

KMIT Glossary

Work Comp Terms/Acronyms

ALJ. Administrative Law Judge. Claims term. ALJs hear work comp claim cases when there is a settlement disagreement. The ruling of an ALJ carries, basically, the same weight as does a District Court Judge in civil and criminal cases, and can be appealed to a higher court.

AWW. Average Weekly Wage. Claims term. The gross wages of the employee earned during the 26 calendar weeks immediately preceding the date of injury

Cash Balance. The actual cash on hand (checking and investments) at any given point in time. Typically, Cash Balance far exceeds Net Worth (often over a 4:1 ratio)

'Division' (also 'DWC'). Workers Compensation Division, Kansas Department of Labor. The KDOL-DWC regulates all *non-insurance* aspects of work comp (safety, volunteers, etc.).

Equity, Total. See Net Worth.

Excess Insurance. Excess Coverage. Excess Insurance is a layer of insurance that pays for a loss only after all other applicable insurance has been exhausted. For KMIT, the fund currently pays the first \$750,000 of every occurrence, and then, after that has been exhausted, the excess insurance carrier (currently Safety National [SNCC]) pays for the remainder of the covered loss.

Experience Modifier. See MOD.

Hard Market. Business term. When the private market (insurance industry) for work comp is expensive, and work comp insurance may actually be dropped as a product by most companies in many cases.

'Hardening' Market. Business term. When the private insurance market pricing is pricing higher than it has been for work comp insurance, and the trend seems to be in that same direction.

IBNR. Incurred But Not Reported. Financial/Accounting term. IBNR reflects the total amount owed by the insurer to all valid claimants who have had a covered loss, but have not yet reported it, or a major turn of events in a current reported claim. IBNR is a mathematical estimate set by an actuary. Insurers track IBNR by policy periods (in KMIT, annually by calendar year). The characteristics of IBNR makes it look more like a reserve or provision for the particular types of losses not reported, hence gives a better estimation of profits for the insurer's current business period.

IME. Independent Medical Exam (or Examiner). Claims term. A medical exam provided by an independent physician, and usually ordered by a judge when there is a significant difference in opinions of two separate treating physicians.

Indemnity. Claims term. One of the two benefits provided under Worker's Compensation (the other is the payment of approved medical costs associated with a work-related injury). This benefit compensates the injured employee for loss of wages due to the work-related accident.

KID. Kansas Insurance Department. Regulates all *insurance* aspects of work comp.

'LCM'. Loss Cost Multiplier. Also known as 'Filed Rate'. Pricing term. The 'cost of doing business' rate filed with the Kansas Insurance Department (KID) by each insurance company and pool doing business in Kansas. (KMIT's 2014 LCM will be filed as 1.40.)

MMI. Maximum Medical Improvement. Claims term. The injured worker has 'plateaued' in medical care and no further medical treatment will provide any improvement in his medical status.

'MOD'. Experience Modifier. Pricing term. Experience Modifier is a factor used to make adjustments of annual premium based on insured's previous loss experience. Usually three years of loss experience are used to determine the experience modifier for a workers' compensation policy. The three-year period typically includes not the immediate past year, but the three prior.

NCCI. National Council for Compensation Insurance. All work comp claims costs and reserves data are continuously fed to NCCI (by KMIT and all other KS carriers and pools, and by most other states, as well). NCCI computes the loss rates, and establishes the ongoing Mods for each individual client (city), and also calculates class code loss rates for the use by the regulatory agencies (in KS, that is KID).

Net Worth. (AKA: Total Equity or Fund Balance) Accounting term. The total of all assets less all current and future liabilities, including Reserve and IBNR.

PPD. Permanently Partially Disabled. Claims term. Able to work, but will have some permanent limitation(s).

PPI. Permanent Partial Impairment. Claims term. A rating provided by the treating physician which is the extent, expressed as a percentage, of the loss of use of the injured body part and based on the 4th edition of the AMA guides.

PTD. Permanently Totally Disabled. Claims term. Unable to return to work on a permanent basis.

Reserve. Claims and Accounting term. Claims Term. An estimate of the total cost of the claim based on experience and current exposure to include medical, indemnity, and other expenses. This is a dollar amount that is set on the claim and can change as the status of the claim changes.

Reserve Advisory. Claims Term. Claim summary report presented at the KMIT Board Meeting by the adjuster that provides information on a claim which has exceeded \$25,000 in reserves.

Retention. A dollar amount specified in a insurance policy that must be paid by the insured before the insurance policy will respond to a loss. Currently, KMIT is directly accountable for a 'retention' amount of the first \$300,000 on each incident. The excess carrier would pick up the cost of the claim for anything above the \$300,000.

RUE. Right Upper Extremity. Claims term.

Settlement. Claims Term. An agreement between the injured employee and the employer/insurance carrier that concludes the claim and usually includes a lump sum payment. A settlement can be full and final which closes out ALL issues or a settlement can be a joint award that gives the injured worker rights to future benefits.

Soft Market. Business term. When prices are very low in the private market for work comp. In a very soft market, private carriers sometimes have actually sold work comp at an underwriting loss.

'Softening' Market. Business term. When the private insurance market is pricing lower than recently for work comp insurance, and that trend is expected to continue.

Subrogation. Claims term. The right to file a lien and/or lawsuit against a third party who was responsible for the accident, in order to recover expenses paid on the workers' compensation claim.

TTD. Temporary Total Disability. Claims term. Unable to return to work on a temporary basis.

TPD. Temporary Partial Disability. Claims term. Able to return to work, but with temporary restrictions.