

Henderson Brothers, Inc. White Paper

NCCI Approves Rule Changes For Furloughed Employees In Response To COVID-19

The National Council on Compensation Insurance (NCCI) has filed and approved changes to the Statistical Plan for Workers' Compensation and Employers Liability Insurance. The new, and temporary, rule changes come as a direct response to the COVID-19 outbreak.



As many employers have been forced to place employees on furlough, questions have risen in regard to how this will impact premium calculations. NCCI has filed and approved changes to its Statistical Plan for Workers' Compensation and Employers Liability Insurance and the Basic Manual for Workers' Compensation and Employers Liability Insurance.

The rule changes, which are presently in effect from March 1, 2020 through December 31, 2020, are outlined to allow employers to exclude payroll for workers who are not performing any work duties despite still being paid by the employer (furloughed employees). These dates, however, are subject to change in light of any potential future developments.

NCCI has ruled that payments made to furloughed employees during the aforementioned dates will be excluded from payroll reporting for premium calculations. This is defined as the following:

“Payments to paid furloughed employees means payments made by an employer any public governmental entity to paid furloughed employees as a result of federal, state, and/or local emergency orders, laws or regulations, issued due to the COVID-19 (coronavirus) pandemic which impact an employer’s staffing or business operations.”

This rule change is contingent on the basis that the employer documents these payments to furloughed employees, as the rules specify that the employer must be able to document this payroll segment in order to exclude such payroll amounts from premium calculations.

As a result of this decision, NCCI has established a new code, Code 0012, to which all payments made to furloughed employees should be assigned. If separate, accurate, and verifiable records are not kept by the employer, payroll will be assigned to the classification for work normally performed by the employee before any emergency orders, laws, or regulations were issued as a result of the COVID-19 pandemic. It should also be noted that no claim can be reported to Code 0012-Paid Furloughed Employee.

Henderson Brothers will continue to monitor the COVID-19 situation as it continues to unfold and will provide updates on any new developments that come to light.

For further information regarding COVID-19's impacts on the landscape of workers' compensation, follow the provided link to NCCI's COVID-19 resource center: <https://www.ncci.com/Articles/Pages/COVID-19.aspx>