



VOLUNTEER FIREFIGHTERS

May 22, 2012

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➤ AGENDA:

- History of Classification Codes
- Item Filing B-1424
- Issues in the States
- Ratemaking Issues
- Legislative Update
- NAIC and NCOIL Activity
- Public Policy Considerations
- NCCI Discussion Paper

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- History of Classification Codes
 - Record of Class Codes for Firefighting as far back as early 1900s
 - 1920 – Code 7704 – Firefighters – used as national code applicable in all NCCI states
 - 1942 – NCCI implemented increase from \$100 to \$300 minimum payroll
 - 1962 – NCCI clarified that \$300 minimum payroll basis applied per volunteer firefighter



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- History of Classification Codes
 - 2004 – NCCI researched the firefighting industry and proposed two national codes: 7710 (Firefighters & Drivers) and 7711 (Firefighters & Drivers – Volunteer)
 - 2007 – As a result of Item B-1397 – Revisions to Basic Manual Classifications and Rules, Code 7710 and Code 7711 were adopted as national codes in most NCCI states. Code 7704 was discontinued.

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- 2011 Filing – Item B-1424
 - Revised wording for Code 7711 back to what was used in Code 7704 to explain that volunteer firefighter payroll be based on actual payroll, if any, of each individual volunteer firefighter, subject to a minimum payroll of \$300 per year for each individual firefighter (or state exception)
 - Proposed effective date of September 1, 2011
 - 30 states have approved filing

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- Issues in the States
 - Volunteer firefighting time is not defined and inconsistently tracked
 - Appropriate classification when volunteer firefighters also perform emergency medical services
 - Payroll Basis
 - Multiple exposure bases inconsistent with ratemaking principles

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➤ Current Ratemaking Practice

- Most NCCI States combine paid and volunteer firefighter data and develop a single loss cost/rate applicable to both
- Exceptions
 - CT, NV, WV – loss costs/rates are developed separately for paid and volunteer firefighters based on respective experience
 - AZ, OR – data for volunteer firefighters is combined with other volunteers (e.g., ambulance and police)

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Premium Determination Example

	Annual Salary	Payroll for Premium Determination	Voluntary Rate	Manual Premium
Insured #1 – Paid FF	\$60,000	\$60,000	\$20	\$12,000
Insured #2 – Volunteer FF, no compensation	\$0	\$300	\$20	\$60
Insured #3 – Volunteer FF, receives stipend	\$4,000	\$4,000	\$20	\$800

The current handling for firefighters results in very different premium amounts even though the exposure to loss may be quite similar.

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- Issues with Current Ratemaking Practice:
 - Exposure base is different for paid and volunteer firefighters but a single loss cost/rate is determined
 - Current loss cost/rate is not actuarially appropriate for either group
 - Differences in exposure base lead to premium subsidization of volunteer firefighters by paid firefighters

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- For states that approved the creation of class codes 7710 and 7711 under B-1397:
 - Data is now available to calculate separate loss costs/rates
 - Some states have already expressed interest in allowing these classes to be rated on their own
 - Set single exposure base for volunteers
 - Loss cost/rate for paid firefighters generally indicates a decrease
 - Loss cost/rate for volunteer firefighters generally indicates an increase

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- Legislative Update
 - Currently tracking 39 bills
 - AL
 - CT
 - KY
 - MD
 - OH
 - VT

- National Association of Insurance Commissioners (NAIC)

- National Conference of Insurance Legislators (NCOIL)



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- Public Policy Considerations
 - Who should pay for volunteer firefighter coverage?
 - How should premium be determined?
 - What is the appropriate exposure base?
 - Can volunteer fire department rosters or other reporting requirements be mandated to ensure accuracy?

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- For more information:
- *NCCI Discussion Paper on Volunteer Firefighters*
 - Available on ncci.com