

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: 02-MO-2010 Revision to Missouri Contracting Classification Premium Adjustment Program and Implementation of Form NC-5000 A
Project Name/Number: /

Filing at a Glance

Company: NCCI
Product Name: 02-MO-2010 Revision to Missouri Contracting Classification Premium Adjustment Program and Implementation of Form NC-5000 A
State: Missouri
TOI: 16.0 Workers Compensation
Sub-TOI: 16.0004 Standard WC
Filing Type: Form/Rule
Date Submitted: 10/13/2010
SERFF Tr Num: NCCI-126859081
SERFF Status: Closed-APPROVED
State Tr Num:
State Status: APPROVED
Co Tr Num: 02-MO-2010 (LB)
Effective Date: 01/01/2012
Requested (New):
Effective Date: 01/01/2012
Requested (Renewal):
Author(s): Lesley O'Brien, Alison Herwig, Frank Gnolfo, Roy Wood, Robert Dalton
Reviewer(s): Karen Rimel (primary)
Disposition Date: 10/19/2010
Disposition Status: APPROVED
Effective Date (New): 01/01/2012
Effective Date (Renewal): 01/01/2012
State Filing Description:

State: Missouri **Filing Company:** NCCI
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General Information

Project Name: Status of Filing in Domicile:
 Project Number: Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 09/29/2011
 State Status Changed: 10/19/2010 Deemer Date:
 Created By: Frank Gnolfo Submitted By: Frank Gnolfo
 Corresponding Filing Tracking Number:
 State TOI: 16.0 Workers Compensation State Sub-TOI: 16.0004 Standard WC

Filing Description:

The purpose of this item is to:

- Revise the existing Missouri Contracting Classification Premium Adjustment Program (CCPAP) rule in NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance to improve overall uniformity with the national approach
- Implement a transition program to mitigate premium impacts as a result of the CCPAP revisions
- Eliminate Form 24-1 (Missouri Contracting Classification Premium Adjustment Program Workers Compensation—Premium Credit Application) and replace it with the national form, Contracting Classification Premium Adjustment Program Workers Compensation Premium Credit Application NC-5000 A, in NCCI's Forms Manual of Workers Compensation and Employers Liability Insurance

Company and Contact

Filing Contact Information

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 St. Louis, MO 63126

Filing Company Information

NCCI	CoCode:	State of Domicile: Florida
901 Peninsula Corporate Circle	Group Code:	Company Type:
Boca Raton, FL 33487	Group Name:	State ID Number:
(561) 893-3186 ext. [Phone]	FEIN Number: 65-0439698	

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

NAIC Number: RO99985

Have you reviewed the General Instructions document? (yes/no)(General Instructions updated 9/14/07): Yes

If this is a rate filing, was rate data added on the rate/rule schedule? (yes/no): No

SERFF Tracking #:

NCCI-126859081

State Tracking #:

Company Tracking #:

02-MO-2010 (LB)

State:

Missouri

Filing Company:

NCCI

TOI/Sub-TOI:

16.0 Workers Compensation/16.0004 Standard WC

Product Name:

02-MO-2010 Revision to Missouri Contracting Classification Premium Adjustment Program and Implementation of Form NC-5000 A

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Karen Rimel	09/29/2011	09/29/2011
APPROVED	Karen Rimel	10/19/2010	10/19/2010

SERFF Tracking #:

NCCI-126859081

State Tracking #:**Company Tracking #:**

02-MO-2010 (LB)

State:

Missouri

Filing Company:

NCCI

TOI/Sub-TOI:

16.0 Workers Compensation/16.0004 Standard WC

Product Name:

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/

Disposition

Disposition Date: 10/19/2010

Effective Date (New): 01/01/2012

Effective Date (Renewal): 01/01/2012

Status: APPROVED

Comment: Reopened in error.

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Filing Memorandum	APPROVED	Yes
Supporting Document	Clean Copy	APPROVED	Yes
Form	CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS	APPROVED	Yes
Form	MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION	APPROVED	Yes
Rate	Exhibit 1	APPROVED	Yes

State: Missouri
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: 02-MO-2010 Revision to Missouri Contracting Classification Premium Adjustment Program and Implementation of Form NC-5000 A
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Disposition

Disposition Date: 10/19/2010

Effective Date (New): 01/01/2012

Effective Date (Renewal): 01/01/2012

Status: APPROVED

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Filing Memorandum	APPROVED	Yes
Supporting Document	Clean Copy	APPROVED	Yes
Form	CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS	APPROVED	Yes
Form	MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION	APPROVED	Yes
Rate	Exhibit 1	APPROVED	Yes

State: Missouri

Filing Company: NCCI

TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC

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Project Name/Number: /

Form Schedule

Item No.	Schedule Item Status	Form Name	Form Number	Edition Date	Form Type	Form Action	Action Specific Data		Readability Score	Attachments
1	APPROVED 10/19/2010	CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS	NC-5000	07/01/2011	END	New				Exh 2 02-MO-2010.pdf
2	APPROVED 10/19/2010	MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION	24-1	03/01/2001	END	Withdrawn	Previous Filing Number:	04-MO-00		Exh 3 02-MO-2010.pdf
							Replaced Form Number:			

Form Type Legend:

ABE	Application/Binder/Enrollment	ADV	Advertising
BND	Bond	CER	Certificate
CNR	Canc/NonRen Notice	DEC	Declarations/Schedule
DSC	Disclosure/Notice	END	Endorsement/Amendment/Conditions
ERS	Election/Rejection/Supplemental Applications	OTH	Other

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 2
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS
COMPENSATION PREMIUM CREDIT APPLICATION FORM NC-5000 A**

(Name of Insured)

(Address)

(City, State, Zip Code)

CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION

The Contracting Classification Premium Adjustment Program is applicable to qualifying employers engaged in contracting operations.

A special premium calculation, which may result in a premium credit for you, will be based on average hourly pay rates for each classification of contracting operations. In order that your premium may be correctly established, please return the completed premium credit application, as set out on the reverse side of this letter, to the:

For all applications except Hawaii:

National Council on Compensation Insurance, Inc.
Customer Service Center
901 Peninsula Corporate Circle
Boca Raton, FL 33487-1362

For Hawaii applications only:

National Council on Compensation Insurance, Inc.
Hawaii Service Center
1001 Bishop Street, Suite 1550
Honolulu, HI 96813

NCCI will advise us of any premium credit applicable.

If NCCI does not receive this application within 180 days after policy inception, your premium calculation will not reflect any possible premium credit.

For each applicable classification (both contracting and non-contracting) covering your company's operations in the state that this credit is being applied for (please note that each state that offers this credit requires a separate application), report the total payroll (excluding overtime premium pay, pay in excess of payroll amount charged to partners and sole proprietors as shown on the state rate pages, as well as the entire pay for any exempt sole proprietor, partner, or officer), and the corresponding total number of hours worked for the third calendar quarter (July, August, September) of the year preceding your anniversary rating date.

Note #1: If you did not engage in contracting operations during the third quarter, the requested information to be provided should, then, be for the last complete calendar quarter prior to the anniversary rating date of your workers compensation policy.

Note #2: If you are a new business (no prior operations), submit the requested information for the first complete calendar quarter following the anniversary rating date of your workers compensation policy when available.

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 2 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS
COMPENSATION PREMIUM CREDIT APPLICATION FORM NC-5000 A**

Note #3: In the absence of specific records for salaried employees, you should assume that each individual worked forty (40) hours per week.

Note #4: In absence of specific anniversary rating date being supplied on application, it will be assumed that the policy effective date is the same as the anniversary rating date.

Please preserve your anniversary rating date and payroll records that formed the basis for this declaration, because we will be required to verify the reported information in order for any premium credit to be applied.

Thank you for your cooperation.

Sincerely,

CONTRACTING CLASSIFICATION—PREMIUM CREDIT APPLICATION

Insured: _____

STATE CREDIT BEING APPLIED
FOR
(NOTE: one state per application): _____

POLICY NUMBER:	POLICY EFFECTIVE DATE:	ANNIVERSARY RATING DATE (as defined in NCCI's <i>Basic Manual</i>)	
_____	_____	_____	_____

CARRIER: _____

NOTE: Unless code(s), total wages paid, total hours worked, and calendar quarter reported are indicated and application is signed, it cannot be processed. Contact your agent or carrier if assistance is desired.

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

EXHIBIT 2 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS
COMPENSATION PREMIUM CREDIT APPLICATION FORM NC-5000 A

Table with 4 columns: CLASSIFICATION, CODE, TOTAL WAGES PAID, TOTAL HOURS WORKED. Includes example row for Electrical Wiring and a section for Noncontracting Classifications.

The foregoing is based on actual wages (excluding overtime premium pay in excess of payroll amount charged to partners and sole proprietors as shown on the state rate pages, as well as the entire pay for any exempt sole proprietor, partner, or officer) and hours worked as reflected in our payroll records for the complete calendar quarter.

Complete Calendar Quarter (please circle one):

Table with 2 columns for quarter selection: 1st (1/1-3/31), 2nd (4/1-6/30), 3rd (7/1-9/30), 4th (10/1-12/31).

Calendar Year: _____

SIGNATURE: _____ POSITION: _____ DATE: _____

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

EXHIBIT 3

FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

~~MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION—PREMIUM CREDIT APPLICATION FORM 24-1~~

~~INSURED:~~ _____

POLICY NO.	EFFECTIVE DATE	CARRIER NAME
_____	_____	_____

~~Notice: Unless classification code(s), total wages paid, total hours worked, calendar quarter reported are indicated and application is signed, it cannot be processed. Contact your agent or carrier if assistance is desired.~~

~~Is this a new business? No _____ Yes _____~~

~~If no, submit information for the **THIRD** calendar quarter (July, August, September) of the **PRECEDING** calendar year as reported to taxing authorities.~~

~~If yes, submit information for the first complete calendar quarter following the effective date of your workers compensation policy.~~

~~The following is based on actual wages and hours worked, as reflected in our payroll records, for the complete calendar quarter ending _____~~

CLASSIFICATIONS	CODE	TOTAL MISSOURI WAGES PAID^{1,2}	TOTAL HOURS WORKED³
Contracting classifications:			
Example: Electrical Wiring	5190	\$8,000	520

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 3 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

Non Contracting Classifications:-			

~~For each classification code, combine all wages for that code in a single entry. Employee names are not required.~~

- ~~¹ Exclude overtime premium pay (e.g. an employee makes \$16/hour and is paid time and one half, only report the payroll based upon the \$16/hour).~~
- ~~² Exclude the entire pay for any sole proprietor, partner, or executive officer.~~
- ~~³ Including overtime hours.~~

~~SIGNATURE:- _____ POSITION:- _____ DATE:- _____~~

SERFF Tracking #:

NCCI-126859081

State Tracking #:**Company Tracking #:**

02-MO-2010 (LB)

State:

Missouri

Filing Company:

NCCI

TOI/Sub-TOI:

16.0 Workers Compensation/16.0004 Standard WC

Product Name:

02-MO-2010 Revision to Missouri Contracting Classification Premium Adjustment Program and Implementation of Form NC-5000 A

Project Name/Number:

/

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	APPROVED 10/19/2010	Exhibit 1	Missouri Misc Rules	Replacement	04-MO-00	Exh 1 02-MO-2010.pdf

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 1
BASIC MANUAL—2001 EDITION
MISSOURI MISCELLANEOUS RULES**

CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

The Missouri Contracting Classification Premium Adjustment Program provides for a premium credit for each year a policy qualifies for the program. To qualify, a policy must contain one or more contracting classifications.

As explained in the ~~numbered~~ instructions that follow, the basis for determining the credit is the employer's total payroll (excluding overtime premium pay, pay for executive officers, and the pay for partners and sole proprietors) for each contracting and noncontracting classification and total hours worked (including overtime hours) for each contracting classification during the third calendar quarter of the year preceding the policy anniversary rating date ~~as reported to taxing authorities~~. If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to the policy inception ~~shall~~ will be used, or, if there was no complete quarter of operations prior to the policy inception, then the first complete quarter after the policy inception ~~shall~~ will be used.

The credit is determined as follows:

- a. Determine the Contracting Average Wage (CAW) for each contracting classification by dividing the total payroll *excluding* pay for executive officers, pay for partners and sole proprietors, and overtime pay (for example, if an employee makes \$16/hour and is paid time and one-half for overtime, only report the payroll based on the \$16/hour rate) for each contracting classification by the total number of hours worked (*including* overtime hours). In the absence of specific records for salaried employees, it will be assumed that each individual worked forty (40) hours a week.
- b. Determine the State Average Hourly Wage (SAHW) by dividing the State Average Weekly Wage (SAWW) by 40 (hours). Each year, NCCI will revise the SAWW as determined by the Missouri Division of Employment Security on January 1.
- c. Determine the prior formula premium credit (in dollars) for each separate contracting class by applying the following formula:

$$\text{Prior Formula Premium Credit} = [1 - (\text{SAHW} / \text{CAW})] \times .70 \times \text{contracting class code premium (from the prior 3rd quarter using the applicable rate/loss cost for the corresponding anniversary rating date)}$$
- d. If the quantity in ~~Step 3~~ subsection c. above is negative, the credit for that classification in question is zero (0). Where the quantity is positive, determine the percentage (%) credit that is to be applied to the qualifying current policy premium (contracting *and* noncontracting) by summing the premium credits (in dollars) for each contracting class (from the prior 3rd quarter) to determine the prior formula premium credit (in dollars). The prior formula credit is then divided and dividing this sum by the total contracting and noncontracting premium on the policy (from the prior 3rd quarter prior to the anniversary rating date) to determine the prior formula total policy credit percentage. When calculating the prior formula total policy credit percentage, the percentage ~~shall be~~ is rounded to the nearest tenth.
- e. Determine the current formula premium credit (in dollars) for each separate contracting classification by applying the following formula:

$$\text{Current Formula Credit} = [1 - (\text{SAHW} / \text{CAW})] \times .50 \times \text{contracting class code premium (using the applicable rate/loss cost for the corresponding anniversary rating date).}$$
- f. If the quantity in subsection e. above is negative, the credit for that classification in question is zero (0). Where the quantity is positive, determine the percentage (%) credit that is to be applied to the qualifying current policy premium (contracting *and* noncontracting) by summing the premium credits (in dollars) for each contracting class (from the 3rd quarter prior to the anniversary rating date) to determine the current formula premium credit (in dollars). The current formula premium credit is then divided by the total contracting and noncontracting premium on the policy (from the 3rd quarter prior to the anniversary rating date) to determine the current formula total policy credit percentage. When calculating the current formula total policy credit percentage, the percentage is rounded to the nearest whole number.

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 1 (CONT'D)
BASIC MANUAL—2001 EDITION
MISSOURI MISCELLANEOUS RULES**

- g. For experience rated risks, a further adjustment to the current formula premium credit (subsection e.) is required to be calculated in the following manner. This adjustment eliminates the redundancy between the contractor's credit and its experience rating modification.

The expected excess losses multiplied by the quantity one (1) minus the weighting value, then added to the ballast value is divided by the experience rating modification multiplied by the sum of the total expected losses and the ballast value. The adjustment can be shown as:

{Insured's Expected Excess Losses x (1 – Weighting Value) + Ballast Value}
{Experience Rating Modification x (Sum of Total Expected Losses + Ballast Value)}

This redundant credit offset factor is then multiplied by the current formula premium credit (subsection e.) as previously determined, resulting in an adjusted formula premium credit (in dollars).

h. Transition Program

For a period of four (4) years beginning January 1, 2012 and ending December 31, 2015, the prior formula credit will be used in the determination of a Missouri CCPAP credit. The prior formula credit will expire on December 31, 2015.

The formula credit calculation, as defined in subsection e. above, will be phased in over five years in the following manner:

Year 1 Credit Formula—Effective January 1, 2012

Adjusted Formula Premium Credit x 0.2 + 0.8 x Prior Formula Premium Credit

Year 2 Credit Formula—Effective January 1, 2013

Adjusted Formula Premium Credit x 0.4 + 0.6 x Prior Formula Premium Credit

Year 3 Credit Formula—Effective January 1, 2014

Adjusted Formula Premium Credit x 0.6 + 0.4 x Prior Formula Premium Credit

Year 4 Credit Formula—Effective January 1, 2015

Adjusted Formula Premium Credit x 0.8 + 0.2 x Prior Formula Premium Credit

Year 5 Credit Formula—Effective January 1, 2016

The "Adjusted Formula Premium Credit" is the total policy credit.

During the transition program above, the final formula credit percentage is determined by dividing the transition premium credit (in dollars) as determined above by the total contracting and noncontracting premium on the policy (from the 3rd quarter prior to the anniversary rating date), rounded to the nearest whole number.

- i. The policy credit "factor" to be applied to the qualifying current policy premium equals one minus the policy percentage credit (from ~~4~~ subsection h. above). This factor is to be applied in the current premium determination process in a multiplicative manner directly after the application of any experience rating modification and prior to any premium discounts. When calculating the total policy credit, round the percentage to the nearest whole number with .5 being rounded up (as an example, 4.4 is rounded down to 4% and 5.5 is rounded up to 6%).

~~The employer shall~~ must complete the required information and ~~shall~~ mail it to the National Council on Compensation Insurance, Inc., Customer Service Center, 901 Peninsula Corporate Circle, Boca Raton, Florida, 33487-1362 not later than 180 days after the policy's effective date for calculation of any possible credit. If NCCI does not receive this application within 180 days after policy inception, the premium calculation will not reflect any possible premium credit, absent any extraordinary circumstances (as determined by the Missouri Department of Insurance or NCCI). ~~The carrier shall, upon~~ At audit, the carrier must verify the information that was submitted by the insured and used in the calculation of the credit. If the carrier discovers an error in the original request for policy credit, the revised information must be submitted to the National Council on Compensation Insurance, Inc.—Customer Service Center for recalculation. If the insured does not

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

**EXHIBIT 1 (CONT'D)
BASIC MANUAL—2001 EDITION
MISSOURI MISCELLANEOUS RULES**

furnish records to verify the payrolls and hours worked originally submitted and used in the calculation of the credit, there ~~shall~~will be no credit applied to the policy.

The credit, authorized by the National Council on Compensation Insurance, Inc.—Customer Service Center, ~~shall~~will appear on Item 4. of the policy. If the credit is not available at the time of policy issuance, the carrier ~~shall~~will endorse the policy to provide this credit information.

Carriers are required to use the approved form to notify all of their insureds ~~who~~that have one or more contracting classifications on their policy that they may be eligible for a premium adjustment credit.

“Contracting classifications” are those classifications subject to the following code numbers:

0042	5040	5213	5462	5535	6045	6237	7605
0050	5057	5215	5472	5537	6204	6251	7611
1322	5059	5221	5473	5551	6206	6252	7612
2799*	5067	5222	5474	5606	6213	6260	7613
3365	5069	5223	5478	5610	6214	6306	7855
3719	5102	5348	5479	5645	6216	6319	8227
3724	5146	5402	5480	5651	6217	6325	9534
3726	5160	5403	5491	5703	6229	6400	9554
5020	5183	5437	5505	5705	6233	7380**	
5022	5188	5443	5506	6003	6235	7538	
5037	5190	5445	5515	6005	6236	7601	

* **Note:** Code 2799 is effective 01 Jan 2011 in Missouri with the approval of Item B-1410.

** **Note:** Code 7380 may be used only on policies where more than 50% of the total premium is produced by one or more of the contracting classifications listed.

SERFF Tracking #:

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State Tracking #:**Company Tracking #:**

02-MO-2010 (LB)

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Supporting Document Schedules

Satisfied - Item:	Filing Memorandum
Comments:	
Attachment(s):	Memorandum 02-MO-2010.pdf
Item Status:	APPROVED
Status Date:	10/19/2010

Satisfied - Item:	Clean Copy
Comments:	
Attachment(s):	Clean Copy FormNC-5000A.pdf
Item Status:	APPROVED
Status Date:	10/19/2010

FILING MEMORANDUM

ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A

(To be effective 12:01 a.m. on January 1, 2012, applicable to new and renewal policies.)

PURPOSE

The purpose of this item is to:

- Revise the existing Missouri Contracting Classification Premium Adjustment Program (CCPAP) rule in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* to improve overall uniformity with the national approach
- Implement a transition program to mitigate premium impacts as a result of the CCPAP revisions
- Eliminate Form 24-1 (Missouri Contracting Classification Premium Adjustment Program Workers Compensation—Premium Credit Application) and replace it with the national form, Contracting Classification Premium Adjustment Program Workers Compensation Premium Credit Application NC-5000 A, in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*

BACKGROUND

The CCPAP was implemented for Missouri effective July 1, 1996.

Currently, a tempering factor of 0.7 is used in Missouri; this tempering factor is proposed to be revised to 0.5. The tempering factor of 0.5 is consistent with the majority of states that employ a formula CCPAP calculation. NCCI studies have shown that benefits increase with wages, even beyond the wage at which indemnity benefits are capped. Thus, the 0.5 weight can be viewed as giving 50% weight to our studies (which suggest 0 credit) and 50% weight to the formula credit.

In addition, it is proposed that an experience rating redundant credit offset factor be applied to the contracting classification credit. This adjustment eliminates the redundancy between the contractor's credit and its experience rating modification when both are applied to a risk.

PROPOSAL

It is proposed that the current rules of the Missouri CCPAP be revised as described in Exhibit 1 and phased in over the course of the next five years. On January 1 of each year, NCCI will update the State Average Weekly Wage (SAWW), as determined by the Missouri Department of Labor and Industrial Relations, for anniversary rating dates on or after that date.

IMPACT

There will be no impact on statewide overall premium levels since contracting classification loss costs are offset by the average amount of the credit in order to maintain premium neutrality. Offsets will be calculated based on the anticipated formula credits resulting from the CCPAP changes. The impact on an individual risk will vary depending on the portion of that risk's premium that is currently subject to this program. Under the formula approach, the credits begin near 0% and increase uniformly with the contractors' average hourly wage paid for the contracting classification.

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FILING MEMORANDUM

**ITEM 02-MO-2010—REVISION TO MISSOURI CONTRACTING CLASSIFICATION PREMIUM
ADJUSTMENT PROGRAM AND IMPLEMENTATION OF FORM NC-5000 A**

In order to mitigate changes in credits for individual risks, NCCI is proposing a five-year transition from the current to proposed formula.

IMPLEMENTATION

The attached exhibits outline the changes required for implementation:

- **Exhibit 1** shows the changes required in NCCI's *Basic Manual*
- **Exhibit 2** shows the national CCPAP application located in NCCI's *Forms Manual*
- **Exhibit 3** shows the elimination of CCPAP application Form 24-1 located in NCCI's *Forms Manual*

The enclosed materials are copyrighted materials of the National Council on Compensation Insurance, Inc. ("NCCI"). The use of these materials may be governed by a separate contractual agreement between NCCI and its licensees such as an affiliation agreement between you and NCCI. Unless permitted by NCCI, you may not copy, create derivative works (by way of example, create or supplement your own works, databases, software, publications, manuals, or other materials), display, perform, or use the materials, in whole or in part, in any media. Such actions taken by you, or by your direction, may be in violation of federal copyright and other commercial laws. NCCI does not permit or acquiesce such use of its materials. In the event such use is contemplated or desired, please contact NCCI's Legal Department for permission.

(Name of Insured)
(Address)
(City, State, Zip Code)

CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION

The Contracting Classification Premium Adjustment Program is applicable to qualifying employers engaged in contracting operations.

A special premium calculation, which may result in a premium credit for you, will be based on average hourly pay rates for each classification of contracting operations. In order that your premium may be correctly established, please return the completed premium credit application, as set out on the reverse side of this letter, to the:

For all applications except Hawaii:

National Council on Compensation Insurance, Inc.
Customer Service Center
901 Peninsula Corporate Circle
Boca Raton, Florida 33487-1362

For Hawaii applications only:

National Council on Compensation Insurance, Inc.
Hawaii Service Center
1001 Bishop Street, Suite 1550
Honolulu, HI 96813

NCCI will advise us of any premium credit applicable.

If NCCI does not receive this application within 180 days after policy inception, your premium calculation will not reflect any possible premium credit.

For each applicable classification (both contracting and non-contracting) covering your company's operations in the state that this credit is being applied for (please note that each state that offers this credit requires a separate application), report the total payroll (excluding overtime premium pay, pay in excess of payroll amount charged to partners and sole proprietors as shown on the state rate pages, as well as the entire pay for any exempt sole proprietor, partner, or officer), and the corresponding total number of hours worked for the third calendar quarter (July, August, September) of the year preceding your anniversary rating date.

- Note #1: If you did not engage in contracting operations during the third quarter, the requested information to be provided should, then, be for the last complete calendar quarter prior to the anniversary rating date of your workers compensation policy.
- Note #2: If you are a new business (no prior operations), submit the requested information for the first complete calendar quarter following the anniversary rating date of your workers compensation policy when available.
- Note #3: In the absence of specific records for salaried employees, you should assume that each individual worked forty (40) hours per week.
- Note #4: In absence of specific anniversary rating date being supplied on application, it will be assumed that the policy effective date is the same as the anniversary rating date.

Please preserve your anniversary rating date and payroll records that formed the basis for this declaration, because we will be required to verify the reported information in order for any premium credit to be applied.

Thank you for your cooperation.

Sincerely,

