684A of NRS***
- ***If any employee of the person adjusts workers' compensation claims in this State, each such employee who adjusts workers' compensation claims in this State is licensed pursuant to chapter 684A of NRS.***



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July 1, 2018 effective date of bill

- Projected regulations:

- Adjuster exams and CE courses will be available as of July 1, 2018
- Adjusters must be in compliance with the law by December 31, 2018:
 - Completed pre-licensing education
 - Passed exam
 - Obtained “Staff” license if TPA or added W/C line of authority if Independent Adjuster
- CE must be completed for all Adjuster licenses renewing after 12/31/2018



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AB83 – Sect. 35, 37-39 Large Deductible Policies

- ◆ Large deductibles
 - ◆ Insurance policies with deductibles of \$25,000 or more
 - ◆ *Not* self-insurance
 - ◆ *Not* registered as self-insured employers.
- ◆ Insurer required to pay the *entire* loss (including the deductible) first and seek reimbursement from the insured employer.
- ◆ Concerns with “Mega” deductibles.
 - ◆ Insurer insolvency
 - ◆ Impact on injured workers
 - ◆ Regulatory oversight
 - ◆ 6 of 10 insolvencies of workers' compensation insurers writing in Nevada since 2009 occurred due in part to large deductibles
 - ◆ These insolvencies created \$26 million of claims paid and/or reserved by the Nevada Insurance Guarantee Assn.

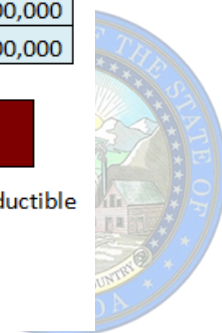


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Largest 20 Nevada Large-Deductible Workers' Compensation Filings Made in Each Year (2005-2014)									
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
10,000,000	40,000,000	17,500,000	17,500,000	50,000,000	50,000,000	250,000,000	1,000,000,000	20,000,000	75,000,000
5,000,000	40,000,000	17,500,000	17,500,000	10,000,000	10,000,000	100,000,000	1,000,000,000	5,000,000	50,000,000
5,000,000	40,000,000	10,000,000	10,000,000	10,000,000	10,000,000	75,000,000	75,000,000	20,000,000	25,000,000
5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000	50,000,000	20,000,000	20,000,000
5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000	25,000,000	17,500,000	20,000,000
3,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	14,000,000	17,500,000	17,500,000
3,000,000	10,000,000	10,000,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	17,500,000
2,500,000	8,500,000	10,000,000	5,000,000	10,000,000	5,000,000	10,000,000	10,000,000	10,000,000	14,000,000
2,000,000	5,000,000	5,000,000	5,000,000	10,000,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000	10,000,000	6,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	6,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000

Color-Coding Key	<\$5M	\$5M to <\$10M	\$10M to <\$25M	\$25M to <\$50M	\$50M to <\$100M	\$100M to <\$1B	\$1B or Greater
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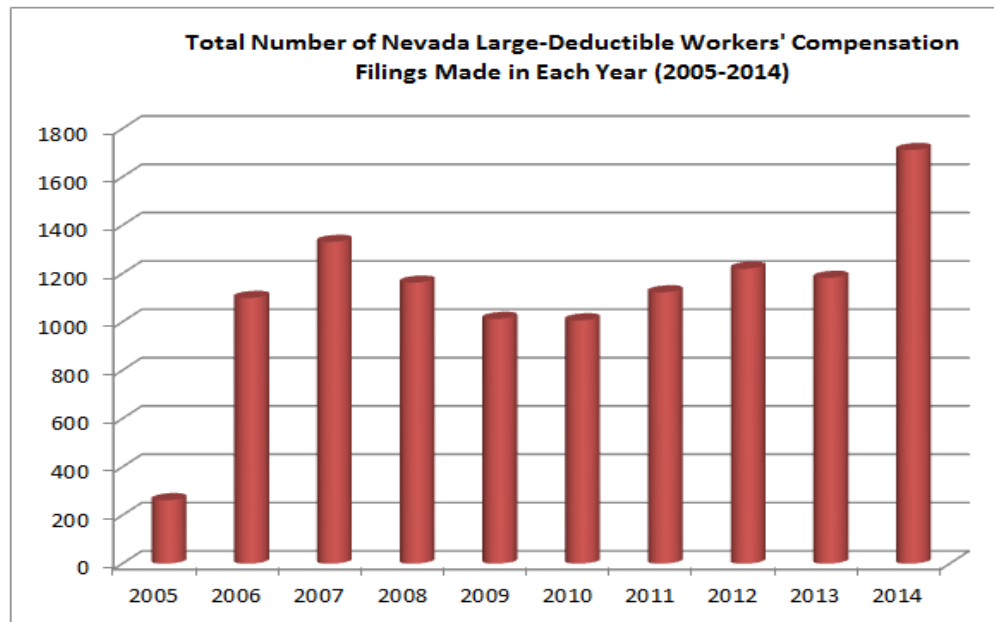
* Note: A filing made in 2014 for a \$1 billion deductible was disapproved by the Division of Insurance on the grounds that such a deductible amount would be equivalent to self-insurance, and so the employer would need to be registered as a self-insured employer.



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Large-Deductible Filings - Trends

Total Number of Nevada Large-Deductible Workers' Compensation Filings Made in Each Year (2005-2014)									
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
263	1100	1332	1163	1013	1007	1123	1221	1183	1712



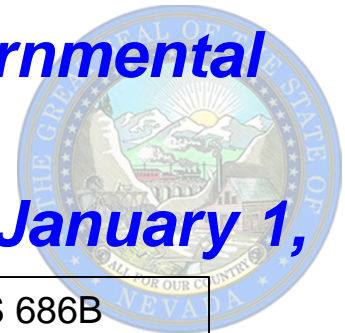
Provided by the Nevada Division of Insurance – March 12, 2015



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Applicable to policies of industrial insurance which:

- 1. Is issued by an insurer which:*
 - (a) Has a rating of less than “A-” from A.M. Best Company, Inc., or a substantially equivalent rating from another rating agency, as determined by the Commissioner; and*
 - (b) Has less than \$200,000,000 in surplus, with surplus calculated as the difference between the insurer’s net admitted assets and the insurer’s total liabilities;*
- 2. Contains a large-deductible agreement;*
- 3. Is not issued to a federal, state or local governmental entity; and*
- 4. Is issued for delivery or renewed on or after January 1, 2018.*



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- **Collateralization Requirement:** The insurer must require its policyholder – the insured employer – to provide full collateral for the outstanding obligations owed under a large-deductible agreement. The collateral would consist of funds, securities, a surety bond, or an irrevocable letter of credit that the insured employer would provide to the insurer.



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The size of the large deductible must be limited to 20 percent of the policyholder's net worth (i.e., the surplus or equity of the policyholder).

The Commissioner may prohibit a workers' compensation insurer from issuing or renewing a large-deductible agreement if that insurer is determined to be in hazardous financial condition



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Nevada Residual Market



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- ◆ A risk-sharing pool

- ◆ Two or more servicing carriers administer the policies.
 - ◆ Selected based on a competitive bidding process – Every 3 years
 - ◆ Quality indicators and pricing weighed into selection process

- ◆ Profits or losses from the AR policies allocated to the voluntary-market insurers in proportion to their voluntary-market share.

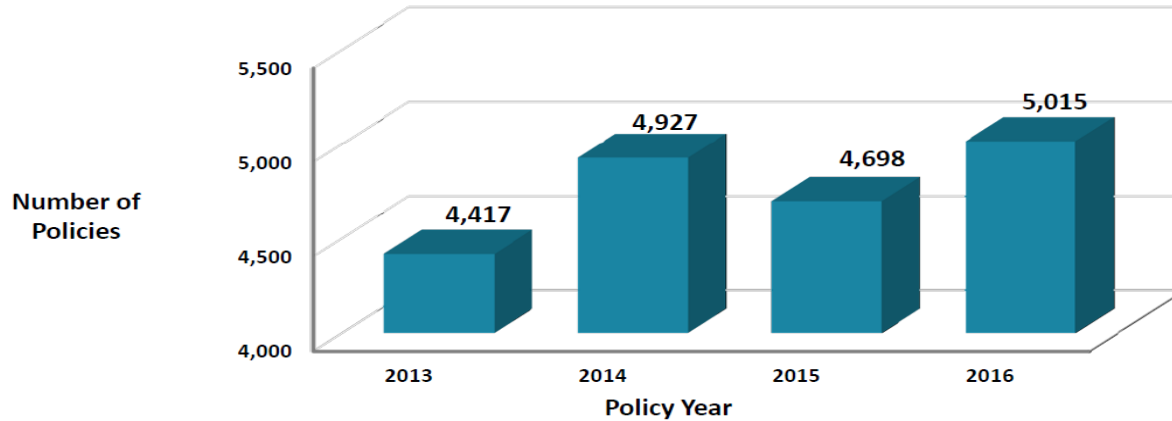
- ◆ Administered by National Council on Compensation Insurance (NCCI) in areas other than policy administration

- ◆ Small residual market = more insurance availability in the voluntary market.
 - ◆ Cyclical premium volume and residual market size



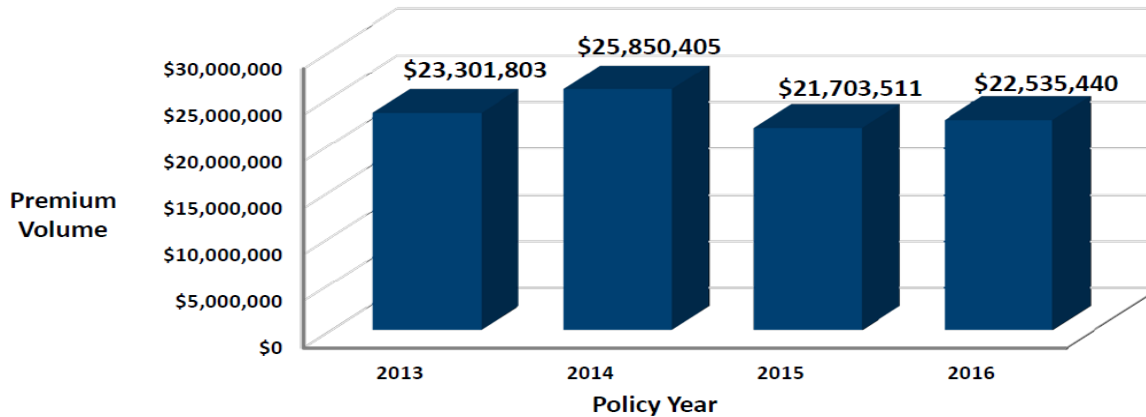
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Nevada Residual-Market Policy Counts Reported through December 31, 2016



NCCI's Nevada
Residual Market
Performance Report,

Nevada Residual-Market Premium Volume Reported through December 31, 2016



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Nevada Residual Market: Total Policy Count and Premium Volume as of March 31, 2015 and 2016

	2016	2015	2016 vs. 2015 #	2016 vs. 2015 %
Policy Count	4,919	4,627	292	6.3%
Premium Volume	\$22,829,354	\$21,458,910	\$1,370,444	6.4%

NCCI's Nevada Residual Market Performance Report, 2016-Q1



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Approved NCCI Voluntary Loss-Cost Changes and Assigned-Risk Rate

Changes by Industry Group: 2015-2017

<i>INDUSTRY GROUP</i>	<i>VOLUNTARY LOSS-COST CHANGE, 2015</i>	<i>VOLUNTARY LOSS-COST CHANGE, 2016</i>	<i>VOLUNTARY LOSS-COST CHANGE, 2017</i>	<i>ASSIGNED-RISK RATE CHANGE, 2015</i>	<i>ASSIGNED-RISK RATE CHANGE, 2016</i>	<i>ASSIGNED-RISK RATE CHANGE, 2017</i>
Contracting	+2.8%	-5.0%	-9.8%	-1.7%	-3.7%	-9.6%
Goods & Services	-3.1%	-5.7%	-10.8%	-7.6%	-4.4%	-10.6%
Manufacturing	+2.3%	-1.4%	-8.6%	-2.2%	-0.1%	-8.4%
Office & Clerical	-0.5%	-7.2%	-11.0%	-5.0%	-5.9%	-10.8%
Miscellaneous	+0.1%	-6.5%	-12.4%	-4.4%	-5.2%	-12.2%
Overall	-0.5%	-5.5%	-10.7%	-5.0%	-4.2%	-10.5%



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2017 is Nevada Assigned Risk
Market “Bid Year” for Carriers

Bid Year Process



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Nevada Voluntary Market

Loss and Underwriting Trends



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Average Approved Changes in Voluntary-Market Loss Costs and Assigned-Risk Rates

EFFECTIVE DATE	APPROVED AVERAGE CHANGE IN VOLUNTARY-MARKET LOSS COSTS	APPROVED AVERAGE CHANGE IN ASSIGNED-RISK RATES
7/1/1999	-8.0%	-8.0%
1/1/2000	+6.4%	+6.4%
7/1/2000	-1.9%	-1.9%
7/1/2001 – First NCCI filings take effect.	-6.0%	+1.1%
7/1/2002	+1.5%	N/A
8/1/2002 for new business, 9/1/2002 for renewals	N/A	-9.8%
1/1/2004	-12.3%	-9.1%
1/1/2005	-6.5%	-6.9%
3/1/2006	-0.3%	-2.6%
3/1/2007	+3.4%	+5.0%
3/1/2008	-10.5%	-10.1%
3/1/2009	-4.9%	-6.0%
3/1/2010	-7.6%	-3.7%
3/1/2011	-3.9%	-2.2%
3/1/2012	+1.0%	-5.2%
3/1/2013	+2.6%	+2.5%
3/1/2014	+3.2%	+3.3%
3/1/2015	-0.5%	-5.0%
3/1/2016	-5.5%	-4.2%
3/1/2017	-10.7%	-10.5%



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Underwriting Trends

Predictive Modeling



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In Summary:

The Nevada Division of Insurance protects the rights of Nevada consumers while ensuring the financial solvency of insurers.

