

Work Comp Insights

Morgan, Trevathan & Gunn Insurance, Inc. - Your Workers' Compensation Partner

The NCCI Remuneration Rule

In all states but Washington, workers' compensation insurance uses a remuneration process as the basis for determining the workers' compensation exposure. Payroll is the most common part of remuneration; however, other components are included as well, such as vacation pay and meals. Most states abide by the rules established by the National Council on Compensation Insurance (NCCI), though some have chosen not to utilize the NCCI as a rating agency. Therefore, their remuneration is defined differently. Employers should check with their local state regulators to find out what rules apply.

Inclusions and Exclusions

Under the NCCI, remuneration INCLUDES the following components:

- Payroll, both salary and hourly
- Commissions
- Bonuses
- Overtime pay (less the premium portion)
- Holiday, vacation and sick pay
- Contributions required by law to statutory insurance or pension plans which would be paid by the employee
- Incentive plans and profit-sharing plans
- Payments made to employees for employee-supplied hand and power tools

- Rental value of housing provided to employees
- Value of lodging provided by employers
- Value of meals provided by employers
- Payments for employee savings plans, retirement or cafeteria plans that are made through salary reductions from employees' gross pay or through annuity plans
- Davis-Bacon or a similar wage laws (contractors paying prevailing wages who are able to deduct from workers' compensation payroll to determine premiums made to health and pension plans for contracted workers)
- Expense reimbursements to employees that were not a verifiable expense

Under the NCCI, remuneration DOES NOT INCLUDE the following components:

- Tips and gratuities received by employees
- Payments made by employers for group insurance plans
- Values of special awards paid for inventions and/or discoveries
- Dismissal or severance pay (except for time worked or accrued vacation pay)
- Value of employer-provided aircrafts
- Value of employer-provided automobiles
- Value of employer-provided aircraft flights (free or discounted)
- Value of employer-provided incentive vacations given to contest-winning employees
- Employer-provided discounts on properties or services
- Employer-provided tickets to entertainment events



- Payments to military reservists called to active duty status
- Work uniform allowances
- Sick pay (if not from a non-related third party)

Overtime Pay

Under NCCI rules, the only pay that can be adjusted to be considered normal salary or hourly pay is overtime, either time and a half or double time. Most states comply with the NCCI overtime rule; however, Pennsylvania and Delaware do not allow overtime premium portions to be removed from payroll calculations.

Overall, a workers' compensation premium begins with an estimated premium and once the policy expires, the insurance company will determine the actual premium through remuneration. To avoid mistakes during the audit process, request a copy of the auditor's notes – this serves as an explanation of how the auditor determined remuneration and how values were placed in various classifications. For more information on workers' compensation insurance, contact Morgan, Trevathan & Gunn Insurance, Inc..

