

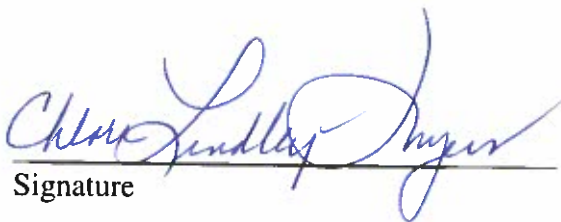
NCCI EXAM CERTIFICATION

The Missouri Department of Commerce and Insurance, pursuant to its authority under §374.205 RSMo, and 20 CSR 100-8.014 conducted an evaluation of National Council on Compensation Insurance (NCCI) for market regulation purposes in October of 2022.

The evaluation consisted of: a review of the Organization's processes and procedures in place during the period of the Examination, including but not limited to, the preparation of loss cost filings; rules, forms; operations/management; statistical plans; regulatory licenses or other authorization; data receipt and controls; processing, editing and compilation procedures; error handling and related correspondence with reporting insurers; report submissions to regulators, as well as compliance with Chapter 29 and its Appendices F and G, and selected sections of Chapter 20 of the NAIC Market Regulation Handbook ("the Handbook").

Based on the results of the procedures performed, as documented in Chapter 29 of the NAIC's Market Regulation Handbook, and the knowledge and experience of its staff, the Florida Department of Insurance has found no actionable items for National Council on Compensation Insurance (NCCI) to address. The Missouri Department of Commerce and Insurance reserves the right to revisit these conclusions and perform additional review considering new information.

I hereby certify the above information is accurate and that I am authorized to execute this document on behalf of the Missouri Department of Commerce and Insurance.



Signature

Chlora Lindley-Myers
Print Name

Director
Title

November 14, 2022
Date

NCCI EXAM CERTIFICATION

The Florida Office of Insurance Regulation ("OIR"), pursuant to its authority under Section 624.3161, Florida Statutes, conducted an evaluation of National Council on Compensation Insurance ("NCCI") for market regulation purposes in 2022.

The evaluation consisted of a review of NCCI's processes and procedures in place during the period of the examination, including but not limited to, the preparation of loss cost filings; rules, forms; operations and management; statistical plans; data receipt and controls; processing, editing and compilation procedures; error handling and related correspondence with reporting insurers; report submissions to regulators, as well as compliance with Chapter 29 and its Appendices F and G, and selected sections of Chapter 20 of the NAIC *Market Regulation Handbook* ("*Handbook*").

Based on the results of the procedures performed, as documented in Chapter 29 of the *Handbook*, and the knowledge and experience of its staff, OIR has found no actionable items for NCCI to address. OIR reserves the right to revisit these conclusions and perform additional review considering new information.

I hereby certify the above information is accurate and that I am authorized to execute this document on behalf of the Florida Office of Insurance Regulation.

David Altmaier
Signature

David Altmaier
Print Name

Commissioner
Title

10/13/22
Date

REPORT OF EXAMINATION

As of December 31, 2020

**NATIONAL COUNCIL ON COMPENSATION
INSURANCE, INC.**

**901 Peninsula Corporate Circle
Boca Raton, Florida 33487**

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September 29, 2022

David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0326

Dear Commissioner Altmaier:

Pursuant to your instructions, an examination has been conducted of the

NATIONAL COUNCIL ON COMPENSATION INSURANCE, INC.
901 Peninsula Corporate Circle
Boca Raton, Florida 33487

The following report of the findings of this examination is respectfully submitted.

FOREWORD

This report of examination is made by testing and all tests applied during the examination are contained within this report.

PURPOSE AND SCOPE OF EXAMINATION

The Advisory Organization (D) Working Group (“AOWG”) of the National Association of Insurance Commissioners (“NAIC”) is focused on the examination of licensed national advisory organizations. One of the AOWG’s adopted charges is to actively assist with coordinating multistate examinations of advisory organizations including rating organizations and statistical agents every five years. The AOWG initiated a targeted multistate Advisory Organization examination of the National Council on Compensation Insurance, Inc. (“NCCI”). The examination scope period was January 1, 2016 through December 31, 2020 and focused on process and procedural changes since the conclusion of NCCI’s prior examination which ended on December 31, 2015. This examination reviewed NCCI’s loss costs, rules and other regulated activities, operations, management, data receipt and controls, processing, editing and compilation procedures, error handling, correspondence with reporting insurers, and report submissions to regulators. In addition, the examination reviewed NCCI’s use of artificial intelligence and application of the NAIC’s Principles on Artificial Intelligence.

The examination was coordinated and managed by the Florida Office of Insurance Regulation (“OIR”) acting as the managing lead state. The examination included 30 participating states in which NCCI provides services as a licensed rating organization or statistical agent. A list of participating states is provided in the table below. Representatives from the firm of Risk & Regulatory Consulting, LLC (“RRC”) were engaged to complete the examination procedures. The examination was conducted in accordance with the examination guidance and standards contained in the NAIC’s *Market Regulation Handbook* for advisory organizations. RRC’s personnel participated in the examination in their capacity as market conduct examiners, actuarial examiners and information technology (“IT”) examiners. The examination was called on July 29, 2021. The examination was completed remotely at RRC’s offices and field work was concluded on May 6, 2022. NCCI was responsive throughout the examination.

NCCI MULTISTATE EXAMINATION – LIST OF PARTICIPATING STATES

Alaska	Iowa	New Hampshire
Arizona	Kansas	North Dakota
Arkansas	Kentucky	Oklahoma
Colorado	Louisiana	Oregon
Connecticut	Maine	Rhode Island
District of Columbia	Michigan	South Carolina
Georgia	Mississippi	Tennessee
Idaho	Missouri	Vermont
Illinois	Montana	Virginia
Indiana	Nevada	West Virginia

ORGANIZATION PROFILE

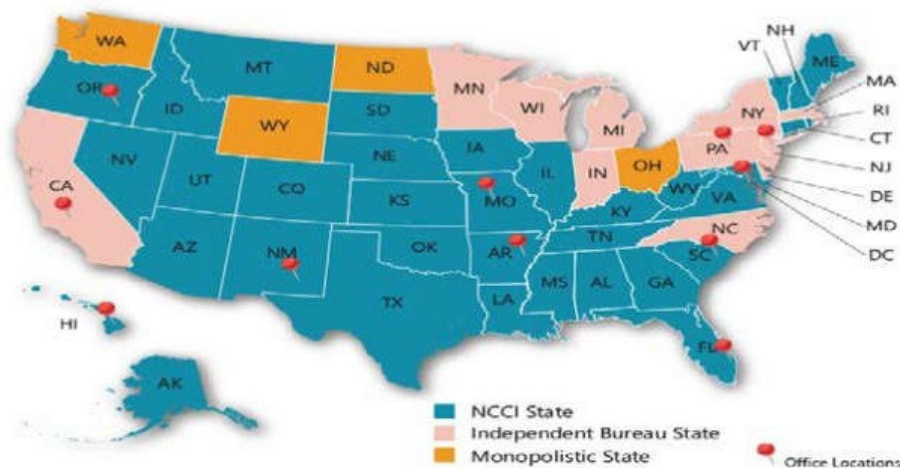
NCCI manages the nation's largest database of workers' compensation insurance information and provides workers' compensation insurance information, tools and services. NCCI operates as a not-for-profit entity and is guided by a Board of Directors ("Board") comprised of insurer representatives that underwrite workers' compensation risks. NCCI's Board is responsible for establishing corporate strategy and acts as a resource for management on matters of planning and policy. NCCI was founded in 1922, is based in Boca Raton, Florida and maintains a work force of approximately 900 employees.

NCCI gathers data, analyzes industry trends and prepares objective insurance rate and loss cost recommendations. This information is collected from insurers, related to policies, claims and overall financial results, and maintained in a data repository. NCCI studies workplace injuries and other national and state factors impacting workers' compensation. NCCI analyzes industry trends, prepares workers' compensation insurance rate and loss cost recommendations, assists in pricing proposed legislation and provides a variety of data products to more than 900 insurance companies and 38 state governments. NCCI provides tools for circulars, excess loss factors, loss development exhibits, a manuals library, residual market expiration list, state insight and training services. In addition, NCCI offers publications and reports, regulatory and legislative activities, underwriting resources, research, and residual market plan and reinsurance pool administration services.

NCCI's core services include:

- Rate and advisory loss cost or rate filings;
- Cost analyses of proposed and enacted legislation;
- Residual market management;
- Production of experience ratings;
- Statistical and compliance services; and
- Maintenance of the workers' compensation infrastructure of classifications, rules, plans, and forms.

The following state map identifies states in which NCCI provides services as a licensed rating and/or statistical organization.



Source: NCCI Website.

EXECUTIVE SUMMARY

The primary focus of the examination involved assessing NCCI's processes and procedures relating to rates and loss costs, rules and other regulated activities, operations, management, data receipt and controls, processing, editing and compilation procedures, error handling, correspondence with reporting insurers, report submissions to regulators and a review of NCCI's use of artificial intelligence and the application of the NAIC's Principles on Artificial Intelligence. The examiners reviewed 18 advisory organization examination standards contained in the NAIC's *Market Regulation Handbook* ("Handbook") related to operations, management and governance; statistical plans; data collection and handling; and correspondence with insurers and states to determine NCCI's compliance with the standards. The examiners collaborated closely with OIR throughout the course of the examination and had ongoing communications with NCCI.

The examiners' concluded:

- NCCI's general processes and procedures related to its regulated operations adequately meet the standards reviewed. In some instances, recommended process improvements are noted in this report;
- NCCI's Internal Audit function is adequate and meets the needs of NCCI;
- NCCI has credentialed and experienced actuaries;
- NCCI has a robust process for developing advisory loss costs or rates including data gathering, analysis and peer review;
- NCCI has an experienced team of IT professionals;
- NCCI's commitment to IT processes resulted in a stable, consistent and effective environment; and
- NCCI has strong IT General Controls in place that appear to be effective on an overall basis.

The examiners confirmed that NCCI implemented the following changes to its actuarial procedures during the examination scope period:

- Development of Prospective Loss Costs;
 - Revised Safety Factor, 2017;
 - Updated Terrorism Voluntary Rate, 2017;
 - Revised Credibility Parameters, 2018;
 - Change in how maximum or minimum indemnity benefits are included in ratemaking, 2019;
 - Defense Cost and Containment Expense Revision, 2019;
 - Swing Limit, 2019;
 - Adjusting and Other Expense Revision, 2020;
 - Assigned Risk to Voluntary Differential, 2020; and
 - Thresholds for Escalating Error.
- Retrospective Rating Plan;
- Inspection Selection Process; and
- Hazard Group Assignments.

RESULTS OF THE PREVIOUS EXAMINATION

The examiners reviewed the observations and recommendations documented during the prior examination to determine NCCI's response to and implementation of the recommendations and observations as shown in the current status column of the table below.

Issue(s) Noted	Recommendation or Observation from Prior Examination	Current Status
NCCI's actuarial team appears to be well organized with well-defined roles and responsibilities. However, they do not appear to produce regularly scheduled management reports related to ongoing activities.	NCCI should begin the practice of producing monthly and/or quarterly management reports that assist NCCI in monitoring actuarial related tasks, timelines and overall status.	The examiners determined no changes were made by NCCI since the prior examination. This recommendation was carried forward to the 2020 report.
NCCI should disclose how they utilize accident year data in making their informed decisions regarding the loss costs/rate filings.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined the recommendation was satisfactorily addressed.
NCCI should provide additional information as to how the separate calculation of frequency and severity trends contributes to the selection of the loss ratio trend.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined the recommendation was satisfactorily addressed.
NCCI should document within the loss cost or rate filing how the trend is selected from the various results similar to the process used in the Technical Peer Review.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined no changes were made by NCCI since the prior examination. This recommendation was carried forward to the 2020 report.
NCCI should provide a description of the methods used to calculate the various trend factors, especially those methods that are based on economic modeling.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the	The examiners determined no changes were made by NCCI since the prior examination. This recommendation was carried forward to the 2020 report.

Issue(s) Noted	Recommendation or Observation from Prior Examination	Current Status
	selection process relied upon, as per the observation.	
NCCI relies solely on paid and reported loss development methods in its projection of ultimate losses underlying indicated loss cost/rate changes.	NCCI should consider using additional actuarial methodologies, such as Bornhuetter-Ferguson approaches, in projecting ultimate losses.	The examiners determined no changes were made by NCCI since the prior examination. This recommendation was carried forward to the 2020 report.
NCCI should find a practical method of including more information with respect to the filings other than loss cost/rate filings that are approved separately and then referenced in the loss cost/rate filing. For example, the actuarial examiners noted references to changes in the experience and retrospective rating plans and in class definitions in the loss cost or rate filing, but there is no additional information provided in the loss cost/rate filings.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined the recommendation was satisfactorily addressed.
NCCI should provide additional information for the determination of the full credibility standard for classification ratemaking.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined the recommendation was satisfactorily addressed.
NCCI's rate filings should provide support for the selected profit and contingencies provision.	NCCI should include sufficient documentation in the loss cost/rate filings to allow regulators, members and other interested parties to understand the methods applied and the selection process relied upon, as per the observation.	The examiners determined the recommendation was satisfactorily addressed.

Issue(s) Noted	Recommendation or Observation from Prior Examination	Current Status
<p>NCCI should make it a practice to obtain the annual SOC report from the Disaster Recovery vendor in a timely manner and review the report to confirm controls at the Disaster Recovery site are adequate, effective and meet the objectives of NCCI.</p>	<p>NCCI’s review of the report should be formally documented and available for inspection by regulators in a timely manner.</p>	<p>The examiners determined the recommendation was satisfactorily addressed.</p>
<p>NCCI should consider providing regulators with an interim report regarding NCCI’s new standard pricing allocation methodology related to its residual market – plan administration and reinsurance pool services.</p>	<p>Understanding the new methodology relies on a five-year rolling average, NCCI should consider submitting an ad hoc report at the conclusion of the examination, discussing the new standard pricing allocation methodology to cover calendar years 2015 and 2016. The report would serve as a “status check” regarding NCCI’s anticipated expectations for the new methodology.</p>	<p>The examiners determined the recommendation was satisfactorily addressed.</p>

EXAMINATION METHODOLOGY

The examiners primarily relied on the review of documentation and testing of information maintained by NCCI. The examiners conducted interviews with NCCI’s personnel related to the scope areas which provided an overview of NCCI’s operations. Targeted testing was performed consistent with examination processes and sampling methodologies prescribed in the *Handbook*.

RRC’s actuarial examiners’ work included reviewing NCCI’s work product related to loss cost or rate filings, with specific emphasis on NCCI’s assumptions used to prepare the filings as well as the completeness and accuracy of the information. The actuarial examiners also participated in reviewing certain areas of the examination, including but not limited to, changes to NCCI’s Experience Rating Plan. The actuarial examiners conducted interviews of NCCI’s key actuarial resources, including the Chief Actuary. The actuarial examiners also discussed NCCI’s Internal Audit reports specific to the examination’s scope.

The examiners’ work focused primarily on certain standards that were selected from the *Handbook* for review related to residual markets - administration, residual markets - reinsurance pool, anti-competitive practices, and NCCI’s practices and procedures related to inspection services and classifications. The examiners accomplished their work by reviewing various documentation, including NCCI’s processes and procedures, participating in interviews and leveraging the work of the actuarial and IT examiners to complete the review of specific standards.

The IT examination of an advisory organization focuses on the critically important management of data and the controls in place to protect the data and information received from members and reported to regulators. The IT examiners' approach and methodology were planned to gain an understanding of NCCI's IT and data infrastructure operations. This included the IT examiners' review of the work performed by NCCI's Internal Audit group to determine if the quality and objectivity of the work could be relied upon. Independent procedures were performed to enhance the IT examiners' understanding of certain controls with a focus on gaining an understanding of the design, implementation and operating effectiveness of NCCI's IT processes and associated IT General Controls.

The examiners reviewed all IT-related information and determined that NCCI appeared to have taken a top down approach to risk identification, control development and documentation. The top down approach begins with the complete population of risks and is a preferred method for performing risk identification. Once the population of risks is identified, NCCI determines the necessary treatment for those risks (i.e. risk acceptance, risk mitigation, risk transference, etc.) The supporting documentation and information provided by NCCI included network diagrams, policies and other related documents.

The specific systems and applications focused upon during the IT review included:

- Submission Tracking System;
- Data Resource Center;
- Experience Rating System;
- Class Ratemaking System;
- Financial Data Collection Tool; and
- Aggregate Ratemaking.

The IT examiners also conducted walkthroughs of these systems and applications with NCCI's IT and data resources staff to gain a comprehensive understanding of their scope and purpose to NCCI. The IT examiners leveraged work reported in internal audits applicable to the in-scope test objectives. The IT examiners reviewed the Internal Audit test plans and associated documentation and, following an appropriate level of validation, concluded:

- The scope of the work performed was appropriate;
- The sampling procedures used were appropriate;
- Test plans are designed to adequately test certain IT controls and tests are executed in accordance with the test plans;
- The work was properly documented, including evidence of supervision and review; and
- The conclusions reached were consistent with the results of the work performed.

The market conduct examiners requested and reviewed data and documentation to determine NCCI's compliance with the following:

- NCCI's processes and procedures related to preventing anti-competitive practices in the insurance marketplace, as related to the advisory organization's services and communications to insurers;
- NCCI's ongoing research and review of state insurance laws and insurance related case law in order to be responsive to necessary changes in prospective loss costs, policy forms, endorsements, rating factors, classifications or manuals, as applicable;
- NCCI's analyses and impact studies of proposed legislation in order to ensure the presentation of thorough and objective information;
- NCCI's monitoring of activities of any entity that contractually assumes a business function or

- is acting on behalf of the advisory organization;
- NCCI’s written policies, standards, and procedures for the management of insurance information;
- NCCI’s standard premium and loss report to the states, including a listing of insurers whose data is included in the compilations and a historical report listing insurers whose data for the state was excluded; and
- Whether NCCI had filed its statistical plans in accordance with applicable statutes, rules and regulations and complied with and adhered to the Florida Statistical Agent Agreement with OIR.

FACTUAL FINDINGS OF THE EXAMINATION

During the examination, the examiners reviewed and tested certain standards included in Chapter 29 and Appendix F of the *Handbook*.

SECTION 1: OPERATIONS, MANAGEMENT AND GOVERNANCE

Standard 1 - The advisory organization has implemented written policies and procedures to prevent anti-competitive practices in the insurance marketplace, as related to the advisory organization’s services and communications to insurers.

Results: Pass

Observations: The examiners reviewed NCCI’s Antitrust Guidelines that informs employees about the types of conduct and activities that violate antitrust law. NCCI requires all employees to comply with federal and state antitrust laws. NCCI’s policy is to avoid any actual or perceived antitrust violations. An Antitrust Compliance Statement is read at the beginning of each meeting of the Board, Standing Committees of the Board and other NCCI meetings where multiple insurers are present. On an annual basis, employees and directors are required to sign acknowledging receipt of the Antitrust Guidelines and complete Antitrust training. NCCI updates its policies and procedures to ensure compliance with antitrust laws and monitors meetings, meeting materials and presentations.

The examiners reviewed documentation related to antitrust compliance training that was completed by all NCCI employees in 2019. Examples of topics covered in the training were the benefits of competition and a thriving marketplace, examples of anti-competitive behavior and the definition of an improper agreement.

The examiners reviewed NCCI’s Board and Committee Antitrust Guidelines which requires NCCI’s Board and Committee members not to direct NCCI to engage in prohibited anti-competitive conduct, have prohibited discussions at NCCI Board or Committee meetings or in connection with NCCI’s business or use NCCI meetings or business to engage in prohibited anti-competitive conduct.

The examiners confirmed that since the last examination, no significant changes have been made to NCCI’s policies and procedures to ensure compliance with antitrust laws. Updates were made in 2019 which focused on consolidating and streamlining the guideline to make the information less technical and easier to understand.

Based on the review of NCCI’s documentation and interviews conducted with NCCI representatives, the examiners determined that NCCI has implemented written policies and procedures to prevent anti-competitive practices in the insurance marketplace, as related to NCCI’s services and communications

to insurers.

Recommendations: None

Standard 2 - The advisory organization uses sound actuarial principles for the development of prospective loss costs.

Results: Pass with recommendations for additional procedures and documentation to be considered for inclusion in NCCI's loss cost or rate filings and for monitoring actuarial projects and activities.

Observations: The actuarial examiners performed a procedural review and testing to address the scope of Standard 2, which included a review of the changes NCCI implemented to its actuarial procedures and the review of a sample of loss cost or rate filings. The list of changes is provided below. The actuarial examiners determined that NCCI's approach appears to be reasonable and in keeping with sound actuarial principles.

Revised Safety Factor

The safety factor is applied to the loss elimination ratio in the deductible credit formula so that the credit is appropriate for the insured population that selects a small deductible. The factor reflects components for credit default, loss of investment income and increased variance. The safety factor increased from 0.90 to 0.95 as a result of NCCI's revision. The impact of this change on overall statewide loss costs is expected to be immaterial. The basis for the assumptions underlying the revised safety factor are well-known actuarial papers and Moody's publications.

Updated Terrorism Voluntary Rate

NCCI worked with extreme events modeling firms to assess the impact of terrorism risk on workers' compensation insurance losses. NCCI periodically updates the terrorism risk charge based on more recent modeling results. In the most recent update, the terrorism loss cost was reduced from \$0.02 to \$0.01 per \$100 of payroll.

Revised Credibility Parameters

As part of the ratemaking process for each state, NCCI assigns credibility to the historical losses in that state. To the extent the experience for any given state is not fully credible, other sources are considered, such as countrywide loss experience. The amount of credibility for each state's experience is based on a formula determined by NCCI. During the examination period, NCCI revised the parameters to the credibility formulas used in the calculation of loss costs. The changes were intended to increase the stability of classification loss costs, particularly for those classifications with low volume. The changes are shown below:

Indicated (State) Pure Premium Credibility Formula

	<u>Previous Filing</u>	<u>Proposed Filing</u>
Basis for credibility	Expected losses	Expected losses
Exponent	0.40	0.50
Full credibility standard:		
- Indemnity	850 x average indemnity severity for lost-time claims	1,700 x average indemnity severity for lost-time claims
- Medical	400 x average medical severity for lost-time claims	800 x average medical severity for lost-time claims

National Pure Premium Credibility Formula

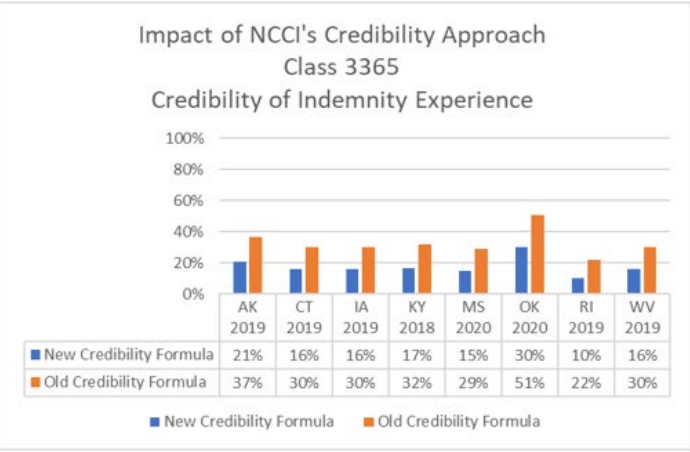
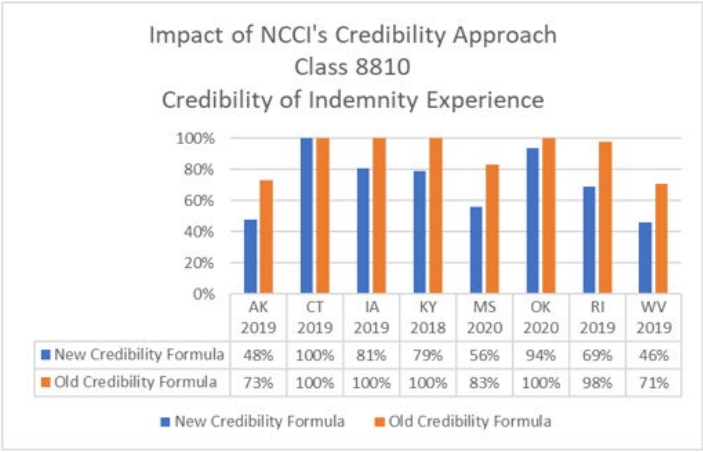
	<u>Previous Filing</u>	<u>Proposed Filing</u>
Basis for credibility	Actual lost-time claims	Actual lost-time claims
Exponent	0.40	0.50
Full credibility standard:		
- Indemnity	1,150 lost-time claims	2,300 lost-time claims
- Medical	1,000 lost-time claims	2,000 lost-time claims
Limitation of National Pure Premium Credibility	0.5 x (1 – state credibility)	0.5 x (1 – state credibility)

By doubling the number of indemnity and medical claims required for full credibility, classifications with low volume will receive less credibility, thereby increasing stability once the change is implemented. NCCI selected the full credibility standards, as well as the exponent used in the credibility formula, based on various tests of experience accumulated over many years at the classification level.

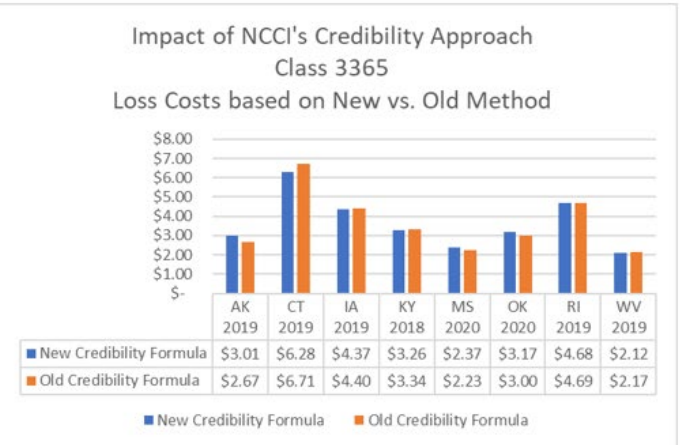
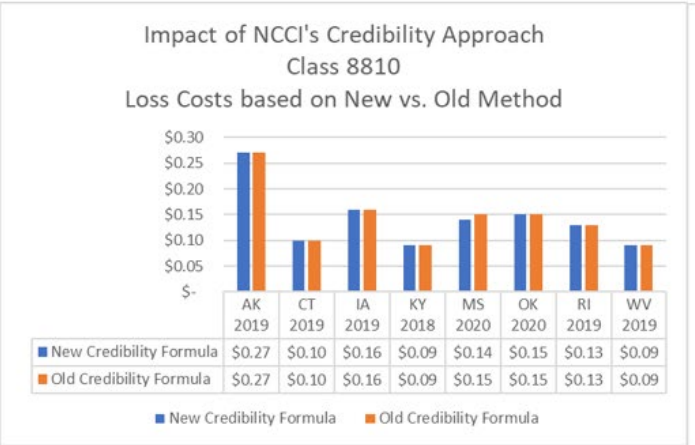
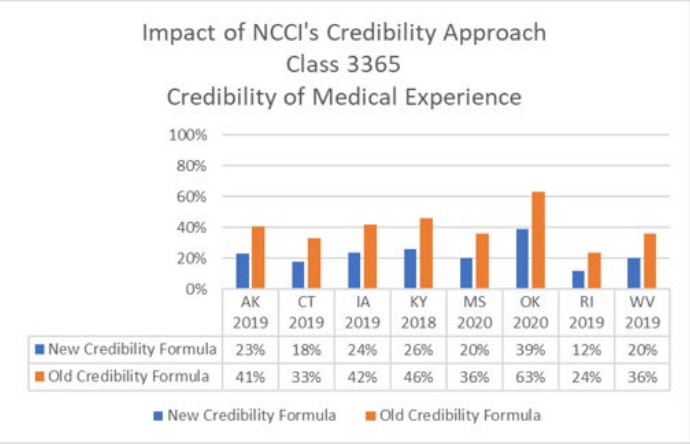
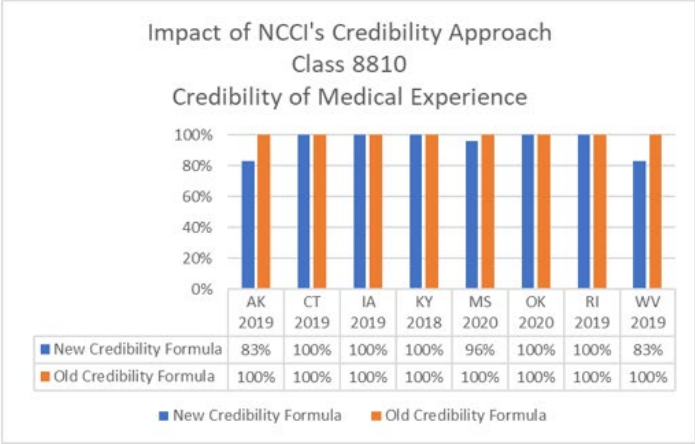
The actuarial examiners reviewed information for two class codes, 8810 (Clerical/Office Workers) and 3365 (Welding or Cutting NOC & Drivers), in eight loss cost filings that reflected this change to better understand its potential impact. The six charts that follow display:

- The credibility assigned to each state’s indemnity experience for class codes 8810 and 3365 under NCCI’s new versus prior credibility approach;
- The credibility assigned to each state’s medical experience for class codes 8810 and 3365 under NCCI’s new versus prior credibility approach; and
- The resulting loss costs for class code 8810 and class code 3365 under NCCI’s new versus prior credibility approach.

Class code 8810 provides an example of the credibility formula change effect on a class with high credibility, whereas class code 3365 shows the impact on a class with much lower credibility.



The actuarial examiners determined that there is less credibility assigned to indemnity experience under the new credibility approach for both class code examples.



As with indemnity, less credibility is assigned to each state's medical experience under the new NCCI approach, though for class code 8810 most states reviewed are at full credibility under both the old and the new approaches. The impact of NCCI's new approach on the credibility assigned to medical loss experience is much more pronounced for class 3365.

The actuarial examiners determined there is very little impact on the loss costs from the change in credibility procedure for class 8810. Some larger impacts were noted and a wider range of results for

class code 3365 including both increases and decreases to loss costs with the new formula.

Based on testing, the actuarial examiners determined that the changes made by NCCI are reasonable and did not result in significant changes to loss costs.

Change In How Maximum or Minimum Indemnity Benefits Are Reflected In Ratemaking

NCCI previously determined an explicit impact to benefit levels resulting from maximum or minimum indemnity benefits. NCCI tested a simplified approach of allowing minimums and maximums to flow through the overall indemnity trend rather than estimating an explicit impact. NCCI determined that this simplified approach did not adversely impact overall rating accuracy and therefore proposed the change.

Defense Cost and Containment Expense (“DCCE”) Revision

Historically, NCCI applied a state-specific relativity to the overall countrywide DCCE provision in order to determine the state-specific DCCE provision for any given state. The revised approach develops DCCE directly at the state level.

Swing Limit

As part of NCCI’s class ratemaking procedure, proposed rates by classification are subject to upper and lower bounds. For classifications with very low loss costs, this can sometimes result in a situation where the loss cost cannot change, as the upper and lower bound are identical. NCCI proposed that such class loss costs have flexibility to move up or down by \$0.01 per \$100 of payroll when the indicated loss cost change for the class is the same directionally as the loss cost change for the industry group to which the class belongs.

Adjusting and Other Expense (“AOE”) Revision

NCCI’s change to AOE is related to insurers that use Third Party Administrators to handle claims. Some insurers report losses without any AOE to NCCI. As a result, NCCI excluded the losses from such insurers when determining an overall AOE provision in relation to loss at the countrywide level.

Assigned Risk to Voluntary Differential

NCCI implemented a change in how it determines the assigned risk differential. The new method compares assigned risk market loss ratios to those based on voluntary market data alone. Previously the differential was based on a comparison of loss ratio experience between the assigned risk market and the overall loss ratio for the state making the revised approach simpler and more intuitive.

Thresholds for Escalating Errors

Since the last examination, NCCI no longer establishes materiality thresholds for escalating errors. Errors with potential impact to experience rating or ratemaking are addressed through a “triage” process. NCCI developed this internal process to identify and address issues that may impact loss costs, rates or experience modifications.

The following issues that may have impacted loss costs, rates or experience modifications were addressed during the examination scope period:

- 2017 – Application of the 2017 Kentucky Law-Only Filing to all outstanding policies;
- 2018 – Calculation of Excess Loss Factors;
- 2018 – Application of loss limitations for Texas claims containing both Employers Liability and Workers’ Compensation payments;
- 2018 – Calculation of assigned risk expenses in the 2018 South Dakota Assigned Risk Rate Filing;
- 2019 – Calculation of the permissible loss ratio in the 2019 Iowa Rate Filing; and

- 2019 – Sampling of policies for NCCI’s Test Audit system.

The 2018 Calculation of Excess Loss Factors involved the incorrect calculation of medical losses. This error affected filings with effective dates between October 1, 2014 and August 1, 2018. NCCI discovered the error in January 2018 and self-reported it to member insurers and state regulators. NCCI submitted filings to correct this error prior to the start of the examination. NCCI did not make the examiners aware of any specific measures that were taken to prevent similar errors from recurring in the future. However, the actuarial examiners found no evidence of a systemic issue with NCCI’s ratemaking process.

Procedures to Introduce New Loss Cost Processes

NCCI’s processes and procedures to determine loss costs are reviewed periodically according to a schedule. Based on these periodic reviews, new processes or procedures may be introduced. NCCI provided a schedule of the last time each procedure was reviewed and updated. The schedule is included as Appendix 1 of this report.

NCCI did not implement any changes to the procedures for the following items during the examination scope period:

Procedures to Monitor Loss Cost Processes

NCCI’s processes and procedures used to determine loss costs are monitored by NCCI’s Internal Audit department. NCCI completes comprehensive audits of the major ratemaking areas every three years. Audits were last completed as follows:

- Aggregate Ratemaking – 2019;
- Excess Loss Factors – 2019; and
- Class Ratemaking – 2020.

Internal Rate of Return (“IRR”) Model

Although NCCI did not implement any changes to its IRR model during the examination scope period, NCCI periodically evaluates the model. The most recent evaluation occurred in May 2018. The changes primarily stemmed from the Tax Cuts and Jobs Act that became effective in January 2018, which resulted in lower corporate tax rates. Those lower tax rates resulted in higher-than-expected after-tax income and lowered the indicated profit provision.

National Pure Premium Calculations and Anomalies

There were no changes to the manner in which National Pure Premiums are calculated nor were there any anomalies discovered in the process for calculating the National Pure Premiums during the examination scope period.

Loss Cost Development Procedures

There were no changes to NCCI’s loss cost development processes and procedures since the last examination.

Procedures to Ensure Loss Costs are Adequate and Complete

NCCI’s loss cost or rate filings are certified by a credentialed actuary who is a member of the American Academy of Actuaries and the Casualty Actuarial Society (“CAS”). NCCI included the following Actuarial Standards of Practice (“ASOP”), the Casualty Actuarial Society Statement of Ratemaking Principles and the Actuarial Code of Conduct with which actuaries must comply:

- ASOP 12 Risk Classification;
- ASOP 13 Trending Procedures in Property and Casualty Insurance;
- ASOP 17 Expert Testimony by Actuaries;
- ASOP 23 Data Quality;
- ASOP 25 Credibility Procedures;
- ASOP 29 Expense Provisions in Property/Casualty Insurance Ratemaking;
- ASOP 30 Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking;
- ASOP 38 Catastrophe Modeling (effective December 1, 2021);
- ASOP 38 Using Models Outside the Actuary’s Area of Expertise (Property and Casualty). This ASOP was replaced by ASOP 38 above, but was in effect during the examination scope period;
- ASOP 39 Treatment of Catastrophe Losses in Property and Casualty Insurance Ratemaking;
- ASOP 41 Actuarial Communications;
- ASOP 56 Modeling;
- CAS Statement of Principles Ratemaking; and
- Code of Professional Conduct.

The actuarial examiners did not observe any breaches of actuarial standards, principles, or code of conduct while reviewing the loss cost filings. The actuarial examiners conducted interviews with NCCI’s actuarial staff to walk through the ratemaking process. The actuarial examiners tested the loss cost filings and reviewed a sample of calculations performed by NCCI. These were used to support the derivation of certain loss costs or rates, to include:

- Loss Development Factors;
- Premium Development Factors;
- Premium On-level Factors;
- Trend Factors;
- Benefit Level Changes;
- Credibility Procedures;
- Loss Adjustment Expenses;
- Classification Relativity Analysis; and
- Use of Models.

The actuarial examiners selected a sample of 50 loss cost filings from a universe of filings provided by NCCI during the examination scope period. The following table identifies the loss cost filing samples selected for testing:

<u>State</u>	<u>Filing Eff Date</u>	<u>State</u>	<u>Filing Eff Date</u>	<u>State</u>	<u>Filing Eff Date</u>	<u>State</u>	<u>Filing Eff Date</u>	<u>State</u>	<u>Filing Eff Date</u>
AK	1/1/2017	FL	12/1/2016	IL	1/1/2020	MS	3/1/2020	OR	1/1/2020
AK	1/1/2019	FL	1/1/2018	IN	1/1/2018	MT	7/1/2019	RI	8/1/2019
AR	7/1/2017	FL	1/1/2019	KS	1/1/2020	MT	7/1/2020	SC	4/1/2018
AZ	1/1/2020	FL	1/1/2020	KY	10/1/2017	NH	1/1/2016	TN	3/1/2020
CO	1/1/2018	FL	1/1/2021	KY	10/1/2018	NH	1/1/2019	UT	12/1/2016
CO	1/1/2020	GA	3/1/2018	LA	5/1/2019	NV	3/1/2018	UT	1/1/2019
CT	1/1/2016	IA	1/1/2019	ME	4/1/2016	NV	3/1/2020	VT	4/1/2016
CT	1/1/2019	ID	1/1/2017	ME	4/1/2020	OK	1/1/2016	VT	4/1/2020
DC	11/1/2018	ID	1/1/2019	MO	1/1/2017	OK	1/1/2020	WV	11/1/2017
FL	1/1/2016	IL	1/1/2017	MO	1/1/2019	OR	1/1/2018	WV	11/1/2019

The actuarial examiners' review of the loss cost filings was conducted at a high level and included checking for the following specific attributes:

- Premiums and losses were adjusted to currently approved loss cost and benefit levels;
- Premiums and losses were developed to an estimated ultimate value;
- Trend factor analysis was included in the filing;
- If needed, loss-based expenses, profit and other non-loss-based expenses were analyzed; and
- The credentialed NCCI actuary responsible for the filing was identified.

The actuarial examiners selected ten of the 50 reviewed filings for a more comprehensive evaluation. The ten filings evaluated were:

- AK 1/1/2019;
- CT 1/1/2019;
- FL 1/1/2018;
- IA 1/1/2019;
- KY 10/1/2018;
- MS 3/1/2020;
- NV 3/1/2018;
- OK 1/1/2020;
- RI 8/1/2019; and
- WV 11/1/2019.

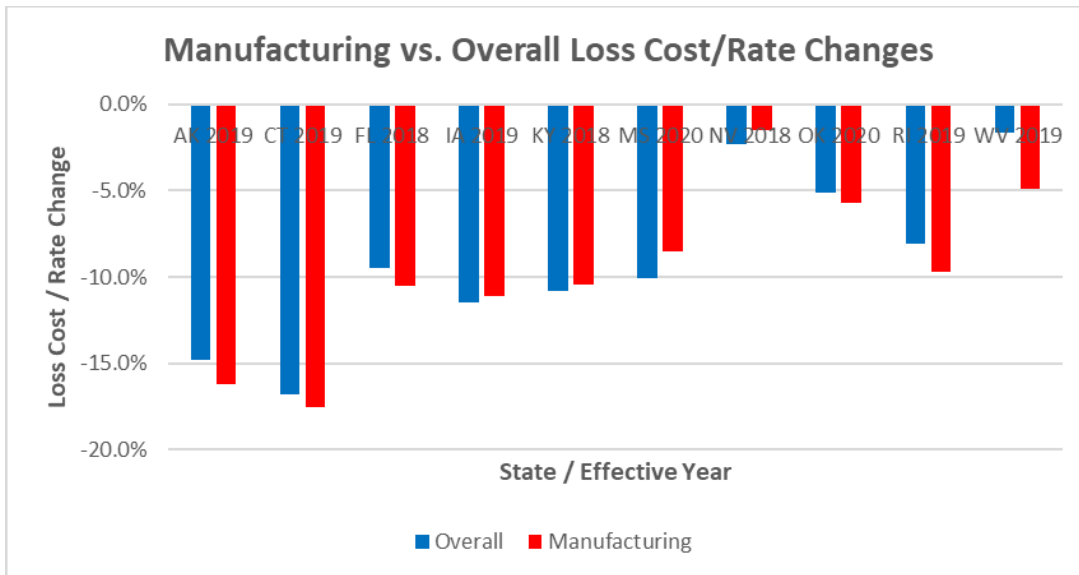
The actuarial examiners reviewed these ten filings for the following attributes:

- Overall change by industry group as defined by NCCI;
 - Manufacturers;
 - Contractors;
 - Office & Clerical;
 - Goods & Services; and
 - Miscellaneous.
- Key actuarial assumptions underlying loss cost or rate change; and
- Key expense assumptions underlying rate change.

The actuarial examiners' review of each of the attributes is discussed below:

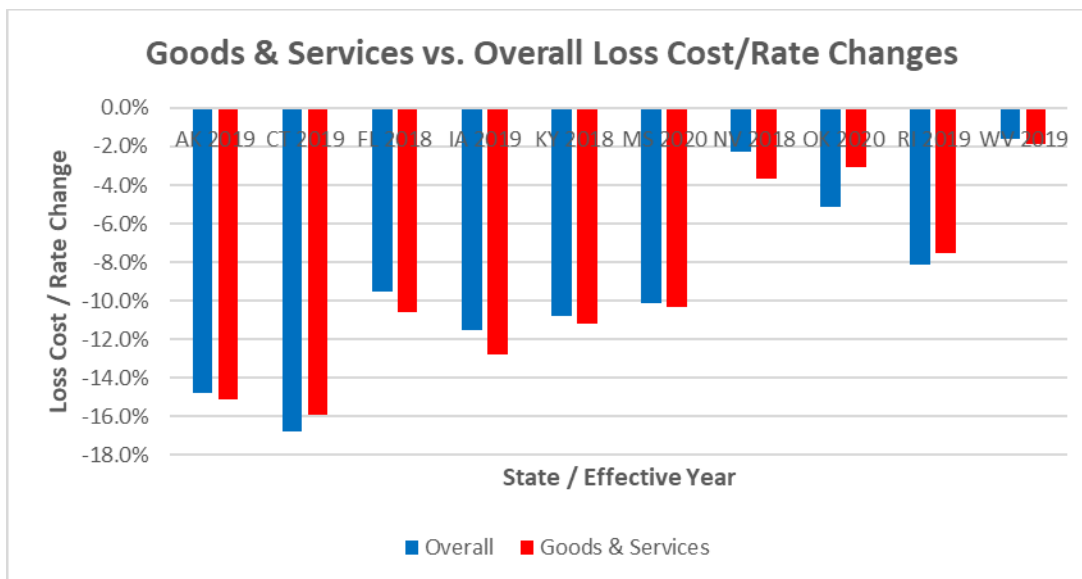
Overall Loss Cost or Rate Change and Change by Industry Group

The chart below illustrates the overall change in the state along with the change in the manufacturing group.



There is a range of overall loss cost or rate changes. Of the ten filings reviewed, all ten represent rate decreases. In six of ten filings, the changes for manufacturers are less than the overall change in the state (with the exception of Kentucky 2018, Nevada 2018, Iowa 2019, and Mississippi 2020).

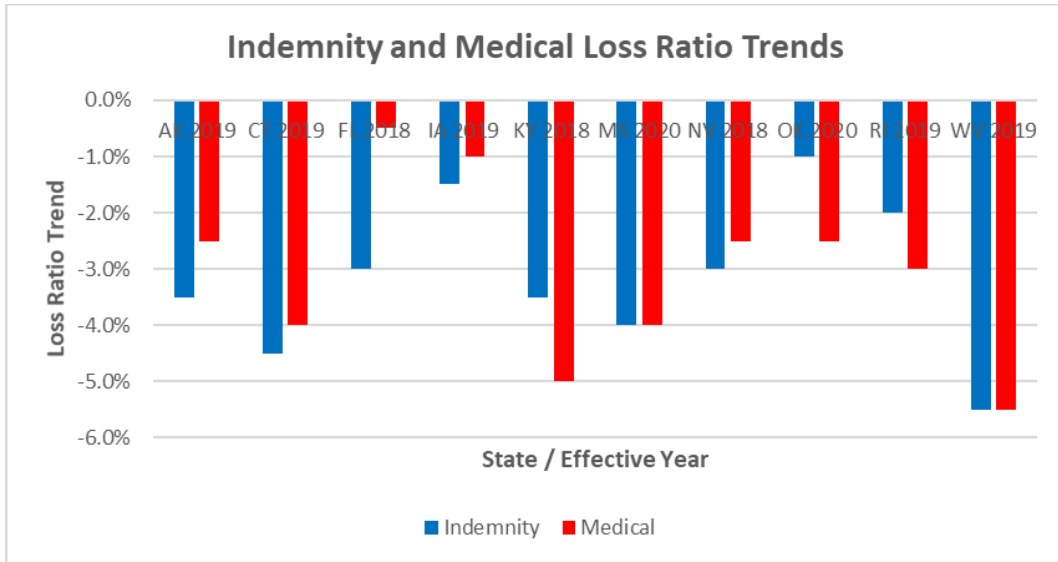
The chart below illustrates the overall change in the state along with the change in the Goods & Services group.



Seven of the ten states have a lower change for the Goods & Services group as compared to the overall change for the state. Only Connecticut 2019, Rhode Island 2019 and Oklahoma 2020 have higher changes for Goods & Services.

Key Assumptions Underlying Loss Cost or Rate Change

One of the most important assumptions underlying the loss cost or rate change is the trend in indemnity and medical costs. The chart below illustrates NCCI’s trend assumptions in the filings reviewed (excluding Montana 2013, which did not include trend assumptions):

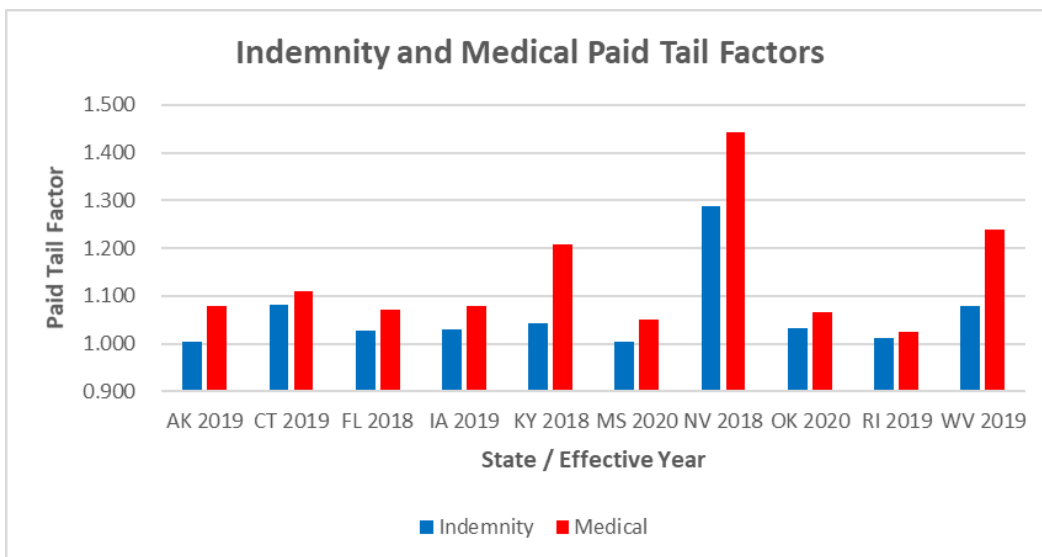


The medical trend is higher than indemnity trend in seven of the ten filings (except Kentucky 2018, Rhode Island 2019 and Oklahoma 2020). The key driver of the negative trend for both indemnity and medical is a decrease in frequency that has persisted for several years and across these and other states. Medical inflation, which affects severity trend, while still positive, has decreased from NCCI's prior examination to the point that it is no longer outpacing wage inflation, the key driver of indemnity severity trend.

Trend assumptions are contained within a relatively narrow band with indemnity trend varying between -5.5% and -1.0% and medical trend varying between -5.5% and -0.5%. Because trend has a significant impact on the indications, a relative consistency is seen in trend factors as a positive aspect of NCCI's filings and an indication that the workers' compensation system is functioning smoothly.

Loss Development Tail Factors

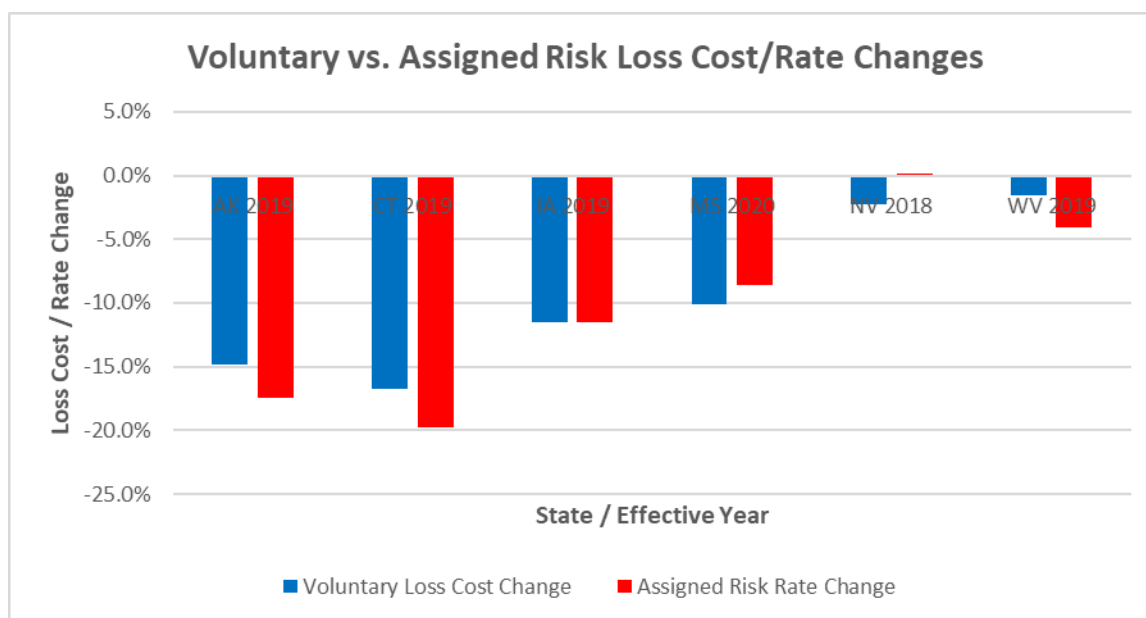
Because workers' compensation is a very long tail line, loss development factors are necessary even for periods beyond which data is shown. Tail factors are an important element of the actuarial analysis for workers' compensation. The chart below illustrates NCCI's tail factor selections for paid indemnity and medical losses after nineteen years (except Nevada 2018 at 13 years and West Virginia 2019 at 10 years).



Medical paid tail factors are larger than indemnity because medical losses tend to pay over a longer period than indemnity. Medical costs paid in the tail years can easily be higher than indemnity payments during this timeframe. The chart reflects the wide range of medical paid tail factors ranging from 1.025 to 1.208 for states with the tail factors attaching at 19 years. Larger tail factors are associated with greater uncertainty in ultimate costs to the workers' compensation system. The disparity in medical paid tail factors across the filings reviewed is an indication that some states may have more effective measures for controlling medical costs than others. The higher tail factors for Nevada and West Virginia reflect the earlier maturity associated with the tail factors for those two states as noted above.

Voluntary Loss Cost Changes versus Assigned Risk Rate Changes

The chart below illustrates the voluntary loss cost changes versus the assigned risk rate changes.



The chart reflects the voluntary loss cost changes versus the assigned risk rate changes where provided. The actuarial examiners observed that the assigned risk rate change is similar to the voluntary loss cost change for all six states and determined this as a positive result as large differences between the two would be a potential sign of instability.

Based on the review and testing of the sample of NCCI's loss cost/rate filings, the actuarial examiners determined that NCCI uses sound actuarial principles for the development of prospective loss costs.

Recommendations: *NCCI should improve its procedures by implementing the following recommendations:*

- *NCCI relies solely on paid and reported loss development methods to estimate the ultimate losses loss cost or rate filings. NCCI should include additional actuarial methods containing an exposure element, such as the paid and reported Bornhuetter-Ferguson methods, which could result in a more robust analysis;*
- *NCCI should document within the loss cost or rate filing how the trend is selected from the various results similar to the process used in the Technical Peer Review. NCCI should include indicated trend factors for several different time periods (6 years, 8 years, etc.) and goodness of fit statistics for each of the following items: Medical Loss Ratios; Indemnity Loss Ratios; Medical Severity; Indemnity Severity; and Frequency using lost time claim counts; and*

- *NCCI should produce monthly or quarterly management reports to monitor the status of actuarial-related projects.*

Standard 4 - Experience rating factors are developed in a correct and timely manner.

Results: Pass

Observations: The actuarial examiners requested and reviewed a copy of NCCI's current policies and procedures for the development of experience rating modification factors and a summary of methodology changes since the last examination, including:

- Performance of the system that generates experience modifications;
- The primary or excess split point increase and annual indexing;
- Revisions to the maximum debit experience modification calculations; and
- Item filings made to index experience rating eligibility thresholds.

Procedures to Develop Experience Rating Factors

NCCI provided copies of the Experience Rating Manual and Experience Rating User's Guide and submitted a list of filing changes impacting experience rating (included as Appendix 2 of this report) as well as the following items for review:

- December 2020 status report showing year end performance of the experience rating system as compared to goals;
- List of premium eligibility amounts by state; and
- List of primary or excess split points by state as of 9/20/2021.

The actuarial examiners determined these changes appear reasonable and correctly developed. NCCI has not changed its procedures with respect to the timing of determining experience rating factors since the prior examination. The actuarial examiners determined that NCCI correctly developed the experience rating factors in a timely manner.

Procedures to Develop Retrospective Rating Factors

NCCI introduced a new methodology to calculate the insurance charge component of the basic premium factor. NCCI's prior table of insurance charges used to rate retrospective policies contained the excess ratios needed to quantify the insurance charge and was a countrywide table of values. The revised methodology is an online application that uses policyholder data to determine the insurance charge based on state and hazard group loss distributions.

The actuarial examiners determined that these changes appear to be reasonable and correctly developed. NCCI has not changed its procedures with respect to the timing of retrospective rating factors since the prior examination. The actuarial examiners determined that retrospective rating factors are developed in a correct and timely manner.

Recommendations: None

Standard 5 - The advisory organization performs thorough and meaningful inspections and research when required for individual insured rating classification.

Results: Pass

Observations: The actuarial examiners reviewed the changes NCCI implemented to its Classification Inspection Program. Changes to the Selection Guidelines and Controls included the following:

- The premium threshold was adjusted from a flat \$5,000 to the average experience rating eligibility; and
- Interstate and non-rated policies that meet the average experience rating eligibility threshold by state were included.

Inspection Selection Process

NCCI's Classification Inspection Program is intended to monitor the accurate and consistent application of the classification system and maintain its overall integrity. NCCI conducts inspections of policyholder operations to verify that the classification codes used for policyholder premium determination are consistent with the policyholder's business operation. These periodic inspections are referred to as Classification Quality Assurance inspections. Inspectors review the policyholder's business, documents the type of work conducted and reviews the types of employees performing the work. If a change is recommended, a review of the inspector's recommendation is performed, and the final inspection report is issued. NCCI introduced a virtual inspection process during the examination scope period due to COVID-19. This was an important change given the challenges of in-person activity during the pandemic. Virtual inspections included video teleconferences and, in some cases, receiving photos from the insured.

Changes to the Selection Guidelines and Controls included the following:

- Adjusted the premium threshold from a flat \$5,000 to the average experience rating eligibility; and
- Included interstate and non-rated policies that meet the average experience rating eligibility threshold by state.

The examiners concluded that NCCI performs thorough and meaningful inspections and research when required for individual insured rating classifications.

Recommendations: *In the absence of similar COVID-19 pandemic conditions, NCCI should not rely on virtual inspections and should revert to physical inspections or audits when required by statute.*

Standard 6 - The advisory organization develops sound, understandable and appropriate risk classifications.

Results: Pass

Observations: NCCI maintains both a Basic Manual and a Scopes Manual of all rating classifications. The Basic Manual includes rules related to classification assignments and the basis of premium calculations, rating definitions and assigned risk rules. The Scopes Manual is organized by industry and is set up to assist with understanding and assigning proper rating classifications. It also includes a helpful example for selecting the correct rating classification. The Basic Manual is the official source for classification assignments and takes precedence over the Scopes Manual if a conflict exists between the two.

Risk Classifications Determination

NCCI reviews hazard group assignments every ten years. The most recent update was filed in September 2020. The assignments depend on a class's propensity for large losses relative to all losses or its excess ratios. The evaluation of hazard groups consists of two major parts.

- Estimating excess ratios by class; and
- Grouping classes with similar excess ratios into hazard groups.

As a result of the 2020 update, just under 50% of all classes reflected a change in its hazard group designation. The examiners determined that most of the classes that changed moved up or down by only one hazard group. The dollar impact of the changes on individual employer premiums was expected to be small.

The actuarial examiners determined the changes appear reasonable.

Recommendations: None

Standard 8 - The advisory organization conducts ongoing research and review of state insurance laws and insurance-related case law in order to be responsive to necessary changes in prospective loss costs, policy forms, endorsements, factors, classifications or manuals, as applicable.

Results: Overall pass with recommended process improvement.

Observations: NCCI monitors state insurance laws, regulations and newly passed legislation through direct communications with state regulatory staff and tracks the relevant legislative activities of each state. State monitoring is managed by NCCI's Regulatory Division. NCCI's legal counsel monitors relevant case law and assists with reviewing and tracking workers' compensation legislation. Changes to state laws and rules or regulations may trigger needed changes to NCCI's manuals that, where required, are filed with individual state insurance departments for review and approval. Changes to state laws or rules and regulations are also reviewed for any potential cost impacts to the workers' compensation system that may affect filed and approved loss costs or rates. In 2018, NCCI implemented a rate filing matrix process of applicable rate filing laws to ensure loss cost or rate filings comply with state laws in NCCI jurisdictions. The rate filing matrix documents the specific requirements for each NCCI state. The rate filing matrix is reviewed at least annually and updated as needed prior to every rate or loss cost filing. In 2021, NCCI completed a review of its processes for capture and assessment of law changes that may impact the workers' compensation infrastructure that NCCI helps to maintain.

NCCI provided a more detailed summary of the rate filing matrix process implemented in 2018 and a flow chart that documents how the laws are captured and assessed and what actions are taken. The matrix is made available to state insurance regulators through the NAIC's System for Electronic Rates and Forms Filing ("SERFF") database and to insurers via filing circulars on NCCI's website.

The market conduct examiners reviewed NCCI's overview related to the research and review of insurance laws, insurance-related case law and examples of NCCI's research and reporting including COVID-19 regulatory and legislative activity by state. The market conduct examiners determined that NCCI does not maintain formalized, standard written policies and procedures related to the research and review of insurance laws and insurance-related case law. NCCI provided a process flow chart and two additional charts demonstrating how cases are captured and tracked along with a State Relations Executive radar screen. NCCI also provided a summary of the overall process.

Recommendations: Although NCCI does have a process to conduct ongoing research and review of state insurance laws, NCCI should draft written policies and procedures related to the research and review of insurance laws and insurance-related case law.

Standard 10 - When performing analysis and impact studies of proposed legislation, the advisory organization presents thorough and objective information.

Results: Overall pass with recommended process improvement.

Observations: The market conduct examiners reviewed three impact studies that NCCI provided to OIR or the Florida Legislature between 2016 and 2020 and determined the impact studies appeared to be thorough and objective.

The market conduct examiners reviewed NCCI's legislative analysis process. NCCI's Law Evaluation and Pricing ("LEAP") team reviews documents contained in LEAPZone which assists with guiding legislative proposal discussions at NCCI's weekly meetings. The LEAP State Team performs a legislative analysis and the Pricing Team Lead conducts a quality review followed by a peer review by at least one mentor or peer reviewer. NCCI requires at least two signoffs from the State Relations Executive, State Actuary, LEAP Level 2 Reviewer, Legislative Focus Lead or Team Lead involved in the analysis. The LEAP pricing team then completes the necessary pricing documentation.

The market conduct examiners reviewed "NCCI's remarks on Florida SB 1458" and "NCCI's Remarks on Florida SB 820" which were filed on February 19, 2021 and January 26, 2021, respectively. The examiners noted that both documents contain a disclaimer stating, "This is not an NCCI actuarial analysis. If NCCI determines an actuarial analysis is warranted, NCCI will conduct such an analysis and distribute under separate cover." The examiners requested NCCI's policies and procedures that determine when an actuarial analysis is warranted after reviewing legislative impact studies. NCCI stated that a request for an actuarial analysis is generally initiated if the legislative proposal affects the amount or type of workers' compensation benefits payable or materially impacts Loss Adjustment Expenses or other expenses in a rate state and there is a reasonable chance of passage or it is specifically requested by a regulator or legislator. The examiners determined that NCCI does not have formalized, standard written policies and procedures related to when an actuarial analysis is warranted after reviewing legislative impact studies. NCCI's decision as to whether an actuarial analysis is warranted is subject to judgement and NCCI maintains high-level guidelines when making such decisions. Due to the amount of judgement involved, no additional policies or procedures exist relative to whether an actuarial analysis of proposed or enacted legislation is warranted.

The market conduct examiners reviewed NCCI's COVID-19-related legislative impact studies and analyses performed during the examination scope period. The examiners identified examples of when NCCI was able to quantify the impact of COVID-19 (e.g. Alaska) and when a precise estimate could not be determined (e.g., Connecticut).

Recommendations: NCCI should draft written policies and procedures related to when an actuarial analysis is warranted after reviewing legislative impact studies.

Standard 12 - The advisory organization has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Results: Overall pass with recommended process improvement.

Observations: The IT examiners confirmed through the interview process that NCCI had not made changes to their controls from the prior examination and it appears that their computer and communication facilities (computer room, network operations center, wiring closets, etc.) remain secure and protected from hazards.

Access to NCCI's computer and communication facilities is restricted to only authorized personnel. NCCI utilizes firewall technology to protect the internal network from unauthorized external access and scans inbound messages and files for malicious content. NCCI encrypts sensitive data files when transmitting data outside the physical premises. Based on the sensitivity of the information and certain requirements, access to NCCI's network and computer systems is protected with layered security measures including unique user IDs and complex passwords. Computer programs, databases and files impacted by user change requests are properly monitored, modified, tested and migrated to secure production libraries. Changes to the application portfolio are authorized, controlled and documented by NCCI.

NCCI ensures the completeness and accuracy of data by implementing controls over the movement of new application components to the production environment. The IT examiners determined NCCI's physical access controls and environmental controls appear to be adequately designed.

The IT examiners reviewed screenshots of NCCI's automated solution for scanning email attachments and determined that NCCI appears to be properly scanning all incoming email for malicious content.

To examine NCCI's process for transmitting secure information across the network, the IT examiners reviewed a screenshot of NCCI's use of encryption for file submissions and email transfers. File submissions from insurers are submitted through a Data Transfer via the Internet tool. NCCI does not receive submissions through email. NCCI provided screenshots that demonstrated the security regarding the transfers including certificate information for the Secure File Transfer Protocol site, Hypertext Transfer Protocol Secure information and encryption information. The IT examiners determined that NCCI appears to have the proper protocols in place to protect the integrity of information transmitted across the Internet.

NCCI enforces passwords with an application that creates, removes or modifies user accounts across all applications and allows for password synchronization across NCCI's platforms. NCCI does not set a password policy in the active directory. The IT examiners determined that not all of NCCI's applications are managed using the password application. The IT examiners requested additional details regarding

NCCI's IT password processes and NCCI provided a copy of the Information Security Policy. The IT examiners determined that all electronic resources that store NCCI's information or that are permanently or intermittently connected to NCCI's internal computer networks must have a password-based access control system approved by NCCI's Enterprise Information Systems group. To appropriately secure access to NCCI's electronic resources, users must follow the acceptable password management protocols. The IT examiners reviewed NCCI's password policy and account lock out policy and determined it was reasonable.

NCCI utilizes an account management platform to manage user access. The information and supporting documentation reviewed by the IT examiner indicates that NCCI has certain planned exceptions that are managed outside of the account management system. NCCI should periodically review and document the review of these access exceptions.

The IT examiners reviewed NCCI's change management controls and leveraged the work of NCCI's Internal Auditor related to the following control areas:

- Change management policies and procedures;
- Change initiation;
- Change testing;
- End-user documentation;
- Emergency changes;
- Change management system security; and
- General controls including: segregation of duties, access controls and business continuity.

The IT examiners also reviewed the Internal Auditor's work related to System Development Life Cycle to include:

- Project Management Office methodology and governance;
- Change initiation and testing;
- End-user documentation;
- Emergency changes;
- Project implementation and review; and
- Confirming that findings from the prior audit were resolved.

The IT examiners determined:

- The controls around changes to the application portfolio are authorized, controlled and documented; and
- The controls for computer programs, databases or files impacted by user change requests are properly monitored, modified, tested and migrated to the secure production libraries and are adequately designed.

Recommendations: On a periodic basis and based on the risks of the systems, NCCI should document its review of access exceptions that are performed outside of the account management system.

Standard 13 - The advisory organization has a valid disaster recovery plan.

Results: Pass

Observations: The IT examiners confirmed that NCCI's critical business applications, databases and files are regularly backed up and stored off-site. Additionally, the IT examiners reviewed NCCI's disaster recovery plan and procedures to confirm the following:

- Recovery procedures are current, detailed and repeatable;
- The inventory of critical business applications, databases and files is current and is defined and prioritized in the recovery process; and
- Critical business areas developed manual recovery testing (off-site retrieval through restoration of a fully operational computing environment) on a regular basis.

The IT examiners reviewed copies of the Internal Auditor's work papers, NCCI's Business Continuity Plan, Disaster Recovery Plan Audit from 2020 and Disaster Recovery Plan test documentation. The backup processes were reviewed for appropriate frequency, retentions and failure management of the UNIX and Windows environments. The audit included an evaluation of the adequacy and effectiveness of internal controls in place to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant effect on operations and reports. Additionally, the following processes and IT components were included:

- Disaster Recovery Plan testing;
- IT infrastructure and configuration; and
- Application backup.

The IT examiners determined that the data received by NCCI is replicated to the Disaster Recovery site on a near real-time basis. Screenshots provided to the IT examiners demonstrated the continuous replication of the production data to the Disaster Recovery site and also provided evidence of instances in which the data is consistent and up to date. NCCI schedules the replication frequency based on the criticality of the data with the most critical data replicated on a near real-time basis. The replication schedule is configured through the console and replication operates 24 hours a day. NCCI indicated that the only time an interruption in the replication connection occurs is when Disaster Recovery testing is conducted twice a year, and that the schedule is reactivated through the console when testing is complete.

The replication activity is written to a journal log as a tracking mechanism and to help with troubleshooting issues should they arise. NCCI provided a screenshot of the log reflecting the results of the replication activity.

The IT examiners determined that NCCI appears to appropriately protect the integrity of its data by routinely backing it up and replicating it off-site.

NCCI's Disaster Recovery Plan defines the rules and processes required to ensure that critical business functions can resume or continue normal processing within timeframes specified in the Business Continuity Plan. The plans are well documented and describe the steps NCCI would take when it cannot operate normally because of a natural or man-made disaster. The Business Continuity Plan is properly based on a Business Impact Analysis that classifies the functions as Immediate, Critical, Essential and Deferred and defines the associated recovery timeframes.

The IT examiners reviewed the Internal Auditor's workpapers and determined they adequately address testing.

The IT examiners determined that NCCI appears to be properly testing the Disaster Recovery Plan and Business Continuity Plan and addressing issues discovered during the testing.

The Business Continuity Plan and Disaster Recovery Plan extend the use of NCCI's IT Emergency Team to ensure adequate coverage in the event of a hurricane or similar natural disaster. NCCI's IT has implemented guidelines which address the availability of senior management during such events. The Business Continuity Plan and Disaster Recovery Plan outline the roles of the Emergency Team Leader and senior staff as well as the individuals assigned to these roles during an emergency. Section six of the Disaster Recovery Plan specifically addresses the Declaration Procedures that identify the persons who are authorized to declare an emergency and the general process they should follow.

The Business Continuity Plan and Disaster Recovery Plan also identify all key business functions and a list of programs. A contact person and alternate are identified for each function. The information also includes vendors relied upon and the recovery time option of manual, critical, or deferred. The plans identify the contact person in each department for manual processes used.

NCCI provided screenshot evidence of the Off-site Disaster Recovery directory where the Disaster Recovery policy and procedures documents are stored and maintained.

The IT examiners determined that NCCI has a valid and effective Disaster Recovery Plan in place.

Recommendations: None

Standard 14 - The advisory organization is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the advisory organization.

Results: Pass

Observations: The market conduct examiners reviewed a listing of entities that contractually assumed a business function on behalf of NCCI during the examination scope period. The entities identified were:

- IBM BCRS Location - for disaster recovery;
- Western Inspection Services, Etc., LLC; and
- Local regulatory counsel.

The market conduct examiners reviewed the requirements that NCCI's employees must follow when seeking to engage external consultants and professional services. Most notably, all proposed contracts or agreements for external service providers must be reviewed and approved by NCCI's Legal Department and all contracts must be signed by an Executive Team member.

The market conduct examiners reviewed copies of the contracts used to formalize the agreements between NCCI and each entity that assumed a business function. No issues were noted.

The market conduct examiners reviewed information related to Wilkinson Insurance Services, Inc., who provided regulatory services for NCCI during the examination scope period. NCCI no longer contracts

with Wilkinson Insurance Services, Inc. because they did not work in the states where current inspection volume was needed. Because the volume of inspections being completed was so low, NCCI determined it was more efficient to conduct the inspections using internal staff or another vendor, Western Inspection Services. No other third-party contractors were terminated during the examination scope period.

Recommendations: None

Standard 18 - The advisory organization has developed and implemented written policies, standards and procedures for the management of insurance information.

Results: Pass

Observations: The market conduct examiners reviewed the following list of NCCI's policies and procedures related to the management of insurance information:

- Information Handling Guideline - provides guidance on end-user handling of information classified as part of the Information Classification Program;
- Code of Business Conduct – Practices - contains a section titled, *Maintaining the Integrity and Security of NCCI Information*;
- Securing Electronic Resources;
- Use of Electronic Resources and Legal Protection of Confidential and Proprietary Information; and
- Acceptable Use Policy and Employee Handbook.

NCCI completed online employee training on the Information Security & Classification Program in 2017 and online employee training on Security Essentials in 2020.

No issues were noted by the market conduct examiners.

Recommendations: None

SECTION 2: STATISTICAL PLANS

Standard 1 - The statistical agent has filed its statistical plans in accordance with applicable statutes, rules and regulations.

Results: Overall pass with recommended process improvement.

Observations: The market conduct examiners reviewed NCCI's contract with OIR to determine NCCI's compliance with and adherence to the agreement. As part of the interview with NCCI's personnel, NCCI stated that statistical plans are filed in every NCCI state. NCCI does not publish statistics until they receive approval from the state. State statutes and regulations are monitored closely by NCCI to ensure that all changes are identified, and the plans are updated. State exceptions are included in the manual if a state does not approve of the change.

The market conduct examiners reviewed the annual and biannual reports which NCCI is required to

timely submit to OIR. NCCI was unable to provide documentation to support that the annual or biannual reports were submitted or uploaded to OIR by the required due dates.

Recommendations: NCCI should establish a process to track deliverables to OIR and participating states to include the name of the report or deliverable, the name of the sender, the name of the recipient and the date submitted.

Standard 2 - The statistical plans are reviewed and updated in accordance with applicable statutes, rules and regulations.

Results: Pass

Observations: The market conduct examiners reviewed NCCI's contract with OIR to determine NCCI's compliance with and adherence to the agreement. NCCI's procedures for the inspection selection process and conducting classification inspections describe the requirements associated with performing inspections. The procedure applies to all types of inspections to include Classification Quality Assurance and Selected Inspections and Special Inspections and the method or types of inspections (virtual or physical). NCCI maintains the inspection reports and documents within the ROIS application and in accordance with the established corporate retention guidelines. The purpose of the Classification Quality Assurance and Selected Inspection Program is to ensure that each inspected business is classified in accordance with the applicable rules. The program assists with developing classification information necessary to monitor, maintain and improve NCCI's classification system. Special Inspections are classification inspections requested by an employer, agent, insurers, insurance regulator, NCCI or other stakeholder. Special Inspections are typically requested to resolve classification disputes or to verify the accuracy of the assigned classification codes.

The market conduct examiners reviewed the changes to these processes since the prior examination. The changes:

- Included virtual inspections and removed wording related to onsite or physical inspections;
- Increased the timeframe to check for duplicate inspections from 2 years to 4 years;
- Updated the Timeliness Metrics and Benchmarks to reflect the current standards;
- Updated Notification to Employer's Insurer to include all states; and
- Added an Uncooperative Employer process for policy selections when a classification error may have occurred, and the inspector is having difficulty scheduling the inspection.

Recommendations: Virtual inspections were implemented due to COVID-19, which included video teleconferences and, in some cases, receiving photos from the insured. In the absence of similar COVID-19 pandemic conditions, NCCI should not rely on virtual inspections and should revert to physical inspections or audits when required by statute.

Standard 3 - The statistical agent verifies that companies submit data in accordance with the appropriate statistical plan.

Results: Pass

Observations: NCCI utilizes the following analyses to verify that companies submit data in accordance with the appropriate statistical plan:

Designated Statistical Reporting Analysis

The Designated Statistical Reporting (“DSR”) Analysis provides a comparison between Policy Year Call and Unit Statistical premium data. To determine the DSR Level Premium, NCCI extends exposures to essentially re-rates policies using the NCCI-approved loss costs or rates instead of individual company rates for individual class codes. The DSR Analysis looks at the derived premium amounts between the two sources and the average deviation between the Company Standard and the DSR Level Premiums.

The DSR Analysis can be generated throughout the year with a focus on the peak loss cost or rate season as NCCI prepares the various loss cost or rate filings. The analysis will exclude certain experience from the Unit Statistical data to mirror the reporting requirements for the Financial Call data. The Financial Call Reporting Guidebook outlines specific experience that should be included and excluded for Financial Call reporting.

If discrepancies exist, NCCI will follow up with the data provider outlining the analysis and specific items for the data provider to investigate. A separate policy list of Unit Statistical data that was used to create the Unit Statistical side of the comparison will be sent to the data provider’s Financial Call data contact. This policy list can be used to aid in the research of discrepancies.

When resolving the DSR Analysis, data providers may apply general considerations and the following actions can be taken to research discrepancies:

- Verify that the Active Deviation History in the Financial Data Collection tool is accurate and up to date, and if any changes are needed, work directly with the insurer’s NCCI financial data analyst;
- Verify that filed and approved insurer filings have been accurately taken into consideration when reporting data;
- Verify that the insurer’s book of business is accurately reflected when calculating the overall average loss costs or rate departure from the DSR Level Premium; and
- Verify that premium components are accurately taken into account when calculating Financial Call DSR Level Premium.

Large Loss Reviews

Large Loss Reviews compare loss data reported on the Large Loss and Catastrophe Financial Call to Unit Statistical data for claims with total incurred amounts of \$500,000 and greater and claims with an Extraordinary Loss Event catastrophe number. The purpose of these reviews is to verify completeness of claim reporting and that the loss amounts are consistent based on the valuation period. If discrepancies exist, an NCCI analyst will follow up with the insurer for corrections or explanations and will work with the insurer for resolution by a specific timeframe.

Financial-Statistical (“Fin-Stat”) Procedures

The IT examiners performed a walkthrough of the Fin-Stat process and noted that NCCI implemented a process which identifies discrepancies for all data providers that report financial calls and unit statistical data. These results are used to determine which insurers will be selected for more detailed analysis. NCCI expanded the Financial Call to Unit Statistical comparisons to include analysis between filing cycles after unit statistical data has been received for an entire policy year, as the means to provide support to insurers ahead of the next reporting cycle.

The IT examiners obtained a listing of financial reconciliation reports from NCCI for 2019 and 2020 which were separated into three categories:

- Designated Statistical Reporting – 34 reports;
- Financial Call to Unit Statistical Comparison – 129 reports; and
- Large Loss Review – 107 reports.

A sample of five reports of each type and the associated documentation was judgmentally selected for review by the IT examiners. The IT examiners determined that the financial-statistical analysis is a comparison between an insurer's financial and unit statistical information with the primary goal of evaluating the consistency of data reporting between the two sources. The IT examiners noted a difference in the timing of the reporting and valuation for the financial and unit data, however, adjustments were made to eliminate the issue as much as possible. The IT examiners determined that the issues identified in the Fin-Stat analysis were resolved by either sufficient explanations for the discrepancy or updated information.

Recommendations: None

SECTION 3: DATA COLLECTION AND HANDLING

Standard 4 - Determine that statistical data is reconciled to the State Page - Exhibit of Premiums and Losses, Statutory Page 14, of the NAIC annual statement on an annual basis.

Results: Pass

Observations: The Reconciliation Report reconciles data that NCCI uses for ratemaking with data reported on page 14 of an insurer's annual statement. The reconciliation of statistical data to NAIC data is performed annually. Insurers are required to resolve differences via corrective activity or explanations accepted by NCCI.

The IT examiners compared the expected number of data calls with the number of calls received and confirmed that the numbers matched. The IT examiners obtained the number of times each edit was executed during 2020 and noted that four edits were executed a total of 102 times. From a population of 7,367, the number of edits is statistically insignificant. The IT examiners determined that NCCI performs a comparison of the NCCI data to the data filed with the NAIC.

Recommendations: None

Standard 6 - Where applicable, determine that the statistical agent employs use of data completeness tests as outlined in the Statistical Handbook of Data Available to Insurance Regulators.

Results: Pass

Observations:

Background - Statistical Handbook

Property and casualty insurers are required by certain insurance laws to prepare extensive statistical and financial reports for state insurance departments to meet regulatory responsibilities. The NAIC's *Statistical Handbook*, dated 2012, addresses the collection, compilation and reporting of statistical information.

The *Statistical Handbook* provides two intertwined sets of requirements – one for insurers and one for statistical agents. The purpose of these requirements is to provide assurance that reports from statistical agents are accurate as representations of the insurance written and the losses incurred by insurers. Statistical agents are required to edit and verify the data received from insurers and insurers are required to respond to the queries presented by statistical agents. The reporting requirements contained in the *Statistical Handbook* reflect the minimum statistical compilation and report formats recommended by the NAIC's Statistical Information (C) Task Force. The scope is limited to the statistical data available from statistical agents serving the primary property and casualty insurance industry including workers' compensation.

Data Collection

NCCI's data quality approach begins with the recommended Data Quality best practices workflow which is intended to improve the overall timeliness and quality of data reported. NCCI's Unit Statistical editing and validation information, edits and procedures are provided in the Unit Statistical Reporting Guidebook. In addition, NCCI provides a Data Reports Guide that is accessible on the Data Reporting page on the company's website.

Editing Process

The editing process is a series of front-end quality checks performed by NCCI that verifies the validity, accuracy and completeness of the data submitted by data providers. Editing is critical to ensuring that the data submitted is consistent with reporting requirements and meets quality standards. NCCI performs the editing process for all states in which Unit Statistical data is reported, including NCCI jurisdiction states, independent bureau states, and monopolistic fund states. Each edit is classified into one of the following:

- Field - Determine if the value in each field is acceptable according to submission guidelines;
- Range - Determine if the field value is within a particular numeric range;
- Logical - Verify that the data is reasonable in relation to one or more other fields on the unit report;
- Relational - Compare the data in a specific field with another field contained in the same submission or with a corresponding unit report previously submitted; and
- Net - Compare reported values on incoming unit reports with data already in NCCI's database.

Submission Reports provide editing and processing results. These reports include the number of records submitted and the number of rejects and errors in each submission. They also identify data that may require corrective action.

Data Validation

NCCI's data validation process is intended to further improve the quality of data used in state loss cost and rate filings and in the production of experience ratings. The data validation process begins when the front-end editing is complete. The overall process consists of:

- A series of validation tests to assess the reasonability of the reported data;
- Communication of the test results requiring review; and
- A collaborative effort between NCCI and data providers to resolve data issues and confirm the accuracy of the reported data.

Validation tests run against the database with specific parameters look for patterns and anomalies within the aggregate data, such as:

- Exposure in relation to other fields and reporting history;
- Losses; and
- Exposure and loss relationships for reasonability and identification of potential reporting scenarios, which require data provider review.

There are two types of Unit Statistical validation tests: state-based and countrywide. State-based validation tests identify anomalous patterns within a single state that may impact state loss costs. In contrast, countrywide validation tests identify suspect conditions and trends within or across multiple states. These suspect conditions may impact both ratemaking and experience rating and may require corrections or explanations by data providers. NCCI validators review and analyze these test results. NCCI communicates any suspect conditions requiring review to help determine the need for corrective action and explanations.

Notifications via DCA Access® Online

A Notification is communicated to the data provider through DCA Access® Online Unit Notifications. An email with the Notification ID number is sent to the insurer's Unit Statistical data reporting contact. NCCI relies on this contact to be responsible for ensuring that Notifications are handled and responded to in a timely manner. Data providers are required to review, research and respond to all individual suspect loss and exposure conditions within each Notification by the specified due date. Once the response is received, NCCI verifies that the corrections submitted clear the anomaly or that the responses or explanations are acceptable. After the response is accepted, NCCI updates the Notification and closes it. If the Notification response is not acceptable, NCCI will notify the data provider through the Notification tool and request additional information. If the Notification due date is not met, a follow up will be issued. Because the Notification closure date is based on NCCI's acceptance of the response, it is critical that accurate and timely responses are provided.

Data Remediation

NCCI's Data Quality Remediation Program is a process in which NCCI works with data providers to resolve significant data reporting issues. Through the Data Quality Remediation Program process, NCCI establishes a timeline to achieve resolution of the data quality issues and assists the data provider with the development of a remediation plan. If plan objectives are not met within prescribed timelines, affected state regulators will be notified of the issues. At this point, NCCI will work with state regulators and data providers to complete all remediation activities. NCCI's expectation is that the majority of data providers within the program will be successful in completing remediation plans and avoiding escalation to state regulators.

Data Reporting

NCCI's procedures for notifying insurers and regulators of material errors and the required corrective action are addressed in the Data Quality Remediation Program. This data quality compliance program, in addition to all other NCCI data quality programs, is provided in the Data Quality Guidebook.

NCCI provides feedback reports, online reporting tools and data reporting support teams to assist data

providers and ensure compliance with data reporting standards. NCCI routinely monitors reporting performance against data reporting standards and proactively contacts data providers that are experiencing difficulty with complying with the standards.

The IT examiners reviewed the Financial Call Reporting matrix and determined that the edits appeared to be consistent with the edits specified in the Financial Call Reporting Guidebook. The IT examiners selected the following five samples for review:

- Alaska – Filing Date: 01/01/2019;
- Arizona – Filing Date 01/01/2020;
- Oklahoma – Filing Date 01/01/2020;
- Kansas – Filing Date 01/01/2020; and
- Florida – Filing Date 01/01/2020.

The IT Examiners also performed a walkthrough of the process with NCCI personnel and observed screens within the FDC application that demonstrated how data for financial calls is monitored, tracked and evaluated. The IT examiners determined that the edits and validations are consistently performed.

Recommendations: None

SECTION 4: CORRESPONDENCE WITH INSURERS AND STATES

Standard 5 - With each standard premium and loss report to the states, the statistical agent provides a listing of companies whose data is included in the compilations and a historical report listing insurers whose data for the state was excluded, as set forth in Section 2.4 of the Statistical Handbook of Data Available to Insurance Regulators.

Results: Pass

Observations: The examiners reviewed NCCI's process and supporting documents for communicating with insurers when penalties are assessed if an insurer fails to meet the minimum data reporting. Changes in reporting rules, editing process and data quality programs are initially communicated through circulars and NCCI's website. These changes are then added to NCCI's Statistical Plan and reporting guidebooks as updates to those manuals. Member insurers and state regulators are notified of the changes through email alerts. The examiners reviewed a list of penalty actions taken against insurers during the examination scope period.

The examiners reviewed NCCI's Data Quality Incentive Program, which was designed to improve the availability of data for use in NCCI's products and services through monetary incentives. The program is based on the performance of data providers' combined reporting of policy data, Unit Statistical data, resolution of Unit Validation Edits and Detailed Claim Information data. Each data provider's reporting performance is evaluated for timeliness and quality within the program. Reporting performance is evaluated against thresholds defined in the program criteria. Based on this evaluation, the data provider may receive an incentive through a credit or debit that modifies data collection or statistical agent fees.

The market conduct examiners reviewed NCCI's Regulator Exception Program, the escalation criteria and a listing of insurers that were included in a Regulator Exception Report during the examination scope

period. NCCI stated that a data provider is included on a Regulator Exception Report if the results for the three-month period meet the following three criteria:

- Fifteen or more units due;
- Fifteen or more units currently not available three or more months past due (as of the report's Evaluation Date); and
- More than 2% of the units due are currently not available three or more months past due (as of the report's Evaluation Date).

The market conduct examiners reviewed nine standard premium and loss reports sent to the states during the examination scope period. The disclosures properly identified insurers excluded from the filings and the percent of state premium. NCCI provided a list of the insurers and the percent of premium not included for filings submitted in calendar year 2020 by state. The market conduct examiners determined the insurers named on this list were excluded in the filings.

Recommendations: None

SECTION 5: NCCI'S USE OF ARTIFICIAL INTELLIGENCE OR MACHINE LEARNING

Results: Pass

Observations: During the interview process of the examination, the examiners determined that NCCI does not utilize artificial intelligence, machine learning or big data. While NCCI's workers' compensation database may be considered one of the broadest and deepest in the industry, NCCI does not employ data analysis techniques. Data analysis remains traditional in that reported data, once fully edited and validated, is used in NCCI's calculations. NCCI does not presently employ concepts such as predictive analytics which may be associated with big data. The examiners determined that NCCI does not involve third parties to analyze data.

In the NCCI Research Brief dated February 2, 2021, NCCI stated, "we explore development patterns by size of loss using enhanced visualization techniques." The IT Examiners requested clarification of NCCI's meaning of "enhanced visualization techniques." In response, NCCI clarified that the research brief explored development patterns by size using enhanced visualization, which is the animation of data points over time.

Recommendations: None

EXAMINATION SUMMARY

The following are specific observations made as a result of the Examination:

OBSERVATION	RECOMMENDATION
NCCI relies solely on paid and reported loss development methods to estimate the ultimate losses loss cost or rate filings.	NCCI should include additional actuarial methods containing an exposure element, such as the paid and reported Bornhuetter-Ferguson methods, which could result in a more robust analysis.
NCCI does not fully document within the loss cost or rate filing how the trend is selected from the various results similar to the process used in the Technical Peer Review.	NCCI should include indicated trend factors for several different time periods (6 years, 8 years, etc.) and goodness of fit statistics for each of the following items: Medical Loss Ratios; Indemnity Loss Ratios; Medical Severity; Indemnity Severity; and Frequency using lost time claim counts.
NCCI does not produce regularly scheduled management reports related to ongoing actuarial activities.	NCCI should produce monthly or quarterly management reports to monitor the status of actuarial-related projects.
In its role as an advisory organization, NCCI no longer conducts physical inspections due to the COVID-19 pandemic.	In the absence of similar COVID-19 pandemic conditions, NCCI should not rely on virtual inspections and should revert to physical inspections or audits to the extent such physical inspections are required by statute.
NCCI does not maintain written policies and procedures related to the research and review of insurance laws and insurance-related case law.	NCCI should draft written policies and procedures related to the research and review of insurance laws and insurance-related case law.
NCCI does not maintain written policies and procedures that determine when an actuarial analysis is warranted after reviewing legislative impact studies.	NCCI should draft written policies and procedures related to when an actuarial analysis is warranted after reviewing legislative impact studies.
NCCI does not periodically review and document the review of certain planned access exceptions that are managed outside of the account management system.	On a periodic basis and based on the risks of the systems, NCCI should document its review of access exceptions that are performed outside of the account management system.
As a statistical agent, NCCI was unable to provide documentation to support that the annual or biannual reports required by OIR are submitted by the required due dates.	NCCI should establish a process to track deliverables to OIR and participating states to include the name of the report or deliverable, the name of the sender, the name of the recipient and the date submitted.
NCCI does not track submissions or uploads for their required reporting to OIR.	NCCI should establish a process and track all deliverables to OIR and participating states.
In its role as a statistical agent, NCCI no longer conducts physical inspections due to the COVID-19 pandemic.	In the absence of similar COVID-19 pandemic conditions, NCCI should not rely on virtual inspections and should revert to physical inspections or audits when required by statute.

APPENDIX 1

NCCI ACTUARIAL REVIEW SCHEDULE				
as of November 18, 2020 - NCCI Actuarial Committee Meeting				
Subject Area	Subject Description	Last Reviewed	Last Updated	Review Frequency
Aggregate Ratemaking	Assigned Risk Expense Provisions Methodology	2011	2011	8-10 years
	Assigned Risk Ratemaking Methodology	2005	2005	As necessary
	Catastrophe Provisions	2018	2018	As necessary
	<ul style="list-style-type: none"> • Methodology • Values 			Earthquake methodology updated in 2018
	Terrorism Provisions	2017	2017	As necessary
	<ul style="list-style-type: none"> • Methodology • Values 			
	Expenses by Size of Risk	2015	2015	As necessary
	Large Loss Limiting Methodology	2018	2012	4-6 years
	Loss Adjustment Expense Methodology	In progress	2015	4-6 years
	Monthly Premium Distribution Methodology	2017	2017	7-10 years
	NCCI Countrywide Expense Provisions Methodology	2005	2003	As necessary
NCCI Internal Rate of Return				
<ul style="list-style-type: none"> • Methodology, including Cost of Capital • Tax Review 	2015	2015	4-6 years	
	2018	2018	as necessary	
Off-balance Methodology	2019	2011	4-6 years	
Aggregate Ratemaking (cont'd)	Tail Factor Calculation Methodology	2012	2012	As necessary

NCCI ACTUARIAL REVIEW SCHEDULE
as of November 18, 2020 - NCCI Actuarial Committee Meeting

Subject Area	Subject Description	Last Reviewed	Last Updated	Review Frequency
Class Ratemaking	Advisory Miscellaneous Values			As necessary
	<ul style="list-style-type: none"> • Partners/Sole Proprietors, and Executive Officers 	2010	2010 (B-1420)	
	<ul style="list-style-type: none"> • All Others 	2010	2011 (B-1422)	
	Credibility Formulas and Standards			As necessary
	<ul style="list-style-type: none"> • Indicated, National, and PORL Pure Premiums 	2017	2018	
	<ul style="list-style-type: none"> • Industry Group Differentials 	2009	2009	
Class Ratemaking (cont'd)	Disease Loadings			As necessary
	<ul style="list-style-type: none"> • Coal Mine 	2014	2014	
	<ul style="list-style-type: none"> • Other 	1993	1993	
	Increased Limits			10-15 years
	<ul style="list-style-type: none"> • Increased Limits Percentages for Workers' Compensation and Employers Liability 	2011	2011	Assignments to state groupings to be reviewed as necessary
	<ul style="list-style-type: none"> • Increased Limits Factors for Employers Liability for Admiralty/FELA 	2011	2011	
Industry Group Differential Methodology	2018	2009	7-10 years	
Class Ratemaking (cont'd)	Large Loss Limiting Methodology	2018	2009	7-10 years
	<ul style="list-style-type: none"> • Review \$500K per claim/\$1.5M per occurrence per policy 			
	(Limited) Loss Development			7-10 years
<ul style="list-style-type: none"> • Part of Body Mappings • Likely/Not-likely Groupings • Tail Factor 	2013	2014		
Minimum Premium Methodology	2015	1992	7-10 years	

NCCI ACTUARIAL REVIEW SCHEDULE

as of November 18, 2020 - NCCI Actuarial Committee Meeting

Subject Area	Subject Description	Last Reviewed	Last Updated	Review Frequency
	Relativity Calculation Methodology	2017	2009	7-10 years
	• Industrial Class	2007	2009	7-10 years
	• F-class	2007	2000	As necessary
	• Maritime/FELA		(B-1366)	
	Allocation of expected excess by partial pure premiums	2013	2009	7-10 years
	USL&HW Factor Calculation	2019	2019	As necessary
Data/Data Reporting	WCSP Pension Tables	2013	2013	7-10 years
Individual Risk Rating	Deductible Credit Methodology	2016	2016	7-10 years
Individual Risk Rating (cont'd)	Experience Rating- Performance Testing			
	• Methodology	2019	2019	3-5 years
	• Results		2011	1-2 years
	Experience Rating			
• Plan Parameters and Values Methodology	2012	2012	As indicated by performance testing	
• State Premium Eligibility Amounts	2015	2015	7-10 years	
	Retrospective Rating—Excess Loss Factors			
• Methodology (Parameters)	2014	2014	Review ELF methodology every 10 years	
		2019	2019	Review state ELF curves every 5 years
• USL&HW Values	2008	2008	As necessary	

NCCI ACTUARIAL REVIEW SCHEDULE
as of November 18, 2020 - NCCI Actuarial Committee Meeting

Subject Area	Subject Description	Last Reviewed	Last Updated	Review Frequency
	Retrospective Rating—Hazard Group Mapping	2020	2020	10 years
	Retrospective Rating—Premium Eligibility Amounts	pre-1984	pre-1984	No plans to review
	Retrospective Rating—Table M Methodology and Values (Aggregate Loss Factors)	2017	2018 (R-1414A)	10 years
Individual Risk Rating (cont'd)	Retrospective Rating—Table of Expected Loss Ranges and State Hazard Group Differentials Methodology	2014	2014	Eliminated starting 2019 as result of R-1414
	Retrospective Rating—Table of Expense Ratios Methodology	2004	1998	As necessary
	Retrospective Rating—Tax Multipliers Methodology	2014	2014	10 years
Legislative Analysis	Annuity Values	2012	2013	As indicated by pension table changes
	Distributions Underlying Indemnity Benefit Change Impact Template	2017	2018	5-7 years
	Standard Wage Distribution	2019	2019	10 years
	Temporary Total Duration Table	2018	2018	7-10 years

APPENDIX 2

Circular #	Filing Changes that Impacted Experience Rating
CIF-2015-25	Elimination of Anniversary Rating Date (ARD)
GA-2015-01	Professional Employer Organization (PEO) Arrangements
CIF-2015-61	Establishment of a Methodology to Calculate Experience Rating Premium Eligibility Amounts
TX-2016-01	Elimination of A-Rating Process for Classification and Statistical Codes in NCCI's Manuals
PLAN-TN-2016-01	Elimination of the Premium Discount and Tennessee Tabular Surcharge and Establishment of an Assigned Risk Adjustment Program (ARAP) in Tennessee
IL-2016-04	Illinois Employee Leasing Arrangements/Professional Employer Organization (PEO) Arrangements
AK-2017-02	Revisions to Premium Eligibility Amounts, Table of Weighting Values, Table of Ballast Values, and Retrospective Pure Premium Development Factors in NCCI's Manuals
CIF-2017-60	Revisions to Experience Rating Plan Manual Rules and the Notification of Change in Ownership Endorsement
CIF-2018-08	Revisions to Experience Rating Plan Manual Rules and the Notification of Change in Ownership Endorsement in Oregon
HI-2018-01	Revisions to the Hawaii Safety Premium Credit Miscellaneous Rule
VT-2018-02	Elimination of the Assigned Risk Adjustment Program (ARAP) and Code 2701–Logging or Tree Removal–Log Hauling & Drivers in Vermont
OR-2018-02	Revisions to and Establishment of Oregon Worker Leasing Company Rules, Endorsement, and Other Related Rules
FL-2018-04	Update to Experience Rating Subject Premium Eligibility Amounts in Florida
PLAN-NH-2018-05	Elimination of the Assigned Risk Adjustment Program (ARAP) and Revisions to the Assigned Insurer Performance Standards in New Hampshire
TX-2018-04	Withdrawal or Termination of Self-Insurance Using a Liability Transfer Transaction and Establishment of National Experience Rating Plan Manual Rule 2-E-2
IN-2019-01	Revisions to the Indiana Experience Rating Plan Manual Rule 1-D-4
GA-2019-04	Revisions to Experience Rating Plan Manual for Combination of Entities in Georgia
CIF-2019-28	Revisions to the ERM-14 Form and Rule 3-A in the Experience Rating Plan Manual
CIF-2020-36	Exclusion of COVID-19 Claims From Experience Rating and Merit Rating
CIF-2020-40	Exclusion of COVID-19 Claims From Experience Rating and Merit Rating in Alaska
CIF-2020-48	Exclusion of COVID-19 Claims From Experience Rating and Merit Rating in Oregon