



MAY 31, 2019

ITEM FILING APPROVAL

CIF-2019-05

Countrywide—Approval of Item R-1417—2019 Update to the Retrospective Rating Plan Parameters—Excess Loss Pure Premium Factors, Excess Loss and Allocated Expense Pure Premium Factors, and Average Cost per Case Values in 10 States

ACTION NEEDED

This circular announces the approval of Item R-1417—2019 Update to the Retrospective Rating Plan Parameters—Excess Loss Pure Premium Factors, Excess Loss and Allocated Expense Pure Premium Factors, and Average Cost per Case Values in 10 states.

Note: Arkansas law does not permit NCCI to file rules and rates on its members' behalf. Therefore, insurance carriers must make an independent filing with the Arkansas Insurance Department electing to adopt, or not adopt, an item filing filed by NCCI and subsequently approved by the Department. When such a filing is made with the Department, make sure that the NCCI item filing number (not the NCCI circular number) is referenced.

A participating company may respond to an NCCI filing as follows:

Arkansas Company Response

Rates, rules, and supplementary rating information must be filed and approved or deemed approved before use.

NCCI's filings are advisory only. Upon approval of a filing, a participating company must decide whether to use NCCI's advisory loss costs, rules, and supplementary information or file independently. It may satisfy its obligation by filing, via SERFF, a reference to NCCI's approved filing. **See Arkansas Bulletin 9-2010.**

A company satisfying its filing obligation by referencing NCCI's filing must submit an additional filing, via SERFF, when NCCI submits a subsequent filing, indicating whether the company intends to use the advisory prospective loss costs, rules, and supplementary rating information contained in the subsequent NCCI filing or to continue to use the information previously filed by NCCI. If the company intends to continue using NCCI's previous filing, the company must also submit justifying information.

A company may also file deviations from an NCCI filing.

Contact the department's Product Compliance Division if further clarification is needed.

Kentucky Company Response

When an insurer chooses to adopt only a specific NCCI filing, it shall do so in accordance with usual filing procedures and shall clearly identify the NCCI reference document number.

When an insurer chooses to adopt all NCCI current and future loss costs, rating plans, rating rules, rating schedules, other supplementary rating information, underwriting rules or guidelines, or statistical plans, the insurer must file written notice of 'blanket reference adoption' with the Commissioner that it is adopting by referencing all the NCCI current and future loss costs, rating plans, rating rules, rating schedules, other supplementary rating information, underwriting rules or guidelines, or statistical plans as filed.

When a participating company receives a circular announcing approval of a reference filing containing supporting information including loss cost data, the company must decide whether to use the NCCI supporting information to revise its rates, rules, and supplementary information and to act in accordance with any prior blanket reference adoption.

Maine Company Response

When a participating company receives an approval circular of the filing, the company must decide whether to adhere to the filing made on its behalf or file independently. Every company must adhere to the approved uniform classification system and uniform experience rating plan on file with the Superintendent.

Company Action Table

If	Then
Insurer decides to use the revisions and effective date as filed	Insurer does not file anything with the Superintendent
Insurer decides to use the revisions as filed but with a different effective date	Insurer must notify the Superintendent of its effective date at least 30 days prior to its use
Insurer decides not to use the revision	Insurer must notify the Superintendent not later than the advisory organization's effective date, or 30 days from receipt of the revised Supplementary Rating Information from the advisory organization
Insurer decides to use the revisions with modifications	Insurer must file the modification with the Superintendent specifying the basis for the modification and the insurer's proposed effective date if different from the effective date filed by the advisory organization

Maryland Company Response

When NCCI's filing is approved, companies must adhere to the approved rules in writing and reporting its business.

Mississippi Company Response

Upon approval of the filing, a participating company must decide whether to use NCCI's rules and supplementary information or to file independently.

Company Action Table

If	Then
Company decides to use the revisions and effective date as filed	Company does not file anything with the Insurance Department
Company decides to use the revisions as filed but with a different effective date	Company must notify the Insurance Department of its effective date before NCCI's approved effective date
Company decides not to use the revision	Company must notify the Insurance Department before NCCI's effective date
Company decides to use the revision with modification(s)	Company must file the modification with the Insurance Department for approval, specifying the basis for the modification and company's proposed effective date if different than the effective date filed by NCCI

Montana Company Response

Company must adhere to the rules, classification system, uniform experience rating plan, and statistical plan that has been filed by NCCI and approved by the Commissioner.

Nevada Company Response

Every insurer shall adhere to the Uniform System of Classifications of Risks and Uniform Plan for Rating Experience filed with the Commissioner by NCCI.

Tennessee Company Response

Companies must adhere to the approved rules filed by NCCI, pursuant to §56-5-320(b). Additionally, companies will adhere to a uniform classification system, experience rating plan, and retrospective rating plan that have been filed by NCCI and approved by the Commissioner.

Vermont Company Response

When a company that has given NCCI filing authorization receives an approval circular of a filing containing new or revised rules and other supplementary information, the company must decide whether to revise its rules and other supplementary information and when to make any revision effective.

Company Action Table

If	Then
Company decides to use the revisions and effective date as filed	Company does not file anything with the Department of Financial Regulation
Company decides to use the revisions as filed but with a different effective date	Company must notify the Department of Financial Regulation of its effective date before NCCI's approved effective date
Company decides not to use the revision	Company must notify the Department of Financial Regulation before NCCI's effective date
Company decides to use the revision with modification(s)	Company must file the modification with the Department of Financial Regulation for approval, specifying the basis for the modification and company's proposed effective date if different than the effective date filed by NCCI

Note: If a Rule filing impacts a Tiered Rating Plan, a Final Developed Rate, or a Loss Cost Multiplier, then the company must also include in their filing, the Vermont Reference Filing Adoption Form, the Vermont Calculation of Company Loss Cost Multiplier Form, and the Vermont Calculation of Company Loss Cost Multiplier With Expense Constants form.

West Virginia Company Response

When a company that has given NCCI filing authorization receives an approval circular of a filing containing new or revised rules and other supplementary information, the company must decide whether to revise its rules and other supplementary information and when to make any revision effective.

Company Action Table

If	Then
Company accepts the filing, including the effective date	Company does not file with the OIC
Company decides to make a change to the filing or effective date	Company files the change, specifying the basis for the modification

Per West Virginia Code, every company must adhere to the uniform classification plan and uniform experience rating plan developed by NCCI, and approved by the Commissioner. In addition, every company shall record and report its experience to NCCI as set forth in the uniform statistical plan approved by the Commissioner.

If a member or subscriber deviates in any way from the NCCI filing, the insurer must make written application to the Commissioner for permission to file a deviation from the class rates, schedules, rating plans, or rules respecting any kind of insurance or class of risk within a kind of insurance or a combination thereof. This application must specify the basis for modification and a copy must also be sent simultaneously to the rating organization. The Commissioner will give consideration to the available statistics and the applicable principles for ratemaking as in §33-20-3. Initial or amended loss cost multipliers or modifiers must be filed independently.

The following will be considered deviations:

- Use of rates higher or lower than those approved for NCCI
- Non-adoption of an approved rating organization filing
- Delay in the implementation of an approved NCCI filing
- Modification of a deviation currently in use

The material contained herein is based on NCCI's latest research but is subject to periodic change. This information is provided as a guide to voluntary market carriers and is not intended as an interpretation of state law. Refer to state law for current and detailed information because there may be additional laws that may impact your response to an NCCI item filing. While all due effort is made to keep the material up to date, NCCI assumes no responsibility for the use of this material.

BACKGROUND

Circular CIF-2019-04, dated May 22, 2019, announced the filing of Item R-1417. As of May 28, 2019, the following states have approved this item as filed:

State	Effective On and After
Arkansas	July 1, 2020
Kentucky	October 1, 2019
Maine	April 1, 2020
Maryland	January 1, 2020
Mississippi	March 1, 2020
Montana	July 1, 2020
Nevada	March 1, 2020
Tennessee	March 1, 2020
Vermont	April 1, 2020
West Virginia	November 1, 2019

Refer to the announcement circular for complete details on this item.

IMPACT

The values proposed in this item are based on the latest filed information available as of May 7, 2019.

The proposed ELPPFs and ELAEPFFs are necessary to maintain the aggregate expected balance between the retrospectively rated premium and the guaranteed cost premium. If the ELPPFs and ELAEPFFs are not updated, there will be a natural erosion of rate adequacy over time caused by inflation acting to increase the percentage of losses over any fixed loss limit.

This proposal to adjust the ELPPFs and ELAEPFFs may increase or decrease premium for an employer that chooses to purchase an individual loss limitation, depending on which limit is purchased.

The changes to the overall proposed ELPPFs and ELAEPFFs are generally downward for most states, particularly for loss limits of \$250,000 and higher. The impact varies across both loss limits and hazard groups for each state. A few states will observe an increase in proposed ELPPFs and ELAEPFFs, mainly due to the refresh of the data and the proposed change in the state-specific excess loss curve parameters.

The impact due to the methodology change for handling large loss events results in a very slight increase to the ELPPFs and ELAEPFFs, because the newly introduced unlimited parameter is always greater than the average cost per case underlying the current methodology. The methodology change impact is minimal when reviewing the differences between the current and refreshed ELPPF and ELAEPFF values.

The proposed ELPPFs and ELAEPFFs also reflect an updated mix of loss weights and average costs per case by hazard group and claim group. Because retrospectively rated policies represent a small percentage of a state's premium, changes are expected to have a negligible impact on overall statewide premium levels.

NCCI ACTION

NCCI will take the following actions for Item R-1417:

- Issue a circular notifying you when the item is approved as filed, approved with changes, disapproved, or withdrawn
- Update the weekly *Status of Item Filings* circular on **ncci.com** with the latest state status
- Publish updated pages for NCCI's *Retrospective Rating Plan Manual* prior to the effective date, if approved

If you would like to subscribe to any of our manuals, please call our Customer Service Center at 800-NCCI-123 (800-622-4123).

PERSON TO CONTACT

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