

November 8, 2011

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item E-1402 – Experience Rating Plan Changes

The North Carolina Rate Bureau recently filed and the North Carolina Commissioner of Insurance approved changes to NCCI's ***Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*** based on information shown in the above referenced NCCI item filing. A copy of this filing is attached.

The Experience Rating Plan changes are designed to:

1. Update the Primary/Excess Split point;
2. Revise the Maximum Debit Modification formula; and
3. Revise NCCI's ***Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance***.

The proposal would update the Primary/Excess Split point to \$10,000 as of April 1, 2013, to \$13,500 as of April 1, 2014, and to an increased, indexed value as of April 1, 2015. An increase in this split point will make the Experience Rating Plan more responsive to small losses.

The Maximum Debit Modification formula would change, allowing even the smallest experience rated risks to have a maximum debit modification of 1.10 compared to the 1.00 that applies today.

The attached Informational Exhibits provide preliminary details regarding the nature of these changes. For the purpose of comparison, North Carolina's G value as of 4/1/2012 is 9.95 (or equivalently, a State Average Claim Cost or SACC of \$9,950).

Additional information, including details on required changes to rating variables, will be included with the respective rate filings.

Contact the Information Center at 919-582-1056 or via email at winfo@ncrb.org, if you require additional information

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dms
Attachments
C-11-15

FILING MEMORANDUM

ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

PURPOSE

The purpose of this item is to adjust the primary/excess loss split point and the maximum debit modification formula used in NCCI's Experience Rating Plan (Plan) in order to maintain the Plan's optimal performance. These changes require revisions to NCCI's *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)* Rule 2—Experience Rating Elements and Formula.

BACKGROUND

Primary/Excess Split Point

The dollar value that splits a loss into its primary and excess portions is known as the primary/excess split point. Currently, in the Plan, the first \$5,000 of a loss is considered primary, and the portion of the loss above \$5,000 is considered excess. This is an important distinction because actual primary losses are given full weight in the experience rating formula. Actual excess losses only receive partial weight.

The \$5,000 split point has not changed for approximately 20 years. During this time, the Plan has seen the average dollar amount per claim approximately triple, as shown in **Informational Exhibit 1**. Because of this, the portion of each claim that flows into the experience rating formula at full value (primary loss amount) is much smaller than what it used to be 20 years ago. The result is that the Plan is giving less weight to each employer's actual experience. Consequently, the Plan formula has become less responsive, and individual employer experience rating modifications have gravitated toward the all-risk average over time.

Recent performance tests of the Plan confirm the above observation. This testing generally shows that the group of employers receiving a credit should receive a slightly larger credit and the group of employers receiving a debit should receive a slightly larger debit. **Informational Exhibit 2** provides the results from NCCI's standard quintile test for Policy Year (PY) 2006 and can be interpreted as follows:

- Risks are placed into one of five groups based on their 2006 experience rating modification, with the risks on the left receiving the lowest experience rating modifications and the risks on the right receiving the highest experience rating modifications.
- While the 2006 experience rating modification would have been based on experience from 2002–2004, this exhibit is showing the PY 2006 experience that actually emerged. The five groups on the left half of this exhibit are shown **prior to** the application of the experience rating modification. The five groups on the right half of this exhibit are shown **after** the application of the experience rating modification.
- The left half of this exhibit reveals that the Plan was generally able to identify the better-than-average and worse-than-average risks. The risks receiving the lowest experience rating modifications subsequently had the best experience. The risks receiving the highest experience rating modifications subsequently had the worst experience. The left half of this exhibit also shows that the Plan was not as successful in distinguishing between the middle three groups of employers.
- If the Plan were performing at an optimal level, the loss ratios shown on the right half of this exhibit would be 100% for all five groups. This is because employers that had 20% lower losses (for example) would receive a 20% experience rating credit. Because the left-most group (on the right half of this exhibit) is significantly less than 100%, this indicates that this group did not receive a large enough experience

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rating credit (their standard premium was too high). In a similar fashion, the right-most group (on the right half of this exhibit) is significantly greater than 100%, indicating that this group did not receive a large enough experience rating debit (their standard premium was too low).

Maximum Debit Modification Formula

Currently, under *Experience Rating Plan Manual* Rule 2-D-2, experience rating modifications are subject to the following risk-specific cap where "E" refers to the expected losses for an individual risk, and the value of "G" is the statewide average cost of a claim in units of 1,000:

$$1 + [0.00005 \times (E + 2E/G)]$$

Currently, only 2% of risks in the Plan reach this cap.

From inspection, it is evident that this formula has a hard minimum of 1.00. That is, this formula approaches a cap value of 1.00 for very small risk sizes. Given that this formula places a **maximum** cap on experience rating modifications, a value that approaches 1.00 seems too restrictive.

Also, to be optimal, this formula could better account for differences across states in claim severities. For example, two identical employers in two different states would ideally be subject to the same experience rating modification cap. The current formula only partially addresses this issue.

PROPOSAL

The following changes are proposed to NCCI's Experience Rating Plan:

1. Increase the primary/excess split point to an inflation-adjusted \$15,000 over a three-year transition period, and continue to increase this amount thereafter on an annual basis using a countrywide inflation index.
 - a. In year one, initially increase the primary/excess split point to \$10,000, to become effective concurrently with each state's approved rate/loss cost filing on or after January 1, 2013
 - b. In year two, increase the primary/excess split point to \$13,500, concurrently with each state's approved rate/loss cost filing
 - c. In year three, and annually thereafter, concurrent with each state's approved rate/loss cost filing, increase the primary/excess split point to the indexed value for \$15,000. The index would estimate annual countrywide severity changes between the average loss date for experience rating modifications in the initial year of implementation and the effective year.

Informational Exhibit 3 restates the results from NCCI's standard quintile test for PY 2006 using the proposed \$15,000 split point. Comparing this exhibit to **Informational Exhibit 2**, it is apparent that the \$15,000 split point is superior at distinguishing between the middle three groups (see left side of both exhibits). The right side of these exhibits also reveals the superiority of the \$15,000 split point since the **Informational Exhibit 3** loss ratios are much closer to 100% for all groups, indicating that the magnitude of the credits and debits using a \$15,000 split point is appropriate. **Informational Exhibit 2** shows that the credits and debits using the current \$5,000 split point are too small.

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ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

The applicable primary/excess split point value will be shown on each state's Experience Rating Values pages.

2. Revise the maximum debit modification formula to $1.10 + 0.0004 \times E/G$. This proposed formula improves on the current formula in both of the areas noted in the **Background** section of this filing memorandum as follows:
 - a. The proposed formula has a hard minimum of 1.10 rather than 1.00. A maximum debit that approaches 10% is more reasonable than a 0% debit.
 - b. The proposed formula more fully accounts for differences across states in claim severities. The variable term in this formula ($0.0004 \times E/G$) incorporates the G-value and produces an experience rating modification cap that fully accounts for state differences in claim severities. Under the proposed formula, two identical employers in two different states would be subject to the same experience rating modification cap.

Informational Exhibit 4 provides a comparison of the current and proposed experience rating modification caps for various G-values. The experience rating modification caps would continue to vary by state. The exhibit also shows the G-values that had been filed as of March 1, 2011 in each state.

IMPACT

Primary/Excess Split Point

There is no overall statewide premium impact from the proposed change to the primary/excess split point.

The average experience rating modification across all employers will not change due to these increases in the split point. This is because there will be corresponding changes to the Discount Ratio (D ratio), which determines the expected excess losses used in the experience rating modification formula. In general, both experience rating credits and experience rating debits will become larger. These credits and debits will offset each other on a statewide basis. In addition, the overall average experience rating modification (the experience rating off-balance) is monitored on a state-by-state basis. Experience rating values are adjusted in the annual rate/loss cost filings to achieve the targeted overall experience rating modification value.

On an individual risk basis, most employers currently receiving credit experience rating modifications will receive larger credits under the proposal. Most employers currently receiving debit experience rating modifications will receive larger debits under the proposal.

Informational Exhibit 5 provides an estimate of what the Plan's distribution of risks, payroll, and expected losses by experience rating modification change would be under the initial \$10,000 split point. This exhibit shows that 93% of risks will receive less than a 10-point change in their experience rating modification under the initial \$10,000 split point. This exhibit also reflects the proposed change to the maximum debit modification formula.

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ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

Maximum Debit Modification Formula

The overall statewide premium impact from the proposed change to the maximum debit modification formula is negligible.

Informational Exhibit 4 provides a comparison of the current and proposed caps for various G-values. **Informational Exhibit 6** shows the estimated number of risks in the Plan that would be impacted by the maximum debit modification formula change.

IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's *Experience Rating Plan Manual*:

- **Exhibit 1** contains national rule changes
- **Exhibit 2** contains state-specific rule changes
- **Informational Exhibits 1–6** provide additional, nonfiled technical information related to the proposed changes

This item will become effective concurrently with each state's approved rate/loss cost filing effective on or after January 1, 2013. For example, this item will become effective January 1, 2013 with approved rate/loss cost filings that have a January 1, 2013 effective date. Similarly, this item will become effective July 1, 2013 with approved rate/loss cost filings that have a July 1, 2013 effective date.

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FILING MEMORANDUM

**ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT
 POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA**

The following chart shows the proposed effective dates for each state:

State	Proposed Effective Date*
Alabama	March 1, 2013
Alaska	January 1, 2013
Arizona	January 1, 2013
Arkansas	July 1, 2013
Colorado	January 1, 2013
Connecticut	January 1, 2013
District of Columbia	November 1, 2013
Florida	January 1, 2013
Georgia	March 1, 2013
Hawaii	January 1, 2013
Idaho	January 1, 2013
Illinois	January 1, 2013
Indiana	January 1, 2013
Iowa	January 1, 2013
Kansas	January 1, 2013
Kentucky	October 1, 2013
Louisiana	May 1, 2013
Maine	January 1, 2013
Maryland	January 1, 2013
Massachusetts	TBD
Mississippi	March 1, 2013
Missouri	January 1, 2013
Montana	July 1, 2013
Nebraska	February 1, 2013
Nevada	March 1, 2013
New Hampshire	January 1, 2013
New Mexico	January 1, 2013

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**ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT
POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA**

State	Proposed Effective Date*
North Carolina	April 1, 2013
Oklahoma	January 1, 2013
Oregon	January 1, 2013
Rhode Island	June 1, 2013
South Carolina	July 1, 2013
South Dakota	July 1, 2013
Tennessee	March 1, 2013
Utah	December 1, 2013
Vermont	April 1, 2013
Virginia	April 1, 2013
West Virginia	November 1, 2013

* Subject to change

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**ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT
POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA**

EXHIBIT 1

EXPERIENCE RATING PLAN MANUAL—2003 EDITION

RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA

C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET

**(Applies in: AL, AR, AZ, CT, DC, FL, HI, IA, ID, IL, IN, KS, KY, MD, ME, MO, MS, MT, NC, NE,
NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV)**

6. Actual Primary Losses

Actual Primary Losses are the portion of the actual incurred losses that are used at full value in the experience rating calculation. For each actual incurred loss, the amount up to ~~\$5,000~~ the applicable state primary/excess split point value is considered primary.

Refer to the Experience Rating Values state pages of this Plan for the applicable state primary/excess split point value.

For each medical-only claim, the primary amount is reduced by 70%.

ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

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(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

7. Expected Excess Losses

Expected Excess Losses are determined by subtracting the total expected primary losses from the total expected losses. Within the experience rating modification calculation, the expected excess losses represent the benchmark level of losses in total, for the portion of all claims in excess of ~~\$5,000~~ the applicable state primary/excess split point value. It is against this benchmark that individual employers are compared, based on their actual excess losses.

Refer to the Experience Rating Values state pages of this Plan for the applicable state primary/excess split point value.

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POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA**

**EXHIBIT 1
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA
C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET
12. RATABLE EXCESS**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME,
MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

b. Actual Ratable Excess Losses

Actual Ratable Excess Losses are determined by multiplying the weighting value times the actual excess losses. The result is rounded to the nearest whole number. For each actual incurred loss exceeding ~~\$5,000~~ the applicable state primary/excess split point value, only a portion of the loss amount above ~~\$5,000 (the excess portion)~~ the applicable state primary/excess split point value is used. Within the experience rating calculation, the actual ratable excess losses represent, in total, the amount of actual excess losses to be used.

Refer to the Experience Rating Values state pages of this Plan for the applicable state primary/excess split point value.

ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

**EXHIBIT 1
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA
C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET
13. LIMITATION OF LOSSES EMPLOYED IN A RATING**

(Applies in: AK*, AL, AR, AZ, CO*, CT, DC, FL, GA*, HI, IA, ID, IL, IN, KS, KY, LA*, MA*, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR*, RI, SC, SD, TN, UT, VA, VT, WV)

(*See Exhibit 2 State Exceptions to the Basic Loss Limitation Table in AK, CO, GA, LA, MA, OR)

a. Single and Multiple Claim Limitation

Basic Loss Limitation Table

If . . .	Then . . .
A medical-only loss (injury type 6) exists	The actual incurred loss, actual primary loss, and actual excess loss amounts are reduced by 70%
An accident involves only one person	<ul style="list-style-type: none"> The loss is subject to the per claim accident limitation The actual primary loss is subject to the maximum primary value of \$5,000 <u>the applicable state primary/excess split point value</u>, even if the loss does not exceed the per claim accident limitation
An employers liability-only loss exists	<ul style="list-style-type: none"> The loss is subject to the employers liability per claim accident limitation The actual primary loss is subject to the maximum primary value of \$5,000 <u>the applicable state primary/excess split point value</u>, even if the loss does not exceed the employers liability per claim accident limitation

Loss Limitations for Accidents Involving Two or More Persons Table 1

If an accident involves two or more persons, and . . .	Then . . .
The total of the losses exceeds the multiple claim accident limitation	<ul style="list-style-type: none"> The total losses are subject to the multiple claim accident limitation The actual primary loss for these accidents is limited to \$10,000 <u>two times the applicable state primary/excess split point value</u>, even if the losses do not exceed the multiple claim accident limitation
The total of the losses does not exceed the multiple claim accident limitation, and none of the individual losses within the total exceeds the state per claim accident limitation	<ul style="list-style-type: none"> The individual losses are used at full value The total actual primary losses for the accident are limited to \$10,000 <u>two times the applicable state primary/excess split point value</u>

ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

**EXHIBIT 1 (CONT'D)
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA
C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET**

13. LIMITATION OF LOSSES EMPLOYED IN A RATING

(Applies in: AK*, AL, AR, AZ, CO*, CT, DC, FL, GA*, HI, IA, ID, IL, IN, KS, KY, LA*, MA*, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR*, RI, SC, SD, TN, UT, VA, VT, WV)

(*See Exhibit 2 State Exceptions to the Basic Loss Limitation Table in AK, CO, GA, LA, MA, OR)

Loss Limitations for Accidents Involving Two or More Persons Table 2

<p>If an accident involves two or more persons, and the total of the losses does not exceed the multiple claim accident limitation, but an individual loss within the total exceeds the state per claim accident limitation, and . . .</p>	<p>Then the individual loss is limited to the state per claim accident limitation and . . .</p>
<p>The total of the remaining losses exceeds \$5,000 the applicable state primary/excess split point value</p>	<ul style="list-style-type: none"> • The remainder of the losses are used at full value • The total actual primary losses for the accident are limited to \$10,000 two times the applicable state primary/excess split point value
<p>The total of the remaining losses does not exceed \$5,000 the applicable state primary/excess split point value</p>	<ul style="list-style-type: none"> • The remainder of the losses are used at full value • The actual primary loss is limited to \$5,000 the applicable state primary/excess split point value for the individually limited loss • No actual primary loss limitation applies for the remainder of the losses

Refer to the User's Guide for examples.

ITEM E-1402—REVISIONS TO THE EXPERIENCE RATING PLAN PRIMARY/EXCESS SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA

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(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

b. Disease Loss Limitation

Disease losses are subject to per claim and multiple claim limitations. A limitation on total disease losses may also apply to an individual policy. This is in addition to the claim limitations already applied to individual disease losses under Rule 2-C-13-a.

(1) To apply the disease loss policy limitation:

(a) Determine if a risk's individual policy total limited and nonlimited actual incurred disease losses exceed the policy disease limit of triple the per claim accident limitation shown in the Tables of Weighting Values, plus 120% of the risk's total expected losses for the experience period. If the risk-specific threshold is exceeded, the disease losses are limited to such threshold, and

(b) The actual primary losses are limited to ~~\$10,000~~ two times the applicable state primary/excess split point value, plus 40% of the risk's total expected primary losses for the experience period.

(c) Round the result of (b) to the nearest whole number.

(2) A policy's total disease losses may not meet the risk-specific policy limitation amount as determined in (1)(a) above, but exceed the limitation shown in (1)(b). In such circumstances, Rule 2-C-13-a applies.

*Refer to the **User's Guide** for examples.*

(3) For risks that do not have an experience period of 36 months, determine policy disease losses as follows:

To determine the . . .	Combine the disease losses of all policies within the experience period having an effective date . . .
Most recent policy year	Within 24 months prior to the rating effective date
Middle policy year	More than 24 months but not exceeding 36 months prior to the rating effective date
Oldest policy year	More than 36 months prior to the rating effective date

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EXHIBIT 1

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RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA**

D. EXPERIENCE RATING FORMULA

(Applies in: AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

2. Maximum Debit Modification

Experience rating modification factors determined by the formula in Rule 2-D-1 are subject to a cap if the debit modification exceeds a specific amount. The risk-specific maximum debit modification is determined as follows:

Maximum Debit Modification = $1.10 + (0.0004 \times E/G) + \{(0.00005) \times (Total\ Expected\ Losses) + (2) \times (Total\ Expected\ Losses) / (G)\}$

The maximum debit modification for an interstate risk is limited to the cap for the state with the largest amount of expected losses.

“E” is the risk’s total expected losses.

“G” is a factor value equal to a state’s average cost per claim for losses used in experience rating, divided by 1000. “G” is located in the Experience Rating Values state pages of this Plan.

Refer to the **User’s Guide** for an example.

Changes in Average Claim Cost Over Time

Experience Rating Plan losses at first report

<u>Midpoint of Experience</u>	<u>Average Claim Cost</u>
12/15/88	\$2,527
11/11/89	\$2,777
01/07/91	\$3,157
11/20/91	\$3,321
12/11/92	\$3,418
11/28/94	\$3,409
08/29/95	\$3,432
10/28/96	\$3,571
10/15/97	\$3,693
08/08/98	\$3,850
01/14/00	\$4,306
06/22/00	\$4,508
03/05/02	\$5,349
02/15/03	\$5,861
03/26/04	\$6,267
03/02/05	\$6,419
03/24/06	\$6,803
03/06/07	\$7,224
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01/01/11	\$8,787 *

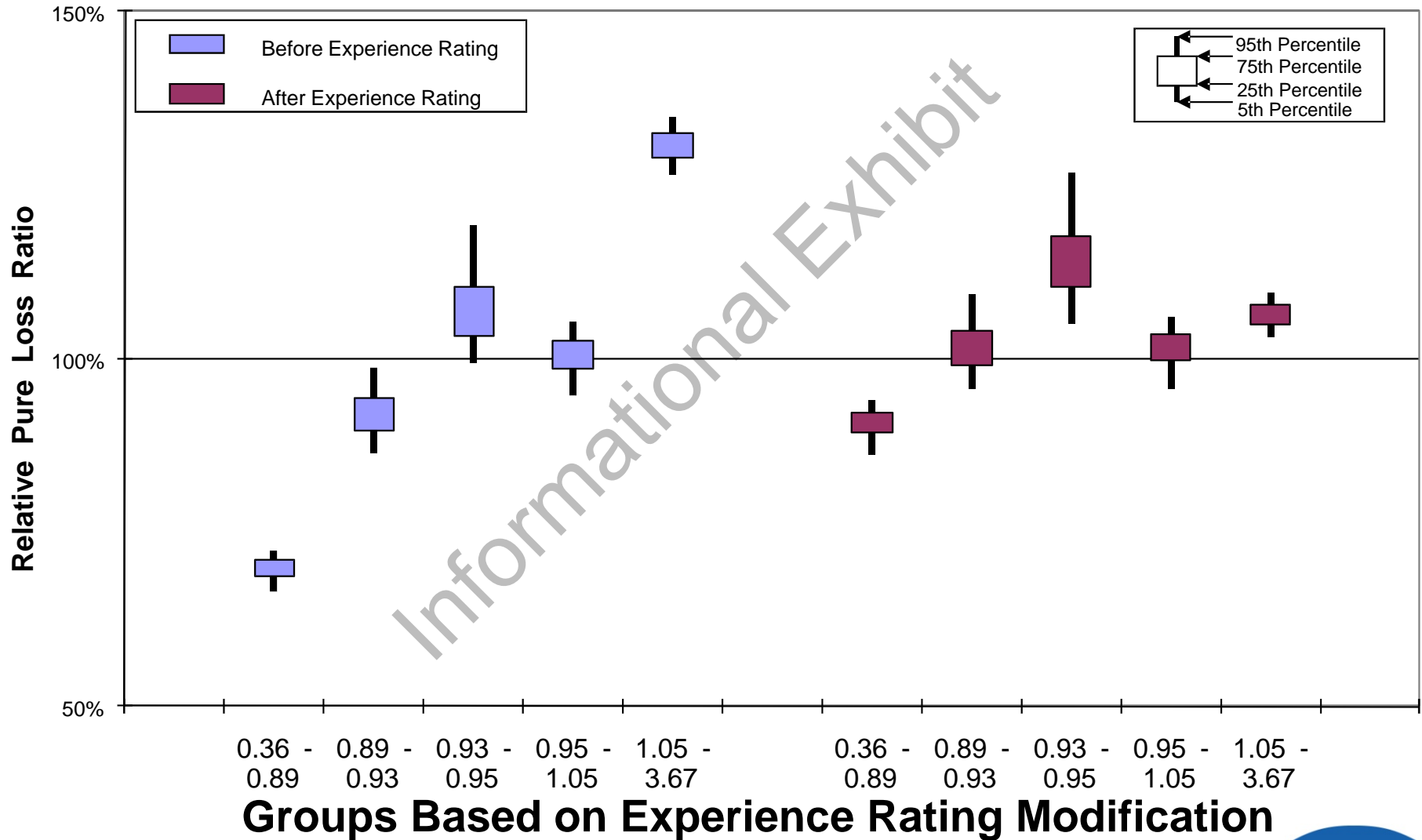
Note:

- 12/15/88 is approximately the average loss date for experience ratings when the split point was last changed
- 1/1/11 is the average loss date for experience ratings under the proposed split point in states where this filing becomes effective on 1/1/13
- Over this time period, claim costs have more than tripled, from \$2,527 to \$8,787

* Assuming a 5.25% annual trend from 3/6/07 to 1/1/11

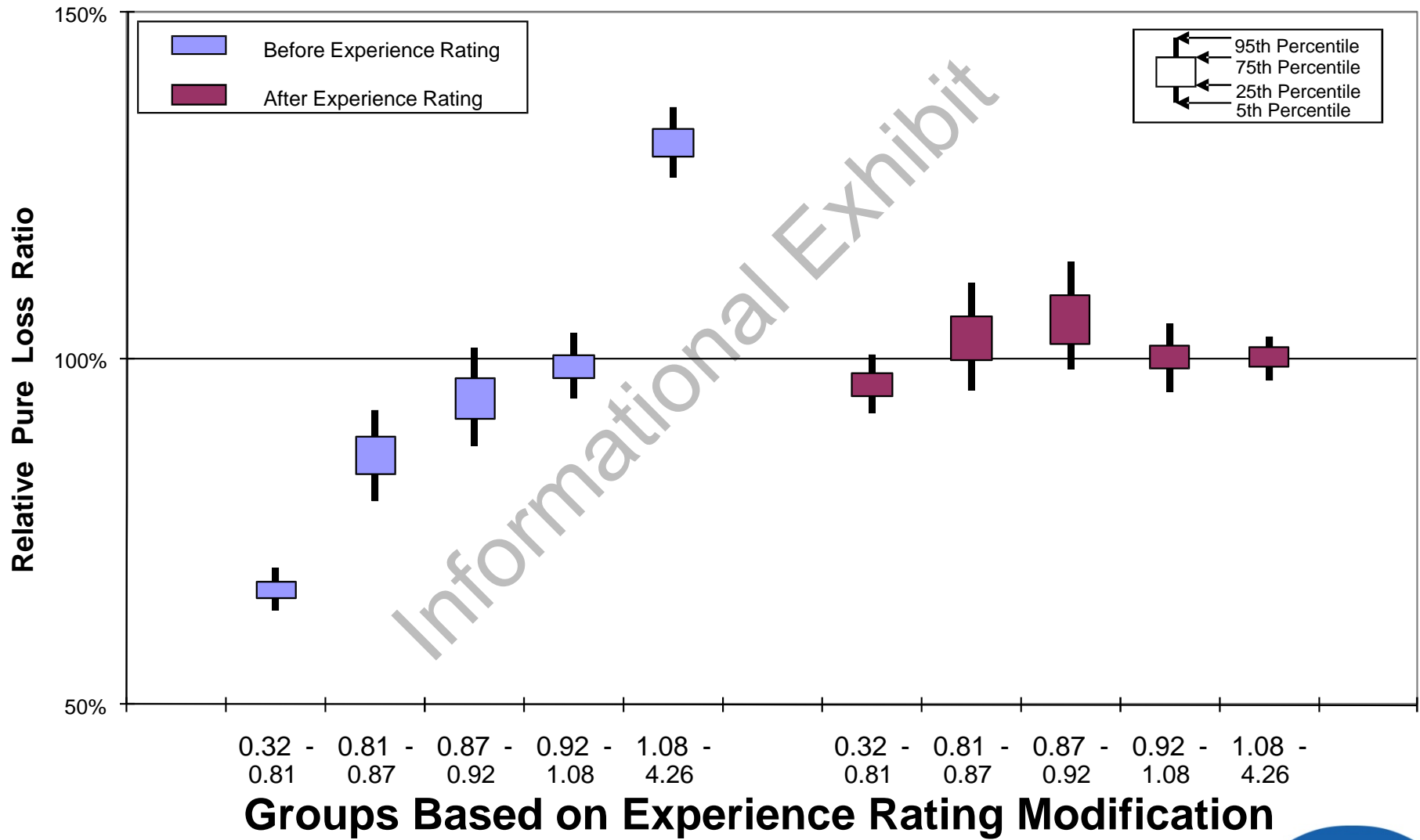
Quintile Analysis: Current \$5,000 Split Point

Policy Year 2006 experience under NCCI's ER Plan, indexed for severity inflation



Quintile Analysis: Indicated \$15,000 Split Point

Policy Year 2006 experience under NCCI's ER Plan, indexed for severity inflation



ER Mod Caps - Current and Proposed

Informational Exhibit 4

Current Formula: $1 + 0.00005(E+2E/G)$

Proposed Formula: $1.1 + 0.0004(E/G)$

Expected Losses (E)	G (SACC) = 5		G (SACC) = 7		G (SACC) = 10	
	Current	Proposed	Current	Proposed	Current	Proposed
500	1.04	1.14	1.03	1.13	1.03	1.12
1,000	1.07	1.18	1.06	1.16	1.06	1.14
2,500	1.18	1.30	1.16	1.24	1.15	1.20
5,000	1.35	1.50	1.32	1.39	1.30	1.30
6,667	1.47	1.63	1.43	1.48	1.40	1.37
7,500	1.53	1.70	1.48	1.53	1.45	1.40
10,000	1.70	1.90	1.64	1.67	1.60	1.50
15,000	2.05	2.30	1.96	1.96	1.90	1.70
20,000	2.40	2.70	2.29	2.24	2.20	1.90
25,000	2.75	3.10	2.61	2.53	2.50	2.10
30,000	3.10	3.50	2.93	2.81	2.80	2.30
40,000	3.80	4.30	3.57	3.39	3.40	2.70
50,000	4.50	5.10	4.21	3.96	4.00	3.10
75,000	6.25	7.10	5.82	5.39	5.50	4.10
100,000	8.00	9.10	7.43	6.81	7.00	5.10

The G-value is the State Average Claim Cost (SACC) in units of 1,000. These are the latest G-values by state: (as of 3/1/11)

<u>State Code</u>	<u>G (SACC)</u>	<u>State Code</u>	<u>G (SACC)</u>	<u>State Code</u>	<u>G (SACC)</u>
AL	7	KY	6.35	OR	6.1
AZ	5.5	LA	13	RI	6.85
AR	5.6	ME	5.3	SC	11.35
CO	6.85	MD	8.9	SD	6
CT	9.25	MS	8.75	TN	8.15
DC	11.5	MO	9.55	UT	4.45
FL	7.2	MT	8.45	VT	7.45
GA	9.55	NE	7.75	VA	7.9
ID	5.9	NV	6.5	WV	6.2
IL	14.8	NH	7.3	HI	8.5
IA	7.9	NM	8.3	AK	11.15
KS	7.05	OK	11.65		

Distribution of Differences Between Old and New Mod Values

Impact of \$10,000 Split Point on NCCI's ER Plan 2009 Intrastate Mods

Impact of changing the split point to \$10,000 and implementing new cap formula on intrastate mods effective in 2009; split points indexed for severity inflation

Change in Mod	Percentage of			Average Mod	
	Risks	Payroll	Expected Losses	Current	Proposal
Change < -0.25	0.0%	0.0%	0.0%	---	---
-0.25 <= Change < -0.20	0.0%	0.0%	0.0%	---	---
-0.20 <= Change < -0.15	0.0%	0.0%	0.0%	---	---
-0.15 <= Change < -0.10	0.0%	0.0%	0.0%	1.31	1.19
-0.10 <= Change < -0.05	8.1%	12.5%	13.8%	0.83	0.77
-0.05 <= Change < -0.02	38.3%	31.9%	33.0%	0.89	0.85
-0.02 <= Change <= 0.02	35.8%	33.6%	33.5%	0.99	0.98
0.02 < Change <= 0.05	4.3%	8.4%	8.0%	1.14	1.18
0.05 < Change <= 0.10	6.5%	7.4%	6.8%	1.21	1.29
0.10 < Change <= 0.15	4.5%	3.6%	2.9%	1.30	1.42
0.15 < Change <= 0.20	1.6%	1.4%	1.1%	1.40	1.58
0.20 < Change <= 0.25	0.5%	0.6%	0.5%	1.50	1.73
0.25 < Change	0.4%	0.5%	0.4%	1.69	2.01

Note: excludes large deductible policies

ER Mod Cap Impact Analysis

Impact of Mod Caps on NCCI's ER Plan 2009 Intrastate Mods

Proposed includes new mod cap formula and \$10K split point; split points indexed for severity inflation

Expected Loss (E)		Total Intrastate Risks	Number of Risks Reaching Current Mod Cap	Number of Risks Reaching Proposed Mod Cap
1	1,000	187	10	2
1,000	5,000	128,904	6,788	8,646
5,000	10,000	166,352	3,154	5,316
10,000	20,000	120,013	312	1,048
20,000	50,000	85,418	8	64
50,000	100,000	30,323	0	1
100,000	200,000	13,815	0	0
200,000	500,000	5,950	0	0
Over	500,000	1,284	0	0
Total		552,246	10,272	15,077
Percentage		100.0%	1.9%	2.7%

Note: excludes large deductible policies