

January 20, 2017

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Workers Compensation Insurance

Re: NCCI Item P-1413 – Establishment of Experience
Rating Modification Factor Revision Endorsement (WC
00 04 25)

The North Carolina Rate Bureau (NCRB) has filed, and the North Carolina Commissioner of Insurance has approved the Experience Rating Modification Factor Revision Endorsement (WC 00 04 25). This endorsement may be used for all new and renewal, voluntary and assigned risk policies becoming effective on or after May 1, 2017 to coincide with the Elimination of the Anniversary Rating Date implementation date.

The approval of NCCI Item B-1430 - Elimination of Anniversary Rating Date (ARD), announced by way of NCRB circular C-15-15 dated September 28, 2015, included the elimination of the Anniversary Rating Date Endorsement (WC 00 04 02). The elimination of this endorsement created a need for a new endorsement to advise employers that their experience rating modification factor may change during the policy term. The Experience Rating Modification Revision Endorsement (WC 00 04 25) was developed to meet that need.

For your convenience a copy of NCCI Item P-1413 and the Experience Rating Modification Revision Endorsement (WC 00 04 25) are attached.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at wcinfo@ncrb.org.

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:amt

Attachment

C-17-1

FILING MEMORANDUM

ITEM P-1413—ESTABLISHMENT OF EXPERIENCE RATING MODIFICATION FACTOR REVISION ENDORSEMENT

PURPOSE

This item establishes the Experience Rating Modification Factor Revision Endorsement (WC 00 04 25) in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*.

BACKGROUND

NCCI's Workers Compensation and Employers Liability Insurance Policy Part Five, Section A—Our Manuals states:

All premium for this policy will be determined by our manuals of rules, rates, rating plans and classifications. We may change our manuals and apply the changes to this policy if authorized by law or a governmental agency regulating this insurance.

Further, NCCI's *Experience Rating Plan Manual* Rule 1-D-5 states, "The calculated experience rating modification factor is applied by the carrier(s) in accordance with this Plan, other applicable rules, statutes, and regulations."

Experience rating modification factors may change during a policy period for a variety of reasons, including but not limited to:

- Rating effective date change
- Revision of payroll and/or losses
- Change from preliminary to final modification status

Recently, Item B-1430—Elimination of Anniversary Rating Date (ARD) was approved nationally. As a result, the Anniversary Rating Date Endorsement (WC 00 04 02) will be eliminated effective May 1, 2017. The current endorsement language includes a provision that the experience rating modification factor, if any, may change on the anniversary rating date.

Because Form WC 00 04 02 is being eliminated, NCCI is introducing a new endorsement to advise employers that their experience rating modification factor may change during the policy term. The proposed language in Exhibit 1 is based on existing policy and manual language detailed above.

PROPOSAL

This item proposes to establish the Experience Rating Modification Factor Revision Endorsement (WC 00 04 25) in NCCI's *Forms Manual*.

Florida-Specific

NCCI's Florida Experience Rating Modification Factor Endorsement (WC 09 04 02) is used to inform employers that their experience rating modification factor is not available at the time of policy issuance. It also details how changes to the experience rating modification factor are applied to the policy.

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NCCI is proposing to establish the Florida Experience Rating Modification Factor Revision Endorsement (WC 09 04 08), similar to the proposed national endorsement but including the application information in Form WC 09 04 02. This new Florida endorsement will be consistent with the existing Florida Experience Rating Modification Factor Endorsement. Although Form WC 09 04 02 is related to the proposal, it is not impacted by the establishment of Form WC 09 04 08. However, NCCI is proposing to revise Form WC 09 04 02 to include appropriate references to rating effective date and additional application information to be consistent with the Florida exception to NCCI's *Experience Rating Plan Manual* Rule 4-E.

Florida's exception to Rule 4-E in NCCI's *Experience Rating Plan Manual* contains a reference to the Experience Rating Modification Factor Endorsement. This state exception must be revised to also include a reference to the proposed Experience Rating Modification Factor Revision Endorsement.

This item proposes to:

1. Revise the Florida Experience Rating Modification Factor Endorsement (WC 09 04 02) for consistency with the Florida exception to NCCI's *Experience Rating Plan Manual* Rule 4-E.
2. Establish the Florida Experience Rating Modification Factor Revision Endorsement (WC 09 04 08) in NCCI's *Forms Manual*.
3. Revise the Florida exception to NCCI's *Experience Rating Plan Manual* Rule 4-E to clarify that a decrease in the experience modification factor is applied retroactively to the rating effective date if the rating effective date is later than the policy effective date. Also, a reference will be included to the proposed Florida Experience Rating Modification Factor Revision Endorsement.

Missouri-Specific

Missouri's exception to Rule 4-E in NCCI's *Experience Rating Plan Manual* contains references to the Experience Rating Modification Factor Endorsement. This item proposes to revise the Missouri exception to Rule 4-E to include references to the proposed Experience Rating Modification Factor Revision Endorsement.

Nebraska-Specific

NCCI's Nebraska Experience Rating Modification Endorsement (WC 26 04 01 A) is used to inform employers that their experience rating modification factor is not available at the time of policy issuance. It also details how changes to the experience rating modification factor are applied to the policy.

NCCI is proposing to establish the Nebraska Experience Rating Modification Factor Revision Endorsement (WC 26 04 03), similar to the proposed national endorsement but including the application information in Form WC 26 04 01 A. This new Nebraska endorsement will be consistent with the existing Nebraska Experience Rating Modification Endorsement. Although Form WC 26 04 01 A is related to the proposal, it is not impacted by the establishment of Form WC 26 04 03. However, NCCI is proposing to revise Form WC 26 04 01 A to include appropriate references to rating effective date and additional application information to be consistent with the Nebraska exception to NCCI's *Experience Rating Plan Manual* Rule 4-E.

This item proposes the following in NCCI's *Forms Manual*:

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1. Revise the Nebraska Experience Rating Modification Endorsement (WC 26 04 01 A) for consistency with the Nebraska exception to NCCI's *Experience Rating Plan Manual* Rule 4-E.
2. Establish the Nebraska Experience Rating Modification Factor Revision Endorsement (WC 26 04 03).

Oregon-Specific

Oregon's exception to Rule 4-E in NCCI's *Experience Rating Plan Manual* contains references to the Experience Rating Modification Factor Endorsement. This item proposes to revise the Oregon exception to Rule 4-E to include references to the proposed Experience Rating Modification Factor Revision Endorsement.

IMPACT

There will be no statewide premium impact as a result of the changes proposed in this item.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibit	Exhibit Comments	Implementation Summary
1-Form	<ul style="list-style-type: none"> • Displays the establishment of the Experience Rating Modification Factor Revision Endorsement (WC 00 04 25) in NCCI's <i>Forms Manual</i> • Applies in all states except FL and NE 	To become effective for new and renewal policies effective on and after 12:01 a.m. on May 1, 2017.
2-Form	Displays the revision to the Florida Experience Rating Modification Factor Endorsement (WC 09 04 02 A) in NCCI's <i>Forms Manual</i> .	
3-Form	Displays the establishment of the Florida Experience Rating Modification Factor Revision Endorsement (WC 09 04 08) in NCCI's <i>Forms Manual</i> .	
4-Form	Displays the revision to the Nebraska Experience Rating Modification Endorsement (WC 26 04 01 A) in NCCI's <i>Forms Manual</i> .	
5-Form	Displays the establishment of Nebraska Experience Rating Modification Factor Revision Endorsement (WC 26 04 03) in NCCI's <i>Forms Manual</i> .	

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ITEM P-1413—ESTABLISHMENT OF EXPERIENCE RATING MODIFICATION FACTOR
 REVISION ENDORSEMENT

Exhibit	Exhibit Comments	Implementation Summary
6-Rule	Displays the revision to Florida's exception to Rule 4-E in NCCI's <i>Experience Rating Plan Manual</i> .	To become effective for experience rating modification factors with rating effective dates on and after May 1, 2017.
7-Rule	Displays the revision to Missouri's exception to Rule 4-E in NCCI's <i>Experience Rating Plan Manual</i> .	
8-Rule	Displays the revision to Oregon's exception to Rule 4-E in NCCI's <i>Experience Rating Plan Manual</i> .	

Note: Due to the approval of Item B-1430—Elimination of Anniversary Rating Date (ARD), effective May 1, 2017, Exhibits 4–Form, 6–Rule, 7–Rule, and 8–Rule show the changes as a result of Item B-1430 and Item P-1413.

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**ITEM P-1413—ESTABLISHMENT OF EXPERIENCE RATING MODIFICATION FACTOR
REVISION ENDORSEMENT**

**EXHIBIT 1—FORM
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
EXPERIENCE RATING MODIFICATION FACTOR REVISION ENDORSEMENT (WC 00 04 25)
(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS, MT,
NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

EXPERIENCE RATING MODIFICATION FACTOR REVISION ENDORSEMENT (WC 00 04 25)

This endorsement is added to Part Five—Premium of the policy.

The premium for the policy is adjusted by an experience rating modification factor. The factor shown on the Information Page may be revised and applied to the policy in accordance with our manuals and endorsements. We will issue an endorsement to show the revised factor, if different from the factor shown, when it is calculated.