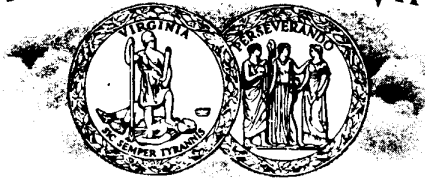


# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

October 1, 1993

### ADMINISTRATIVE LETTER 1993-18

**TO: All Insurers Licensed to Write Workers' Compensation Insurance in Virginia**

**RE: Adoption of Loss Costs Filed by the National Council On Compensation Insurance**

The National Council on Compensation Insurance (NCCI) has filed loss costs for the voluntary workers' compensation insurance market with a proposed effective date of January 1, 1994. This filing is in compliance with the law change effective on that date which prohibits rate service organizations from filing final rates on behalf of their members and subscribers for workers' compensation insurance.

The NCCI loss costs, when approved by the State Corporation Commission, will supersede the NCCI final rates currently on file. In order for insurers to issue or renew policies effective on or after January 1, 1994, it will be necessary to file with the Bureau of Insurance, on or before January 1, 1994, a multiplier to convert the NCCI loss costs to final rates. In addition, insurers must file any expense constants, premium discount tables, size-of-premium expense tables for retrospective rating plans, and minimum premium formulas they intend to use in Virginia. Retrospective rating expense tables will be used with NCCI's table of insurance charges unless otherwise stated in the exception pages.

Insurers will be required to use the attached form (WCLC-VA) to adopt the NCCI loss costs and file their multipliers. The form is self-explanatory, and contemplates a single multiplier applicable to all classification codes. Manual exception pages should be attached showing any expense constants, premium discount tables, retro expense tables, or minimum premium formulas to be applied. Changes to insurers' multipliers and exception pages will be accepted on a file-and-use basis, i.e., they must be filed with the Bureau of Insurance on or before the date they become effective. Any insurer wishing to file different multipliers for various classification codes may do so by filing a computer diskette. Please contact the Bureau of Insurance at (804) 371-9298 for filing instructions.

Should any insurer wish to modify, either upward or downward, the NCCI loss costs approved by the Commission (other than by the filing of an expense multiplier), such filings will be considered to be independent rate filings and, as such, will be subject to the 60-day delayed effect filing provisions of Section 38.2-1912 of the Code of Virginia. Due to the necessity of making these independent filings at least 60 days before the proposed effective date, it is the Bureau's recommendation that such filings be mailed not later than October 26, 1993, if a January 1, 1994, effective date is proposed.

Since the hearing to determine the appropriate level of the NCCI loss costs is scheduled to begin on October 12, 1993, insurers may wish to file only expense multipliers (using Form WCLC-VA) for the January 1, 1994, effective date and defer the filing of any desired modification of the Commission-approved NCCI loss costs to a later date. This will assure the availability of final rates for the insurer to use with any policies effective on and after January 1, 1994, until the appropriateness of the insurer's independent rates can be determined.

Future loss costs filed by NCCI and approved by the State Corporation Commission will supersede the loss costs previously in effect as of the date stated in the Commission's order approving the revised loss costs. In order to have final rates available for use with policies effective on or after the effective date of the revised loss costs, insurers will need to file a revised Form WCLC-VA, unless the insurer's then-current Form WCLC-VA is marked, on page 1, to have the insurer's multiplier apply to future NCCI loss costs filings (Option 2).

NCCI has filed, for the State Corporation Commission's approval, final rates for the assigned risk workers' compensation market. Since these rates must be uniform, they will be filed as final rates, including provisions for expenses, rather than as loss costs. Insurers' multipliers will not be applicable to assigned risk rates.

Questions regarding loss costs adoption procedures for workers' compensation insurance may be directed to the Bureau of Insurance, Property and Casualty Division, Commercial Lines Rates and Forms Section, at (804) 371-9298.

Sincerely,



Steven T. Foster  
Commissioner of Insurance

Attachment

**INSURER ADOPTION OF NCCI  
WORKERS' COMPENSATION LOSS COSTS  
REFERENCE FILING**

Submission Date: \_\_\_\_\_

NCCI Reference Filing No: \_\_\_\_\_

Applicable to policies effective on and after: \_\_\_\_\_

INSURER NAME: \_\_\_\_\_

INSURER NAIC NO: \_\_\_\_\_ SELECTED MULTIPLIER: \_\_\_\_\_

The above insurer hereby declares that it is a member or subscriber of the National Council on Compensation Insurance (NCCI). The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned reference filing.

The insurer's rates will be the combination of the NCCI loss costs approved by the State Corporation Commission and the company's selected multiplier, as shown above, along with any expense constant, premium discount table, size-of-premium expense table for retrospective rating plans, and minimum premium formula specified in the company's attached manual exception pages.

The selected multiplier, along with any expense constant, premium discount table, and minimum premium formula filed, represent a rate level increase \_\_\_ or decrease \_\_\_ of \_\_\_\_\_%, and a premium level increase \_\_\_ or decrease \_\_\_ of \_\_\_\_\_%.

**CHECK ONE OF THE FOLLOWING:**

(Option 1) \_\_\_\_\_ The insurer elects to have the selected multiplier and the attached exception pages apply only to the NCCI reference filing indicated above. The insurer understands that this will necessitate the submission of a new adoption form and exception pages prior to the effective date of any future NCCI loss costs reference filing.

(Option 2) \_\_\_\_\_ The insurer elects to have the selected multiplier and the attached exception pages apply to the captioned reference filing, and each subsequent NCCI loss costs reference filing upon its effective date.

**NOTE:** Insurers selecting either of the above options may amend their multipliers, expense constants, premium discount tables, retrospective rating size-of-premium expense tables, or minimum premium formulas at any time by filing an amended adoption form and manual exception pages.

**CHECK ALL THAT APPLY:**

Manual exception pages attached for: \_\_\_ Minimum Premium Formula

\_\_\_ Expense Constant \_\_\_ Discount Table \_\_\_ Retro Expense Table

WCLC-VA

SUMMARY OF SUPPORTING INFORMATION  
WORKERS' COMPENSATION LOSS COSTS MULTIPLIER

INSURER: \_\_\_\_\_ NAIC NO: \_\_\_\_\_

NCCI REFERENCE FILING NO: \_\_\_\_\_

EFFECTIVE DATE OF MULTIPLIER: \_\_\_\_\_

Development of Expected Loss Ratio (Expressed as a percent of standard premium at company rates):

A. Total Production Expense	_____	%
B. General Expense	_____	%
C. Taxes, Licenses & Fees	_____	%
D. Underwriting Profit & Contingencies	_____	%
E. Residual Market Costs	_____	%
F. Other (explain)	_____	%
G. TOTAL	_____	%

Expected Loss Ratio (100% - G) \_\_\_\_\_ %

Indicated Company Loss Costs Multiplier: \_\_\_\_\_ \*

Selected Company Loss Costs Multiplier: \_\_\_\_\_ \*

(Explain any differences between the indicated multiplier and the selected multiplier) \_\_\_\_\_

\* Multipliers must be expressed as a factor to be applied to Loss Costs (for example, 1.25).

COMPLETED BY: \_\_\_\_\_  
(Print or type name)

TITLE: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

**NOTE:** If an insurer wishes to make any modification to the loss costs filed by NCCI (other than the application of a multiplier to represent the insurer's expenses, profit and contingencies), the resulting rates will be considered to be independent rates, and shall be subject to the delayed-effect provisions of §38.2-1912 of the Code of Virginia, as provided by §38.2-1906.D. Refer to Administrative Letter 1989-10 for further instructions.

The following certification must be completed with respect to the portion of the insurer's workers' compensation rates which represents an allowance for expenses, profit and contingencies.

**Chapter 19 - Certification of**

\_\_\_\_\_  
(Name of Insurance Company)

NCCI Reference Filing Number: \_\_\_\_\_

This loss costs multiplier is being filed for policies effective on and after: \_\_\_\_\_.

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the factors specified in subsections A. and B. of §38.2.-1904 of the Code of Virginia. For the purpose of this certification, a qualified actuary is defined as (1) a member in good standing of the American Academy of Actuaries, or (2) a fellow or associate of the Casualty Actuarial Society, or (3) an individual who has both the educational background necessary for the practice of actuarial science and at least four years of property and casualty actuarial experience.

I am a qualified actuary in accordance with (1) \_\_\_\_\_, (2) \_\_\_\_\_, or (3) \_\_\_\_\_ above.

\_\_\_\_\_  
NAME (please print or type)

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

(\_\_\_\_\_)\_\_\_\_\_  
TELEPHONE NUMBER

(COF-1 7/87)