

**State:** Missouri **Filing Company:** NCCI  
**TOI/Sub-TOI:** 16.0 Workers Compensation/16.0004 Standard WC  
**Product Name:** R-1406 2013 Update to the Retrospective Rating Plan Parameters - Excess Loss Factors  
**Project Name/Number:** /

## Filing at a Glance

Company: NCCI  
Product Name: R-1406 2013 Update to the Retrospective Rating Plan Parameters - Excess Loss Factors  
State: Missouri  
TOI: 16.0 Workers Compensation  
Sub-TOI: 16.0004 Standard WC  
Filing Type: Rule  
Date Submitted: 05/01/2013  
SERFF Tr Num: NCCI-129004402  
SERFF Status: Closed-APPROVED  
State Tr Num:  
State Status: APPROVED  
Co Tr Num: R-1406 (CB)  
Effective Date: 01/01/2014  
Requested (New):  
Effective Date: 01/01/2014  
Requested (Renewal):  
Author(s): Lesley O'Brien, Alison Herwig, Frank Gnoflo, Dennis Kokulak, Robert Dalton  
Reviewer(s): Karen Rimel (primary)  
Disposition Date: 05/16/2013  
Disposition Status: APPROVED  
Effective Date (New): 01/01/2014  
Effective Date (Renewal): 01/01/2014

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: 05/16/2013  
 State Status Changed: 05/16/2013 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:

This item proposes to update the Excess Loss Factors in NCCI's 2009 Edition of its Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)

## Company and Contact

### Filing Contact Information

Roy Wood, State Relations Executive roy\_wood@ncci.com  
 11430 Gravois Road 314-843-4001 [Phone]  
 Suite 310 314-842-3188 [FAX]  
 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

State: Missouri      Filing Company: NCCI  
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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Karen Rimel	05/16/2013	05/16/2013

SERFF Tracking #:

NCCI-129004402

State Tracking #:

Company Tracking #:

R-1406 (CB)

**State:** Missouri **Filing Company:** NCCI  
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## Disposition

Disposition Date: 05/16/2013  
 Effective Date (New): 01/01/2014  
 Effective Date (Renewal): 01/01/2014  
 Status: APPROVED

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Filing Memorandum	REVIEWED	Yes
Rate	Exhibit 1	APPROVED	Yes
Rate	Exhibit 2	APPROVED	Yes

**SERFF Tracking #:**

NCCI-129004402

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

R-1406 (CB)

**State:** Missouri  
**TOI/Sub-TOI:** 16.0 Workers Compensation/16.0004 Standard WC  
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**Filing Company:** NCCI

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	APPROVED 05/16/2013	Exhibit 1	Excess Loss Pure Premium Factors	Replacement	R-1404	MO Exhibit 1 _R-1406_2.pdf
2	APPROVED 05/16/2013	Exhibit 2	Excess Loss and Allocated Expense Pure Premium Factors	Replacement	R-1404	MO Exhibit 2_R-1406_2.pdf

ITEM R-1406—2013 UPDATE TO RETROSPECTIVE RATING PLAN EXCESS LOSS FACTORS

EXHIBIT 1  
RETROSPECTIVE RATING PLAN MANUAL  
MISSOURI STATE SPECIAL RATING VALUES  
EXCESS LOSS PURE PREMIUM FACTORS

3. Excess Loss Pure Premium Factors							
Per Accident Limitation	Hazard Groups						
	A	B	C	D	E	F	G
\$10,000	0.548	0.594	0.618	0.642	0.666	0.701	0.727
\$15,000	0.484	0.536	0.563	0.591	0.620	0.661	0.694
\$20,000	0.433	0.488	0.518	0.547	0.580	0.626	0.665
\$25,000	0.391	0.447	0.478	0.510	0.545	0.595	0.639
\$30,000	0.355	0.412	0.444	0.477	0.514	0.567	0.615
\$35,000	0.325	0.382	0.415	0.448	0.487	0.541	0.594
\$40,000	0.299	0.355	0.388	0.422	0.462	0.518	0.573
\$50,000	0.257	0.311	0.344	0.377	0.419	0.477	0.538
\$75,000	0.190	0.235	0.268	0.299	0.340	0.400	0.468
\$100,000	0.152	0.190	0.220	0.249	0.288	0.346	0.417
\$125,000	0.128	0.160	0.188	0.214	0.252	0.307	0.379
\$150,000	0.111	0.139	0.166	0.190	0.226	0.278	0.350
\$175,000	0.099	0.123	0.149	0.171	0.205	0.254	0.326
\$200,000	0.089	0.111	0.136	0.156	0.188	0.236	0.307
\$225,000	0.081	0.101	0.125	0.144	0.174	0.220	0.290
\$250,000	0.076	0.094	0.117	0.135	0.164	0.207	0.277
\$275,000	0.071	0.088	0.110	0.127	0.154	0.196	0.265
\$300,000	0.066	0.082	0.104	0.119	0.146	0.186	0.254
\$325,000	0.062	0.077	0.098	0.113	0.139	0.178	0.245
\$350,000	0.059	0.073	0.094	0.108	0.132	0.170	0.236
\$375,000	0.056	0.069	0.089	0.103	0.127	0.163	0.229
\$400,000	0.054	0.066	0.086	0.099	0.121	0.157	0.222
\$425,000	0.051	0.063	0.082	0.095	0.117	0.152	0.216
\$450,000	0.049	0.060	0.079	0.091	0.113	0.147	0.210
\$475,000	0.047	0.058	0.077	0.088	0.109	0.142	0.205
\$500,000	0.046	0.056	0.074	0.085	0.106	0.138	0.200
\$600,000	0.041	0.049	0.066	0.076	0.094	0.124	0.183
\$700,000	0.037	0.044	0.060	0.069	0.086	0.113	0.170
\$800,000	0.035	0.041	0.056	0.064	0.080	0.106	0.161
\$900,000	0.032	0.039	0.053	0.060	0.075	0.099	0.152
\$1,000,000	0.031	0.036	0.050	0.057	0.070	0.093	0.145
\$2,000,000	0.021	0.024	0.034	0.038	0.048	0.064	0.105
\$3,000,000	0.017	0.020	0.028	0.031	0.038	0.052	0.086
\$4,000,000	0.015	0.017	0.024	0.027	0.033	0.045	0.075
\$5,000,000	0.013	0.016	0.022	0.024	0.030	0.040	0.067
\$6,000,000	0.012	0.014	0.019	0.021	0.026	0.035	0.061
\$7,000,000	0.011	0.013	0.018	0.020	0.024	0.033	0.056
\$8,000,000	0.010	0.012	0.017	0.018	0.022	0.030	0.052
\$9,000,000	0.010	0.011	0.016	0.017	0.021	0.028	0.049
\$10,000,000	0.009	0.011	0.015	0.016	0.020	0.027	0.046

ITEM R-1406—2013 UPDATE TO RETROSPECTIVE RATING PLAN EXCESS LOSS FACTORS

**EXHIBIT 2**  
**RETROSPECTIVE RATING PLAN MANUAL**  
**MISSOURI STATE SPECIAL RATING VALUES**  
**EXCESS LOSS AND ALLOCATED EXPENSE PURE PREMIUM FACTORS**

<b>3. Excess Loss and Allocated Expense Pure Premium Factors</b>							
<b>Per Accident Limitation</b>	<b>Hazard Groups</b>						
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
\$10,000	0.650	0.699	0.725	0.750	0.775	0.811	0.838
\$15,000	0.583	0.639	0.668	0.697	0.728	0.771	0.805
\$20,000	0.528	0.588	0.620	0.652	0.687	0.735	0.776
\$25,000	0.482	0.545	0.579	0.613	0.651	0.703	0.749
\$30,000	0.442	0.507	0.542	0.578	0.619	0.674	0.725
\$35,000	0.408	0.473	0.510	0.546	0.589	0.648	0.703
\$40,000	0.379	0.443	0.481	0.518	0.562	0.623	0.682
\$50,000	0.331	0.393	0.431	0.469	0.515	0.579	0.644
\$75,000	0.251	0.305	0.343	0.380	0.428	0.495	0.568
\$100,000	0.203	0.250	0.286	0.320	0.367	0.433	0.512
\$125,000	0.172	0.212	0.247	0.279	0.323	0.387	0.468
\$150,000	0.150	0.186	0.219	0.248	0.291	0.353	0.434
\$175,000	0.134	0.165	0.197	0.224	0.265	0.324	0.406
\$200,000	0.121	0.149	0.180	0.205	0.244	0.301	0.382
\$225,000	0.110	0.136	0.166	0.190	0.226	0.281	0.362
\$250,000	0.102	0.127	0.155	0.178	0.213	0.266	0.346
\$275,000	0.095	0.118	0.145	0.166	0.200	0.251	0.331
\$300,000	0.089	0.110	0.137	0.157	0.190	0.239	0.318
\$325,000	0.084	0.103	0.130	0.149	0.180	0.228	0.306
\$350,000	0.079	0.098	0.123	0.141	0.172	0.218	0.296
\$375,000	0.076	0.093	0.118	0.135	0.164	0.209	0.286
\$400,000	0.072	0.088	0.113	0.129	0.158	0.202	0.278
\$425,000	0.069	0.084	0.108	0.124	0.152	0.195	0.270
\$450,000	0.066	0.081	0.104	0.120	0.146	0.188	0.263
\$475,000	0.064	0.078	0.101	0.115	0.142	0.182	0.256
\$500,000	0.061	0.075	0.097	0.112	0.137	0.177	0.250
\$600,000	0.054	0.065	0.086	0.099	0.122	0.159	0.229
\$700,000	0.049	0.059	0.078	0.090	0.111	0.145	0.213
\$800,000	0.046	0.054	0.073	0.084	0.103	0.135	0.201
\$900,000	0.043	0.050	0.068	0.078	0.096	0.127	0.191
\$1,000,000	0.040	0.047	0.064	0.073	0.091	0.119	0.181
\$2,000,000	0.027	0.031	0.044	0.049	0.061	0.081	0.131
\$3,000,000	0.022	0.025	0.036	0.040	0.049	0.066	0.108
\$4,000,000	0.019	0.022	0.031	0.034	0.042	0.057	0.094
\$5,000,000	0.017	0.020	0.028	0.031	0.038	0.050	0.085
\$6,000,000	0.015	0.017	0.025	0.027	0.033	0.045	0.076
\$7,000,000	0.014	0.016	0.023	0.025	0.031	0.041	0.070
\$8,000,000	0.013	0.015	0.021	0.024	0.029	0.039	0.066
\$9,000,000	0.012	0.014	0.020	0.022	0.027	0.036	0.062
\$10,000,000	0.012	0.014	0.019	0.021	0.025	0.034	0.058

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R-1406 (CB)

**State:** Missouri **Filing Company:** NCCI  
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**Product Name:** R-1406 2013 Update to the Retrospective Rating Plan Parameters - Excess Loss Factors  
**Project Name/Number:** /

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Filing Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	R-1406 MEMO.pdf
<b>Item Status:</b>	REVIEWED
<b>Status Date:</b>	05/16/2013



## FILING MEMORANDUM

### ITEM R-1406—2013 UPDATE TO THE RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS FACTORS

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#### PURPOSE

This item proposes to update the Excess Loss Factors in NCCI's 2009 Edition of its *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)*.

#### BACKGROUND

Retrospective rating is a plan for adjusting premium according to the loss experience during the effective period of a policy.

The Retrospective Rating Plan contains an optional provision—an individual loss limitation—which limits the amount of a loss arising out of any one accident that will be used in the calculation of retrospective premium adjustments. The charge for limiting losses is determined by application of an Excess Loss Factor (ELF).

The ELFs vary by loss limitation and hazard group. The variation in ELFs across hazard groups reflects the varying degrees of severity exposure to occupational hazards inherent to operations associated with each classification. ELFs must be updated periodically for two reasons:

1. ELFs are computed from excess ratios, which reflect the expected percentage of losses above a given loss limit. For any fixed limit, inflation will increase the percentage of losses above that limit. Therefore, excess ratios and ELFs are periodically updated to accurately reflect the effect of inflation on those losses.
2. Overall excess ratios are computed as a weighted average of injury-type excess ratios. Thus, excess ratios and, consequently, ELFs must be updated regularly for changes in the mix of injury types.

The proposed state ELFs are based on the same data as the prior ELF update, except for Texas. This data was trended forward to the effective date of the next anticipated NCCI loss cost filing. The proposed ELFs were then computed in the same way as the currently approved ELFs.

#### PROPOSAL

In states for which loss costs are developed rather than final rates, this item proposes to update the ELFs that are used with an optional loss limitation in the Retrospective Rating Plan. Exhibits 1 and 2 contain the proposed ELFs. For Arizona, Florida, Idaho, Iowa, and Virginia, updated ELFs will be included in each state's next rate/loss cost filing.

**Note:** Some states have Excess Loss Pure Premium Factors (Exhibit 1) but do not have Excess Loss and Allocated Expense Pure Premium Factors (Exhibit 2). This includes Georgia, Illinois, Kentucky, Louisiana, Maryland, Oregon, and South Dakota.

#### West Virginia State-Specific

National Item R-1402 revised the hazard group assignments for Federal Employers Liability Act (FELA) classification codes, and was approved in 36 States. The revisions made the hazard groups for these codes

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FILING MEMORANDUM

**ITEM R-1406—2013 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS FACTORS**

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consistent with the classification code that is used to calculate their loss costs/rates. Since Item R-1402 was not filed in West Virginia, the FELA hazard group changes are now being filed for approval.

**IMPACT**

The proposed ELF's are necessary to maintain the aggregate expected balance between the retrospectively rated premium and the guaranteed cost premium. If the ELF's are not updated, there will be a natural slippage over time caused by inflation acting to increase the percentage of losses over any fixed loss limit. The proposed ELF's also reflect the updated mix of injury types. These changes are expected to have a negligible impact on overall statewide premium levels.

**West Virginia State-Specific**

This item proposes that West Virginia adopt the national FELA classification code hazard group mapping. Because FELA coverage is not available in the residual market, these hazard group revisions to the FELA classification codes will have no impact to that market. It is anticipated that the overall statewide premium impact of the revised hazard group assignments is negligible.

**Exhibit 3** displays the proposed FELA code hazard group changes in Appendix E of NCCI's *Basic Manual*.

**IMPLEMENTATION**

This item is applicable to new and renewal voluntary policies and will become effective concurrently with each state's approved rate/loss cost filing. For example, this item will be effective January 1, 2014, for approved rate/loss cost filings that have a January 1, 2014, effective date. Similarly, this item will be effective July 1, 2014, for approved rate/loss cost filings that have a July 1, 2014, effective date. If there is no rate/loss cost filing for a state in a given year, this item will take effect on that state's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the previous year's effective date in that state.)

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

State	Anticipated Effective Date*
Alabama	March 1, 2014
Alaska	January 1, 2014
Arkansas	July 1, 2014
Colorado	January 1, 2014
Connecticut	January 1, 2014
District of Columbia	November 1, 2013
Georgia	March 1, 2014

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FILING MEMORANDUM

ITEM R-1406—2013 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS FACTORS

State	Anticipated Effective Date*
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective January 1, 2014. Effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.
Illinois	January 1, 2014
Indiana	January 1, 2014
Kansas	January 1, 2014
Kentucky	October 1, 2013
Louisiana	May 1, 2014
Maine	April 1, 2014
Maryland	January 1, 2014
Mississippi	March 1, 2014
Missouri	January 1, 2014
Montana	July 1, 2014
Nebraska	February 1, 2014
Nevada	March 1, 2014
New Hampshire	January 1, 2014
New Mexico	January 1, 2014
North Carolina	April 1, 2014
Oklahoma	January 1, 2014
Oregon	January 1, 2014
Rhode Island	July 1, 2014
South Carolina	September 1, 2014
South Dakota	July 1, 2014
Tennessee	March 1, 2014
Texas	June 1, 2014
Utah	December 1, 2013

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FILING MEMORANDUM

ITEM R-1406—2013 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS FACTORS

State	Anticipated Effective Date*
Vermont	April 1, 2014
West Virginia	November 1, 2013

\* Subject to change, depending on the approved effective date of the rate/loss cost filing if a rate/loss cost filing has been submitted for a state.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibit	Exhibit Comments	Implementation Summary
1	Provides the state Excess Loss Pure Premium Factors.	Details changes to NCCI's <i>Retrospective Rating Plan Manual</i> .
2	<ul style="list-style-type: none"> <li>Provides the state Excess Loss and Allocated Expense Pure Premium Factors</li> <li>Exhibit 2 is not applicable in Georgia, Illinois, Kentucky, Louisiana, Maryland, Oregon, and South Dakota</li> </ul>	
3	<ul style="list-style-type: none"> <li>Provides the revised hazard group assignments for the FELA classification codes</li> <li>Exhibit 3 is applicable for West Virginia only</li> </ul>	

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