Missouri Workers' Compensation Plan | **PHONE: (800) 842-9346**
5757 Phantom Drive, Suite 250 | **(314) 551-3102**
P.O. Box 42021 | **FAX: (314) 551-3227**
Hazelwood, MO 63042-1021

Background:

During the 1993 Legislative Session, the Missouri General Assembly passed a workers' compensation reform package known as Senate Bill 251. Section 14 of that bill (subsequently assigned to Section 287.896 RSMo.) required the Department of Insurance to "approve a plan of operation for a new residual market that will guarantee insurance coverage and quality loss prevention and control services for employers seeking coverage through the plan".

The Department issued requests for proposal for a new residual market structure and effective 7/1/95 Travelers was selected as the Contract Carrier in a joint venture with Alexander and Alexander. Subsequent requests for proposal were issued in 2003 and in November 2006, with Travelers selected as the Contract Carrier (in a joint venture with Aon Risk Services. The current contract term began July 1, 2007.

Eligibility:

Producers must endeavor to place Workers' Compensation coverage in the voluntary market. Coverage is available through the Missouri Workers' Compensation Plan only where the producer certifies on an application approved by the Department that the producer has been unable to obtain coverage at a comparable cost through the voluntary market.

Contract Carrier:

Travelers Commercial Casualty Co. is a subsidiary of Travelers Insurance Companies.

Application for Coverage:

1. An application is required (ACORD 130). Submit applications to:

   Travelers
   5757 Phantom Drive, Suite 250
   P.O. Box 42021
   Hazelwood, MO 63042-1021
   Fax: (314) 551-3227

Must include the original application with an original signature of an officer /owner along with a deposit check made payable to Travelers.

2. Payroll Verification:

   a. A copy of the employer's latest filed federal employer 941, 941E, 942 or 943 form; or

   b. Equivalent federal or state required verifiable current payroll record, e.g., unemployment wage report.

3. Supporting Documents: Sole proprietors and partners are considered employers, not employees, and are not covered by your policy. Sole proprietors and partners can be added to the policy by endorsement. Payroll for all sole proprietors and partners is currently assessed at $18,700 per year. If partners or sole proprietors elect coverage, payroll must be included, and a letter stating clear intent must be attached to the application. **This exclusion will only apply as of the date the signed rejection form is received by St. Paul Travelers, <u>not retroactively to policy inception</u>.**

   Corporate officers are considered employees of the corporation and must be covered.

   Limited liability company members are covered by your workers compensation policy unless they specifically state they do not wish to be covered, using a special endorsement to your policy. Corporate officers and Limited Liability Corporation (LLC) Members must submit a signed rejection form to be excluded.

4. Deposit: A certified, cashiers', insured's check or agency check payable to **Travelers** should be forwarded with the completed application to:

   Travelers
   5757 Phantom Drive, Suite 250
   P.O. Box 42021
   Hazelwood, MO 63042-1021

Payplan Options (effective 10/1/2007):

Estimated Annual Premium	Payment Basis	Minimum Deposit Percentage	Additional Payments During Year
Under $2,500	Annual	100% of annual	None
$2,500 - $10,000	Quarterly	40% of annual	Three *
Greater than $10,000	Monthly	30% of annual	Nine *

[*NOTE: $10 service charge per installment]

If the employer's estimated annual premium equals or exceeds $250,000, they qualify for the Mandatory Missouri Loss Sensitive Rating Plan. An additional 20% deposit is required by the plan.

Determining Effective Date:

1. For all employers other than those formerly self-insured, coverage will be bound at 12:01 a.m. on the first day following the **U.S. Postal Service** postmark time and date on the envelope in which the application is mailed, including the estimated annual or deposit premium, or the expiration of existing coverage, whichever is later.

   Note: For effective date determination, a postage meter (device that generates indicia imprinted on or affixed to mailpieces to show prepayment of postage) mark is not considered to be a postmark.

2. If there is no U.S. postmark, coverage will be effective 12:01 a.m. of the date of receipt by the contract carrier unless a later date is requested.

3. Applications hand delivered to the contract carrier will be effective as of 12:01 a.m. the date following receipt by the contract carrier unless a later date is requested.

4. The contract carrier will accept an application by fax. Coverage will be bound within 24 hours after the fax receipt date of the completed application if the premium is received within 5 days.

5. For employers formerly self-insured, coverage will be bound at 12:01 a.m. not later than 60 days following the U.S. postmark time and date on the envelope in which the application is mailed including the estimated annual or deposit premium, or the expiration of existing coverage, whichever is later.

6. If there is no U.S. postmark, coverage will be effective 12:01 a.m. not later than 60 days following the date of receipt by the contract carrier unless a later date is requested.

7. Those applications hand delivered to the contract carrier will be effective 12:01 a.m. not later than 60 days following the date of receipt by the contract carrier, unless a later date is requested.

Pricing:

Policies will be issued utilizing the classifications, forms, rates and rating data included in the contract carrier's Request for Proposal (RFP) response or as otherwise approved by the director. NCCI rating plans will be utilized. Since various programs such as Assigned Risk Adjustments, Rate Differentials, Surcharges and Missouri Injury Management Program have been approved, we suggest you verify the premium calculations with the contract carrier.

Premium Discount: Not applicable

Expense Constant: Refer to Miscellaneous Values for Expense Constant.

Increased EL Limits:	Standard Limits:	$100/$100/$500	No premium charge
	Increased Limits:	$500/$500/$500	0.7% of premium
		$1,000/$1,000/$1,000	1.2% of premium

Safety Program: Missouri Injury Management Program (MIMP)

Merit Rating: Not applicable

Retro Rating Plan: Missouri Loss Sensitive Rating Plan (LSRP)

Assigned Risk Adjustment Program (ARAP): Applicable – maximum factor 25%

Contracting Classification Premium Adjustment Program (CCPAP): Applicable

Terrorism Risk Insurance Act (TRIA): Applicable – Surcharge is based on payroll. (Payroll/100 x TRIA factor) Refer to Miscellaneous Values of Rate Pages for TRIA factor.

Missouri Injury Management Program

The Missouri Injury Management Program (MIMP) is a 10% credit program available to non-experience rated employers in the Missouri Workers' Compensation Plan with premiums above $5,000 and experience rated employers with premiums above $3,500. Employers who become certified in the program requirements will receive the credit on their workers compensation premium at final audit. The program is offered free of charge to eligible employers as a service of the Missouri Workers' Compensation Plan.

This comprehensive injury management program is essentially an "earn while you learn" program providing many significant benefits to participating employers. While the credit is a meaningful incentive, the true value of the program lies in the long-term savings that can be achieved through loss management at the worksite. The key to controlling workers compensation is providing employers the education, tools, and procedures needed to prevent injuries and manage injured workers. Through MIMP, employers are taught the true cost drivers of the system and are given concrete tools and procedures to manage these costs. MIMP puts employers in control of workers compensation.

MIMP offers credits over a three-year period. The credit schedule is 10% the first and second years and 5% for the third year. By the third year of the program, adoption of the injury management practices should begin to be reflected in improvement in the employer's experience modification factor.

To secure the full credit, employers that are new to MWCP must enroll within the first 60 days of the policy year. If an insured enrolls after that time, the credit will be prorated provided enrollment occurs within the first six months of the policy. Employers renewing in the MWCP must enroll in MIMP prior to the expiration of their current policy in order to avoid the 10% surcharge at policy inception.

MWCP is serious about reducing losses in the assigned risk pool. To ensure program participation, a 10% surcharge will be added to the premium of any insured that is eligible to enroll in MIMP but chooses not to participate. Insureds who enroll, but fail to become certified in the program requirements, will also be subject to the 10% surcharge. Note: No commission will be paid on the 10% surcharge.

Missouri Loss Sensitive Rating Plan:

The rules under this Plan are mandatory and apply to only to Workers Compensation and Employers Liability Insurance that is written under the Missouri Workers Compensation Plan. The LSRP shall apply to all assigned risk employers qualifying for the Plan.

Below is a summary of the LSRP Plan - *please see the **Basic Manual** for the approved rules in their entirety regarding the LSRP*.

General Explanations:
Plan is Mandatory
The Residual Market LSRP is a mandatory Plan and shall apply to all assigned risk policies with a total estimated annual Standard Premium or total audited Standard Premium which equals or exceeds $250,000.

Object of the Plan:
This Plan adjusts the premium for the insurance to which it applies on the basis of losses incurred during the period covered by that insurance. The intent is to charge a premium which reflects those losses. This Plan uses the losses incurred during the policy term to establish the cost of insurance and includes provisions for all expenses and taxes on premium.

Loss Control Incentive in Use of the Plan
The LSRP provides an incentive to the employer to control and reduce losses because the LSRP premium will be the result of losses during the policy period. To the extent the employer controls losses, there is a reward through lower premiums. To the extent the insured does not control losses, there is a penalty through higher premiums.

Experience Rating Plan Manual
Separate policies in the MWCP under common majority ownership as provided by the rules of the Experience Rating Plan which are assigned to the same carrier shall be combined for computation of the LSRP premium.

Risks Operating in More Than One State
LSRP will be applied on an intrastate Missouri-only basis.

LSRP Expenses
The expenses are fixed and are included in the Basic Premium.

Factors
The LSRP factors are:

- Basic Premium Factor 0.30
- Loss Conversion Factor 1.125
- Tax Multiplier 1.028
- Retro Development Factors
  - 1st Adjustments 0.17
  - 2nd Adjustments 0.03
  - 3rd & Subsequent Adjustments 0.00
- Minimum Factor (Min):
  0.75 [Uncertified MIMP Employers]
  0.65 [Certified MIMP Employers]
- Maximum Factor (Max) 1.75

LSRP Calculation: Example

Note: Illustrative Values (Not MIMP Certified)

Standard Premium (SP)	$ 339,000
Incurred Losses 1st Valuation	254,250
Incurred Losses 2nd Valuation	271,200
Incurred Losses 3rd Valuation	305,100

Factors

Basic	0.30
Minimum	0.75 or 254,250 = 0.75*339,000
Maximum	1.75 or 593,250 = 1.75*339,000
Loss Conversion Factor (LCF)	1.125
Tax Multiplier	1.028

Retrospective Development Factor (RDFs)

1st Adjustment	0.17
2nd Adjustment	0.03
3rd Adjustment	0.00

Formula:

LSRP Premium (LSRP) = Tax [(Basic * SP) + (RDF * LCF * SP) + (LCF * Incurred Losses)]

LSRP Premium Calculations:

1st Adjustment
LSRP = 1.028 [(.30*339,000) + (.17*1.125*339,000) + (1.125*254,250)]
LSRP = 1.028 [101,700 + 64,834 + 286,031]
LSRP = 1.028 [452,565]
LSRP = 465,237
Additional Premium (AP) = $58,437 [465,237 – 339,000 – 67,800]

2nd Adjustment
LSRP = 1.028 [(.30 * 339,000) + (.03 * 1.125 * 339,000) + (1.125 * 271,200)]
LSRP = 1.028 [101,700 + 11,441 + 305,100]
LSRP = 425,952
Return Premium (RP) = $39,285 [465,237 – 425,952]

3rd Adjustment

LSRP = 1.028 [(.30 * 339,000) + (.00 * 1.125 * 339,000) + (1.125 * 305,100)]
LSRP = 1.028 [101,700 + 0 + 343,238]
LSRP = 1.028 [444,938]
LSRP = 457,396
Additional Premium (AP) = $31,444[457,396 – 425,952]

Impact on Your Workers Compensation Costs

The ultimate impact of the LSRP will depend on your losses over time. However, with good loss experience an individual employer's final premium is typically less than standard; it is more than standard with poor loss experience.

Additional Coverages Available:

a. Coverage under the United States Longshore and Harbor Workers' Compensation Act (USL&H). If USL&H coverage is provided, the following coverages are available as an extension of USL&H:

   Outer Continental Shelf Lands Act
   Defense Base Act
   Nonappropriated Fund Instrumentalities Act

b. Coverage for Maritime (Admiralty), Program I or Program II, at the standard limit per accident of $100,000, written as an adjunct to state act coverage.

c. Coverage for "alternate employer" if required of the employer by contract and only when the state of operations of the alternate employer is Missouri. The Alternate Employer Endorsement (WC 00 03 01 A) shall be utilized to provide this coverage.

d. The endorsement *Waiver of Our Right to Recover From Others (WC 00 03 13)* is available if required of the employer by contract. The endorsement does not apply to policies in Missouri where the employer is in the construction group of code classifications. According to Section 287.150(6) RSMo., a contractual provision purporting to waive subrogation rights is against public policy and void where one party to the contract is an employer in the construction group of code classifications.

e. The additional premium charge for a waiver of subrogation shall be five percent (5%) of the manual premium developed in conjunction with the work for which that waiver is provided, subject to a $250 minimum charge for the waiver.

Certificates of Insurance:

1. Certificates of Insurance shall be issued by the Contract Carrier within two (2) working days after receipt of request, if consistent with the terms and conditions of the policy.

2. The Plan Administrator may allow the employer's agent or broker to issue Certificates of Insurance, but only under the following condition:

   a. The Certificate is issued consistent with the terms and conditions of the policy;
   b. That coverage be certified only on the standard ACORD Certificate of Insurance form;
   c. That the certificate holder should not be extended any greater rights than the insured;
   d. That copies of all certificates issued by the employer's agent must be forwarded to the Plan Administrator.
   e. No certificates are to be issued prior to coverage being bound.

3. Failure to issue Certificates in accordance with the terms and conditions of the policy or failure to submit copies to the Contract Carrier may result in revocation of the agent's authority to issue such certificates.

4. Any certificate not issued in accordance with the above criteria may be rejected.

Note: Certificates are issued by the account manager underwriter assigned to the account. This account manager underwriter is the "single point of contact" for all underwriting, accounting, billing, and customer service issues. A producer or insured may directly contact an account manager underwriter by calling the Missouri Workers' Compensation Plan (800-842-9346).

Limited Other States Coverage:

Policies issued through the Missouri Workers' Compensation Plan only provide coverage for business operations within the state of Missouri. Coverage for operations in any other state will have to be obtained elsewhere.

While the Missouri Workers' Compensation Plan policy provides limited other states coverage for extra-territorial exposures, this coverage is intended to provide insurance protection for Missouri employees who travel to other states.

Because Missouri Workers' Compensation Plan provides all insured employers with coverage for extra-territorial exposures associated with their Missouri employees, the following guidelines should help you determine when the employee's work situation will require you to obtain additional coverage.

If you need help in obtaining coverage in another state, contact your agent or the Missouri Workers' Compensation Plan (1-800-842-9346).

Determining Coverage Requirements
The following guidelines have been developed for determining eligibility requirements for extra-territorial coverage. A Missouri employer is covered by The Missouri Workers' Compensation Plan and eligible for extra-territorial coverage if:

1) The work is being performed by Missouri employees;
2) The duration of the work being performed in a state other than Missouri does not exceed 90 days; and
3) The workers' compensation laws of that state do not require the employer to secure separate coverage prior to beginning operations in that state.

This coverage does not apply to permanent operations in any state other than Missouri.

Producer's Fee:

See the "Special Rules"

Requests for Loss Runs:

Producers or employers may request loss runs by faxing a request to the Missouri Workers' Compensation Plan at 314.551.3227. Please include the name as it appears on the policy, policy number and policy periods for which loss runs are desired. Loss run requests are generally filled within 5 business days.

[revised 7/2007]