

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Filing at a Glance

Company: NCCI
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
State: Missouri
TOI: 16.0 Workers Compensation
Sub-TOI: 16.0004 Standard WC
Filing Type: Rule
Date Submitted: 09/20/2013
SERFF Tr Num: NCCI-129196408
SERFF Status: Closed-APPROVED
State Tr Num: 30
State Status: APPROVED
Co Tr Num: B-1426 (LB)

Effective Date 01/01/2015
Requested (New):
Effective Date 01/01/2015
Requested (Renewal):

Author(s): Lesley O'Brien, Alison Herwig, Frank Gnolfo, Dennis Kokulak, Robert Dalton, Michelle Baker
Reviewer(s): Jon Meyer (PC) (primary), Patrick Lennon
Disposition Date: 11/05/2013
Disposition Status: APPROVED
Effective Date (New): 01/01/2015
Effective Date (Renewal): 01/01/2015

State Filing Description:

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

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: 11/05/2013
 State Status Changed: 11/05/2013 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:

- Revises references to the Federal Coal Mine Safety and Health Act
- Discontinues the per passenger seat surcharge and its corresponding statistical codes
- Excludes fully fraudulent and/or noncompensable claims from the definition of incurred losses in the retrospective rating plan formula and the Loss Sensitive Rating Plan (LSRP) formula
- Removes endorsement number references included in NCCI's Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)

NOTE: NO EXHIBITS 3 & 4 FOR MISSOURI

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

SERFF Tracking #: NCCI-129196408 State Tracking #: 30 Company Tracking #: B-1426 (LB)

State: Missouri Filing Company: NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Jon Meyer (PC)	11/05/2013	11/05/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
PENDING INDUSTRY RESPONSE	Jon Meyer (PC)	10/04/2013	10/04/2013

Response Letters

Responded By	Created On	Date Submitted
Robert Dalton	10/17/2013	10/17/2013

SERFF Tracking #: NCCI-129196408 State Tracking #: 30 Company Tracking #: B-1426 (LB)

State: Missouri Filing Company: NCCI
 TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
 Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
 Project Name/Number: /

Disposition

Disposition Date: 11/05/2013
 Effective Date (New): 01/01/2015
 Effective Date (Renewal): 01/01/2015
 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	Response to 10-4-13 Objection	APPROVED	Yes
Rate	Exhibit 1	APPROVED	Yes
Rate	Exhibit 2	APPROVED	Yes
Rate	Exhibit 5	APPROVED	Yes
Rate	Exhibit 6	APPROVED	Yes
Rate	Exhibit 7	APPROVED	Yes
Rate	Exhibit 8	APPROVED	Yes
Rate	Exhibit 9	APPROVED	Yes
Rate	Exhibit 10	APPROVED	Yes
Rate	Exhibit 11	APPROVED	Yes
Rate	Exhibit 12	APPROVED	Yes
Rate	Exhibit 13	APPROVED	Yes
Rate	Exhibit 14	APPROVED	Yes
Rate	Exhibit 15	APPROVED	Yes

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Objection Letter

Objection Letter Status	PENDING INDUSTRY RESPONSE
Objection Letter Date	10/04/2013
Submitted Date	10/04/2013
Respond By Date	10/18/2013

Dear Roy Wood,

Introduction:

Thank you for the filing recently submitted to this Department. Please be advised that although we have begun the review process, the company remains responsible for assuring that coverage provided to Missouri citizens fully complies with all applicable statutes and regulations. Upon preliminary review, the following issues raised concerns and need clarification:

Objection 1

Comments: The filing says the impact will be a slight increase in approximately two years. Please give an indication as to what that increase may look like and how many insureds may be impacted in Missouri. Also, compare that increase to the initial decrease that may occur.

Conclusion:

Please respond to this letter by the above date. This submission will be held in suspense pending your response. Feel free to contact me at 573/751-1926 should you have any questions or concerns.

Sincerely,
Jon Meyer (PC)

SERFF Tracking #: NCCI-129196408 State Tracking #: 30 Company Tracking #: B-1426 (LB)

State: Missouri Filing Company: NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Response Letter

Response Letter Status Submitted to State
Response Letter Date 10/17/2013
Submitted Date 10/17/2013

Dear Jon Meyer (PC),

Introduction:

Response 1

Comments:

See attached.

Related Objection 1

Comments: The filing says the impact will be a slight increase in approximately two years. Please give an indication as to what that increase may look like and how many insureds may be impacted in Missouri. Also, compare that increase to the initial decrease that may occur.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 10-4-13 Objection
Comments:	
Attachment(s):	MO B1425 100413 Response.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Robert Dalton

SERFF Tracking #: NCCI-129196408 **State Tracking #:** 30 **Company Tracking #:** B-1426 (LB)

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Rate/Rule Schedule

SERFF Tracking #: NCCI-129196408

State Tracking #: 30

Company Tracking #: B-1426 (LB)

State: Missouri

Filing Company: NCCI

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

Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses

Project Name/Number: /

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	APPROVED 11/05/2013	Exhibit 1	Rule 3-12	Replacement	B-1414	B-1426_Exhibits_1.pdf
2	APPROVED 11/05/2013	Exhibit 2	Rule 3-20	Replacement	B-1369	B-1426_Exhibits_2.pdf
3	APPROVED 11/05/2013	Exhibit 5	Classifications	Replacement	B-1399	B-1426_Exhibits_5.pdf
4	APPROVED 11/05/2013	Exhibit 6	Rule 1 B	Replacement	E-1379	B-1426_Exhibits_6.pdf
5	APPROVED 11/05/2013	Exhibit 7	Rule 1 c	Replacement	R-1399	B-1426_Exhibits_7.pdf
6	APPROVED 11/05/2013	Exhibit 8	Rule 1 f	Replacement	R-1399	B-1426_Exhibits_8.pdf
7	APPROVED 11/05/2013	Exhibit 9	Stat Plan Part 1 L	Replacement	U-1398	B-1426_Exhibits_9.pdf
8	APPROVED 11/05/2013	Exhibit 10	Stat Plan Part 3 F2b	Replacement	U-1398	B-1426_Exhibits_10.pdf
9	APPROVED 11/05/2013	Exhibit 11	Stat Plan Part 4 1a	Replacement	U-1398	B-1426_Exhibits_11.pdf
10	APPROVED 11/05/2013	Exhibit 12	Stat Plan Part 6G	Replacement	U-1398	B-1426_Exhibits_12.pdf
11	APPROVED 11/05/2013	Exhibit 13	Stat Plan Part 6 H2	Replacement	U-1398	B-1426_Exhibits_13.pdf
12	APPROVED 11/05/2013	Exhibit 14	Stat Plan Part 6 K1	Replacement	U-1398	B-1426_Exhibits_14.pdf
13	APPROVED 11/05/2013	Exhibit 15	Misc Rules	Replacement	01-MO-2011	B-1426_Exhibits MO 15.pdf

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 1
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION
(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

12. Coal Mine Disease Charge (Federal ~~Coal~~ Mine Safety and Health Act)

- a. In states where disease coverage is provided for risks subject to the Federal ~~Coal~~ Mine Safety and Health Act, this coverage is not subject to:
- Experience rating
 - Premium discounts
 - Retrospective rating

*Refer to the **Statistical Plan for Workers Compensation and Employers Liability Insurance** for the applicable codes to report disease experience where there is liability under the Federal ~~Coal~~ Mine Safety and Health Act.*

- b. Advisory loss costs or rates for this coverage and any underlying state law coverage for disease are shown separately in the state pages.
- c. Advisory loss costs or rates for employers not described by a coal mine classification and for former coal mine operators are determined by the carrier, and are not shown separately in the state pages.
- d. In states where there are no coal mines, the state pages will not include the advisory loss cost and rate information for this coverage.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 2
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION
(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

20. Standard Premium

Standard Premium is the premium before the application of the premium discount.

It is the state premium determined on the basis of:

- Authorized rates
- Disease loadings
- Nonratable elements
- ~~Aircraft seat surcharges~~
- Premium for increased limits of liability
- Experience rating modification
- Applicable schedule rating modification
- Minimum premiums

Total Standard Premium is the total premium for all states covered by the policy excluding expense constant, additional charges for the catastrophe provisions detailed in Rule 3-A-24, and any disease charge subject to the Federal ~~Coal Mine Safety and Health and Safety~~ Act before the application of the premium discount.

Refer to state pages concerning the application of the above rating elements, or any state special rating elements.

Note: The Annual Financial Calls for experience, which are used for ratemaking, contain a different definition of standard premium.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 5
BASIC MANUAL—2001 EDITION
PART TWO—CLASSIFICATIONS**
(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VT, WV)

7421 AVIATION—Transportation of Personnel in Conduct of Employer's Business—Flying Crew

Applies to the payroll of pilots and all members of the flying crew. Also applies to the payroll of executive officers or other employees who operate fixed-wing aircraft in the conduct of the employer's business. If the records of the employer clearly indicate the weeks in which such employees perform flying: (1) only the payroll for each week during any part of which the employee has engaged in flight duties is to be assigned to this classification, unless the classification applicable to the employee's nonflying operations carries a higher rate, in which case that classification will apply. (2) The payroll for each week in which no flying has been done is to be assigned to those classifications that would otherwise apply. If the records of the employer do not clearly indicate the weeks in which flying is performed by such employees, the entire payroll for such employees must be assigned to this classification unless the classification applicable to the employee's nonflying operations carries a higher rate, in which case that classification will apply.

~~A per passenger seat surcharge, subject to a maximum surcharge per aircraft, must be charged in addition to the premium otherwise determined under this classification.~~

~~These surcharges will not be cumulative in the event of substitution of aircraft during the policy period, but these surcharges will be cumulative in the event that more than one aircraft is owned or operated during the same policy period. The premium for these surcharges will not be subject to any experience rating modification. These surcharges will not be subject to the pro rata or short rate adjustment except in the event of cancellation of the policy. These surcharges and losses incurred under the policy, other than to members of flying crew, arising out of the operation of an aircraft, are to be reported under Code 9108. The per passenger seat surcharge and the maximum surcharge per aircraft are shown under "Miscellaneous Values" on the state rate pages. Attach Aircraft Premium Endorsement (WC 00-04-01).~~

Employees who are transported as passengers and who are not members of the flying crew are to have their payroll and losses assigned to their standard occupational classification.

Commercial aircraft operation to be separately rated. Separately rate all other employees and drivers.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 6
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 1—GENERAL EXPLANATIONS****(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME,
MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)****B. MANDATORY PLAN**

1. The *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* (the Plan) applies on a mandatory basis for risks that meet the premium eligibility requirements in Rule 2-A. *Refer to the state rules for exceptions to this Plan's national rules.* A policy cannot be cancelled, rewritten or extended for purposes of enabling a risk to qualify for, or avoid application of, this Plan.
2. Any action taken in any form to evade the application of an experience rating modification determined in accordance with this Plan is prohibited.
3. The effective date of a change in any rule or rating value is 12:01 a.m. on the date approved for use. Unless otherwise specified, each change applies only from the anniversary rating date, which occurs on or after the effective date of the change. *Refer to Rule 2-B for more information about anniversary rating dates and rating effective dates.*
4. The Standard Workers Compensation and Employers Liability Insurance Policy ~~(WC 00 00 00 A)~~ provides the rating organization with the authority to examine and audit all records that relate to the policy. The application of this Plan's rules may be affected by the inclusion of mandatory and/or advisory endorsements found in the *Forms Manual of Workers Compensation and Employers Liability Insurance*.
5. The rules of this Plan are based on policy periods not longer than one year.
 - a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.
 - b. A policy issued for a period longer than one year and 16 days is treated as follows:
 - The policy period is divided into consecutive 12-month units.
 - The Policy Period Endorsement ~~(WC 00 04 05)~~ specifies the first or last unit of less than 12 months as a short-term policy.
 - All manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 7
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1—GENERAL EXPLANATION**

B. DEFINITIONS

1. GENERAL DEFINITIONS

(APPLIES ONLY TO VOLUNTARY POLICIES IN: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

c. Incurred Losses

Incurred losses for workers compensation and employers liability insurance are defined in the **Statistical Plan**. Incurred losses include paid and outstanding losses.

If the ALAE Option is elected, then incurred losses will include ALAE.

Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.

Note: The rating formula for incurred losses will not include a loss:

- Resulting from the nonratable element codes
- ~~Developed by the passenger seat surcharge under Classification Code 7421~~
- ~~For the disease-related portion of losses covered under Developed by the occupational-disease rates for employers subject to the Federal Coal-Mine Safety and Health Act~~
- ~~Developed by the~~Resulting from the application of catastrophe provisions as outlined in NCCI's **Basic Manual** and **Statistical Plan**
- Reported as fully fraudulent according to the **Statistical Plan**
- Reported as noncompensable according to the **Statistical Plan**

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 8
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1—GENERAL EXPLANATION**

B. DEFINITIONS

1. GENERAL DEFINITIONS

**(APPLIES ONLY TO VOLUNTARY POLICIES IN: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA,
ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN,
UT, VA, VT, WV)**

f. Standard Premium (SP)

For purposes of the retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:

- (1) Premium discount
- (2) Expense constant
- (3) Premium resulting from the nonratable element codes
- ~~(4) Premium developed by the passenger seat surcharge under Classification Code 7421~~
- ~~(4)(5) Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act~~
- ~~(5)(6) Premium developed by the catastrophe provisions as outlined in NCCI's *Basic Manual*~~

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 9
STATISTICAL PLAN—2008 EDITION
PART 1—GENERAL RULES**

**(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

L. COAL MINE AND BLACK LUNG DISEASE EXPERIENCE

Experience incurred for underground and surface coal mine operators, which are classified in accordance with the *Basic Manual*, and any risks exposed to Black Lung Disease (also known as Coal Workers' Pneumoconiosis) must be filed according to the rules of this Plan.

1. Reporting of Classification Code and Corresponding Statistical Code

Experience for traumatic and occupational disease, other than Black Lung Disease, must be reported with the applicable classification code. Black Lung Disease experience for state and/or federal acts must be reported separately from the classification code under the corresponding statistical code.

Following are the classification codes along with their corresponding statistical codes for Black Lung Disease:

Classification Code	Statistical Code
1016—Coal Mining NOC	0158—Black Lung Disease Experience in Connection With Code 1016
1005—Coal Mining—Surface and Drivers	0156—Black Lung Disease Experience in Connection With Code 1005
Any non-coal mining classification code	0164—Black Lung Disease Experience in Connection With Any Classification Other Than Coal Mine Code

2. Reporting of Experience for Federal Act Only

If Black Lung Disease coverage has been provided under the Federal ~~Coal Mine Safety and Health and Safety~~ Act only without state act coverage, experience for the Black Lung Disease must be reported under Statistical Code 0164 (Black Lung Disease Experience for Federal Benefits Only). Exposure Act/Exposure Coverage Code 03 and Loss Condition Act Code 03 (Coverage Under the Federal ~~Coal Mine Safety and Health and Safety~~ Act Only) must also be used when reporting the exposure, premium, and corresponding losses.

3. Reporting of Traumatic and Occupational Disease Experience (Other Than Black Lung Disease)

- a. Exposure and losses for traumatic and occupational disease experience, other than Black Lung Disease, must be reported under the applicable classification code. The appropriate Exposure Act/Exposure Coverage and Loss Condition Act codes must also be reported for the classification code.

Note: Exposure Act/Exposure Coverage Codes 03 and 04 are not valid.

Note: Assignment of Injury Description Code—Nature of Injury that represents the traumatic or Non-Black Lung Disease claim must also be reported appropriately. Nature of Injury Code 62—Black Lung is not valid for these claims.

4. Reporting of Black Lung Disease (Coal Workers' Pneumoconiosis) Experience

Black Lung Disease experience reporting requirements are as follows:

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 9 (CONT'D)
STATISTICAL PLAN—2008 EDITION
PART 1—GENERAL RULES****(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)****a. Exposure and Premium**

Exposure and premium charged for Black Lung Disease coverage under State Act and/or Federal ~~Coal Mine Safety and Health and Safety Act~~ are reported separately from the classification code(s) manual premium.

Black Lung Disease premium is not subject to experience rating, premium discounts, or retrospective rating, and it is not included in the Standard Premium.

Black Lung Disease exposure and premium must be reported under the appropriate statistical code as follows, based on the following coverage provided on the policy:

- State Act only coverage—Use Exposure Act/Exposure Coverage Code (01)—State Act or Federal Act Excluding USL&HW and Federal ~~Coal Mine Safety and Health and Safety Act~~
- Federal Act only coverage—Use Exposure Act/Exposure Coverage Code (03)—Coverage Under the Federal ~~Coal Mine Safety and Health and Safety Act~~ Only
- Federal and State Act coverage—Use Exposure Act/Exposure Coverage Code (04)—Coverage Under the Federal ~~Coal Mine Safety and Health and Safety Act~~

b. Losses

Losses resulting from Black Lung Disease coverage under State Act and/or Federal ~~Coal Mine Safety and Health and Safety Act~~ are reported separately from the classification code.

Black Lung Disease losses must be reported under the appropriate statistical code as follows, based on the following benefits paid or payable under the policy:

- State Act only benefits—Use Loss Condition Act Code (01)—State Act or Federal Act Excluding USL&HW and Federal ~~Coal Mine Safety and Health and Safety Act~~
- Federal Act only benefits—Use Loss Condition Act Code (03)—Coverage Under the Federal ~~Coal Mine Safety and Health and Safety Act~~ Only
- Federal and State Act benefits—Use Loss Condition Act Code (04)—Coverage Under the Federal ~~Coal Mine Safety and Health and Safety Act~~ and the State Act

Note: Assignment of Injury Description Code—Nature of Injury that represents the Black Lung Disease claim must also be reported appropriately.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 10
STATISTICAL PLAN—2008 EDITION
PART 3—EXPOSURE INFORMATION
F. EXPOSURE AMOUNT**

2. Nonpayroll Exposure

**(APPLIES IN: AK, AL, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS,
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

b. Aircraft Operation—Passenger Seat Exposure

For Policies Effective January 1, 2015, and Subsequent:

Aircraft Operations—Passenger Seat Exposure no longer applies because the separate surcharge and Statistical Code 9108 for nonflying crew employees were discontinued.

For policies that include Classification Code 7421—Aviation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew, report all exposure and any losses for members of the flying crew to Classification Code 7421.

For all other employees covered on the policy, all exposure and any losses are reported to the classification code to which the injured worker's payroll is assigned.

For Policies Effective Prior to January 1, 2015:

Report the number of seats as 1.0 per seat.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 11
STATISTICAL PLAN—2008 EDITION
PART 4—LOSS AND EXPENSE INFORMATION
E. CLAIM COMPONENTS**

1. Required Claim Components

f. Classification Code

(2) Additional Classification Code Loss Reporting

**(APPLIES IN: AK, AL, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS,
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

(a) Aircraft Operation Losses

For Policies Effective January 1, 2015, and Subsequent:

For policies that include Classification Code 7421—Aviation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew, report all exposure and any losses for members of the flying crew to Classification Code 7421.

For all other employees covered on the policy, all exposure and any losses are reported to the classification code to which the injured worker's payroll is assigned.

For Policies Effective Prior to January 1, 2015:

~~Losses related to employees of the risk, other than members of the flying crew, arising out of the operation of an aircraft must be reported under the designated aircraft operation class code. Losses incurred under the policy—other than to members of the flying crew—must be reported under Statistical Code 9108—Aircraft Operation—Passenger Seat Surcharge.~~

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES****EXHIBIT 12
STATISTICAL PLAN—2008 EDITION
PART 6—CODING VALUES****(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)****G. EXPOSURE ACT/EXPOSURE COVERAGE CODE**

This is a two-digit code that identifies the type of exposure coverage.

Code	Type of Exposure Coverage
00	For Use With Statistical Codes Only
01	State Act or Federal Act Excluding USL&HW and Federal Coal-Mine Safety and Health and Safety Act : Coverage for benefits paid to employees injured as the result of a workplace accident under the state workers compensation law or federal compensation laws, excluding coverage under the United States Longshore and Harbor Workers' Compensation Act and the Federal Coal-Mine Safety and Health and Safety Act .
02	USL&HW F-Classes or USL&HW Coverage on Non-F-Classes: <ul style="list-style-type: none"> • Coverage for benefits paid to employees injured as the result of a workplace accident under the USL&HW Act. • Extension of the USL&HW Act to non-F-class operations, which involve some employees subject to the USL&HW Act for an additional premium charge.
03	Coverage Under the Federal Coal-Mine Safety and Health and Safety Act Only: <ul style="list-style-type: none"> • Coverage by endorsement for benefits paid to employees injured as the result of a workplace accident under the Federal Coal-Mine Safety and Health and Safety Act excluding the state act for coal mine class codes. Disease is covered under the Federal Coal-Mine Safety and Health and Safety Act only. • Coverage by endorsement for benefits paid to employees injured as the result of a workplace accident under the Federal Coal-Mine Safety and Health and Safety Act for non-coal mine class codes.
04	Coverage Under the Federal Coal-Mine Safety and Health and Safety Act and the State Act: <ul style="list-style-type: none"> • Coverage by endorsement for benefits paid to employees injured as the result of a workplace accident under the Federal Coal-Mine Safety and Health and Safety Act in addition to the state act for coal mine class codes. Coverage for disease is provided under both the state act and the Federal Coal-Mine Safety and Health and Safety Act. • Coverage by endorsement for benefits paid to employees injured as the result of a workplace accident under the Federal Coal-Mine Safety and Health and Safety Act in addition to the state act for non-coal mine class codes.
06	Coverage Under State Act Excluding Medical Coverage: Coverage described under the Standard Workers Compensation Including Employers Liability Policy, except that the insured pays for all medical and hospital services as required by workers compensation law.
07	Excess Benefits Coverage: Applies in Maryland, Virginia and West Virginia only, as follows: Maryland Exception: Code 07 for Excess Benefits Coverage applies in Maryland. Coverage described under the Standard Workers Compensation Including Employers Liability Policy, except coverage that was endorsed by the Excess Special Endorsement. When excess benefits coverage is provided in Maryland, the following rules govern the reporting of loss data: <ul style="list-style-type: none"> • Each loss must be valued separately under the Maryland Workers Compensation Law.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 12 (CONT'D)
STATISTICAL PLAN—2008 EDITION
PART 6—CODING VALUES**

**(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

Code Type of Exposure Coverage

- The valuation on the basis of the Maryland law must be reported according to the rules of this Plan.
- The valuation under the excess benefits (e.g., Maryland law subcontracted from the valuation under the District of Columbia law) must be reported.

Virginia Exception: Code 07 for Excess Benefits Coverage applies in Virginia. Coverage described under the Standard Workers Compensation Including Employers Liability Policy, except coverage that was endorsed by the Excess Special Endorsement.

West Virginia Exception: Code 07 applies in West Virginia in connection with Deliberate Intent (Mandolidis) Coverage only, when endorsed on a workers compensation/employers liability policy or when provided as an excess policy.

08 Reserved for Future Use

09 Endorsed Maritime Coverage: Coverage described under the Standard Workers Compensation Including Employers Liability Policy, which is endorsed to provide coverage for bodily injury to a master or member of the crew of any vessel.

Louisiana Exception: Code 09 for Endorsed Maritime Coverage applies in Louisiana only.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 13
STATISTICAL PLAN—2008 EDITION
PART 6—CODING VALUES**

H. STATISTICAL CODES

(APPLIES IN: AK, AL, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

2. Premium Amount *Not Subject* to Experience Modification Factor

Premium Amount *Not Subject* to Experience Modification Factor

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Aircraft Operation—Passenger Seat Surcharge ⁽²⁾	9108	+	All States Except AZ, VA	07/86	<u>12/31/14</u>

⁽¹⁾ Premium programs apply to all states listed unless otherwise noted.

⁽²⁾ Reported with the number of seats in the exposure field.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 14
STATISTICAL PLAN—2008 EDITION
PART 6—CODING VALUES**

K. LOSS CONDITION CODE

**(APPLIES IN: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

1. Act—Loss Conditions

The first component of Loss Conditions consists of two digits for the Act.

Code	Description
01	State Act or Federal Act excluding USL&HW and Federal Coal-Mine Safety and Health and Safety Act : A claim with benefits determined according to the workers compensation law or federal compensation laws, excluding United States Longshore and Harbor Workers' Compensation Act and excluding coverage under the Federal Coal-Mine Safety and Health and Safety Act .
02	USL&HW F-Classes and USL&HW coverage on Non-F-Classes : A claim with benefits determined according to the United States Longshore and Harbor Workers' Compensation Act.
03	Federal Coal-Mine Safety and Health and Safety Act Only : A claim with benefits determined according to the Federal Coal-Mine Safety and Health and Safety Act .
04	Federal Coal-Mine Safety and Health and Safety Act and the State Act : A claim with benefits determined according to the Federal Coal-Mine Safety and Health and Safety Act and state workers compensation law.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 15
BASIC MANUAL—2001 EDITION
MISSOURI MISCELLANEOUS RULES**

MISSOURI WORKERS COMPENSATION PREMIUM ALGORITHM

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.*

	PREMIUM ELEMENTS	EXPLANATORY NOTES
	MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
	TOTAL MANUAL PREMIUM	
+	Waiver of Subrogation factor **	[% applied to the portion of Total Manual Premium where waiver is applicable]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
-	Deductible credit #	[% applied to Total Manual Premium]
	TOTAL SUBJECT PREMIUM	
X	Experience Modification (Exp Mod)	
	TOTAL MODIFIED PREMIUM	
X	Contracting Class Prem Adj Program factor (1 - CCPAP credit %)	
X	Schedule Rating factor (1 - SR credit %) or (1 + SR debit %) §	
+	Supplemental Disease Exposure (Asbestos, NOC) †	
+	Atomic Energy Radiation Exposure NOC †	
+	Charge for nonratable catastrophe loading †	
-	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
	TOTAL STANDARD PREMIUM	
-	Premium Discount §§	[% applied to Standard Premium]
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	Terrorism	[(PAYROLL / 100) * TERRORISM VALUE]
	ESTIMATED ANNUAL PREMIUM	
+	Audit Noncompliance Charge	
	TOTAL AMOUNT DUE	

* The above rating method would be used in the absence of independent carrier filings.

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

**EXHIBIT 15 (CONT'D)
BASIC MANUAL—2001 EDITION
MISSOURI MISCELLANEOUS RULES**

- ** Premium charges established for Waiver of Subrogation are not filed by NCCI for the voluntary market.
- # Second Injury Fund assessments are calculated as if the deductible plan were not being used.
- § Schedule Rating Plans are individually filed by each carrier.
- † Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.
- §§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.

NOC = Not Otherwise Classified.

Note: For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.

SERFF Tracking #: NCCI-129196408 **State Tracking #:** 30 **Company Tracking #:** B-1426 (LB)

State: Missouri **Filing Company:** NCCI
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: B-1426 Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses from Incurred Losses
Project Name/Number: /

Supporting Document Schedules

Satisfied - Item:	Filing Memorandum
Comments:	
Attachment(s):	Memorandum B-1426.pdf
Item Status:	APPROVED
Status Date:	11/05/2013
Satisfied - Item:	Response to 10-4-13 Objection
Comments:	
Attachment(s):	MO B1425 100413 Response.pdf
Item Status:	APPROVED
Status Date:	11/05/2013

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES; DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

PURPOSE

This item:

- Revises references to the Federal Coal Mine Safety and Health Act
- Discontinues the per passenger seat surcharge and its corresponding statistical codes
- Excludes fully fraudulent and/or noncompensable claims from the definition of incurred losses in the retrospective rating plan formula and the Loss Sensitive Rating Plan (LSRP) formula
- Removes endorsement number references included in NCCI's *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)*

The following NCCI manuals are impacted by this item:

- *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*
- *Experience Rating Plan Manual*
- *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)*
- *Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)*

BACKGROUND

Federal Mine Safety and Health Act

NCCI's *Basic Manual*, *Retrospective Rating Plan Manual*, and *Statistical Plan* contain several rules that reference the Federal Coal Mine Safety and Health Act. These references must be updated to conform with the current name, which is the Federal Mine Safety and Health Act (Act). The name of the current Act became effective with the enactment of the Federal Mine Safety and Health Act of 1977, which amended the Federal Coal Mine Health and Safety Act of 1969.

Additionally, NCCI's *Experience Rating Plan Manual* Rule 1-B contains the specific number reference to NCCI's Workers Compensation and Employers Liability Insurance Policy (Policy) and the Policy Period Endorsement. To avoid the need for a national filing to update NCCI's *Experience Rating Plan Manual* each time the Policy and/or endorsement number is revised, NCCI is removing the number reference from the rule content.

Per Passenger Seat Surcharge

The per passenger seat surcharge was established in 1947, concurrent with the introduction of Classification Code 7421—Aircraft or Helicopter Operation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew. The purpose of the per passenger seat surcharge is to provide a catastrophe load for the exposure of an insured's employees (other than flight crew) who may be injured while passengers on the insured's noncommercial, nonscheduled aircraft. The surcharge is applied to policies with Classification Code 7421 and must be charged in addition to the premium otherwise determined under Classification Code 7421. At its inception, the surcharge was \$35 per passenger seat, subject to a maximum of \$300 per aircraft. Currently, the per passenger seat surcharge is \$100 per passenger seat, subject to a maximum of

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.

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES; DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

\$1,000 per aircraft. Kansas, Oklahoma, and Virginia continue to apply a surcharge of \$35 per passenger seat, subject to a maximum of \$300 per aircraft.

For all states other than Arizona and Virginia, the per passenger seat surcharge and any associated losses are reported under Statistical Code 9108—Aircraft Operation for Reporting Passenger Seat Surcharge and Crash Losses to Employees Other Than Members of Crew. The premium reported to Statistical Code 9108 is not subject to experience rating; the losses reported to Statistical Code 9108 are not used in the experience rating calculation.

The per passenger seat surcharge is not applicable in Arizona.

For Virginia, the per passenger seat surcharge and any associated losses are reported under Statistical Code 0088—Aircraft Operation for Reporting Passenger Seat Surcharge and Crash Losses to Employees Other Than Members of Crew. While the losses reported to Statistical Code 0088 are not used in the experience rating calculation, the premium reported to Statistical Code 0088 is subject to experience rating.

Aircraft losses have historically been reported to Statistical Codes 0088 and 9108, which are excluded from NCCI's ratemaking. Since the per passenger seat surcharge was introduced, large loss procedures have been incorporated in both NCCI's experience rating and ratemaking procedures to temper the impact of single large loss claims and multi-claim occurrences.

In class ratemaking, individual claims are limited to \$500,000 and multi-claim occurrences are limited to \$1,500,000 with excess losses accounted for through the application of excess provisions incorporated in the ratemaking process. Claim limits vary by state for aggregate ratemaking and can be found in the technical supplement that accompanies each state's loss cost or rate filing.

Individual claims and multi-claim occurrences are also limited for purposes of calculating experience rating modifications. These limits are shown in each state's table of weighting values located in NCCI's ***Experience Rating Plan Manual***. Catastrophe losses are also excluded from experience rating per Rule 1-C-3 of NCCI's ***Experience Rating Plan Manual***.

The per passenger seat surcharge will be discontinued for the following reasons:

- In recent years, a minimal amount of premium has been reported under Statistical Codes 9108 and 0088
- Aircraft loss events are rare and the outcomes are uncertain
- Aircraft losses should be included in ratemaking since a large loss procedure and catastrophe provisions are now in place
- The per passenger seat surcharge does not address situations in which the insured has a separate legal entity solely for the aircraft exposure

Also, NCCI has identified another change unrelated to the per passenger seat surcharge issue. The footnote for the Total Standard Premium element in various state workers compensation premium algorithms provided in NCCI's ***Basic Manual*** has no direct relationship to the premium algorithm calculation; therefore, the footnote is being removed if shown in a state algorithm.

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.

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES; DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

Exclusion of Fully Fraudulent and/or Noncompensable Claims From Retrospective Rating and LSRP

Retrospective rating adjusts policy premium on the basis of incurred losses during the term of the policy. Incurred losses are defined in NCCI's *Statistical Plan* and include paid and outstanding losses. NCCI has determined that fully fraudulent claims, as defined in NCCI's *Statistical Plan* Part 6-P, and/or noncompensable claims, as defined in NCCI's *Statistical Plan* Part 6-K-5, should be excluded from the incurred losses used in retrospective rating and LSRP (where applicable). Currently, fully fraudulent and/or noncompensable claims are excluded and will continue to be excluded from experience rating when reported in accordance with NCCI's *Statistical Plan*. The exclusion of these types of claims from retrospective rating and LSRP will be consistent with the exclusion of these types of claims for experience rating purposes.

PROPOSAL

Federal Mine Safety and Health Act

It is proposed that the following list of national rules be revised to properly reference the Federal Mine Safety and Health Act. Revisions to state-specific rules are described in the Exhibit Comments and Implementation Summary section of this item.

- NCCI's *Basic Manual* Rules 3-A-12-a, 3-A-20, 4-C-5-c(12)(b), and 4-C-9-f
- NCCI's *Retrospective Rating Plan Manual* Rules 1-B-1-c and 1-B-1-f
- NCCI's *Statistical Plan* Parts 1-L-2, 6-G, and 6-K-1

In addition, it is proposed that NCCI's *Experience Rating Plan Manual* Rule 1-B be revised to remove the number references to the Policy and the Policy Period Endorsement.

Per Passenger Seat Surcharge

It is proposed that the following list of national rules be revised to discontinue the per passenger seat surcharge. Revisions to state-specific rules and workers compensation premium algorithms are described in the Exhibit Comments and Implementation Summary section of this item.

- NCCI's *Basic Manual* Rules 3-A-20, 4-C-5-c(12)(b), and 4-C-9-f
- NCCI's *Basic Manual* Part Two—Classifications—Code 7421—Aviation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew
- NCCI's *Retrospective Rating Plan Manual* Rules 1-B-1-c and 1-B-1-f
- NCCI's *Statistical Plan* Parts 3-F-2-b and 4-E-1-f(2)(a)
- NCCI's *Statistical Plan* Part 6-H-2 for Statistical Code 9108—Aircraft Operation—Passenger Seat Surcharge

The per passenger seat surcharge will be eliminated from the Miscellaneous Values pages of NCCI's *Basic Manual* effective January 1, 2015, for states where this item has received regulatory approval.

Exclusion of Fully Fraudulent and/or Noncompensable Claims From Retrospective Rating and LSRP

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.

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES; DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

It is proposed that fully fraudulent and/or noncompensable claims, as defined in NCCI's *Statistical Plan* Parts 6-P and 6-K-5, be excluded from the definition of the incurred losses used for retrospective rating and LSRP. It is also proposed to revise the description of other types of losses currently excluded from incurred losses used for retrospective rating. These revisions to NCCI's *Retrospective Rating Plan Manual* Rule 1-B-1-c do not change the intent of the rule. Accordingly, it is proposed that the following list of national rules be revised. Revisions to state-specific rules are described in the Exhibit Comments and Implementation Summary section of this item.

- NCCI's *Basic Manual* Rule 4-C-9-f
- NCCI's *Retrospective Rating Plan Manual* Rule 1-B-1-c

Note: Item B-1426 is being filed in conjunction with Item P-1411—Revisions to Forms Manual of Workers Compensation and Employers Liability Insurance. Item P-1411 proposes to revise references to the Federal Coal Mine Safety and Health Act, discontinue references to the per passenger seat surcharge, and revise references to fully fraudulent and noncompensable claims included in retrospective rating and the Loss Sensitive Rating Program (LSRP) in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*. Items P-1411 and B-1426 should be adopted concurrently.

IMPACT

Federal Mine Safety and Health Act

No premium impact is expected as a result of any of the changes proposed in this item related to updating references to the Federal Coal Mine Safety and Health Act or removing endorsement number references from Rule 1-B of NCCI's *Experience Rating Plan Manual*.

Per Passenger Seat Surcharge

The amount of statewide premium affected by this change is expected to be negligible.

To implement the elimination of the per passenger seat surcharge, the surcharge premium will no longer be collected and aircraft losses will begin to be reported to the applicable classification code, instead of a statistical code (Statistical Code 9108/0088), concurrent with the elimination of the surcharge. All else being equal, this will initially cause a slight decrease in premium.

In addition, the aircraft losses will be included in the experience used to calculate a risk's experience rating modification. This would create an approximate two-year time lag between the effective date of the elimination of the surcharge and the date that the aircraft losses would be incorporated into future loss costs/rates and experience rating modifications. All else being equal, this will cause a slight increase in premium in approximately two years.

While aircraft losses would be included in a risk's experience rating modification, these losses would be subject to the single-claim and multiple-claim loss limitations. For ratemaking, these losses would be subject to the large loss procedure. This procedure was not in place when the per passenger seat surcharge was introduced in 1947.

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.

FILING MEMORANDUM

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

Exclusion of Fully Fraudulent and Noncompensable Claims from Retrospective Rating and LSRP

The amount of statewide premium affected by this change is expected to be negligible.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In all states except Hawaii, this item is to become effective for new and renewal policies effective on and after 12:01 a.m. on January 1, 2015.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

Exhibit	Exhibit Comments	Implementation Summary
1	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 3-A-12-a • Refer to Exhibit 16 for NC State Rule Exception for Rule 3-A-12-c • Refer to Exhibit 16 for VA State Rule Exception for Rule 3-A-12 • Not recommended in MA, MN, TX, WI 	Revises NCCI's <i>Basic Manual</i> .
2	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 3-A-20 • Refer to Exhibit 18 for VA State Rule Exception for Rule 3-A-20 • Not recommended in MA, MN, TX, WI 	
3	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 4-C-5-c(12)(b) • Applicable only to assigned risk policies in AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, VT, WV 	
4	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 4-C-9-f • Applicable only to assigned risk policies in AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, VT, WV 	
5	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part Two—Classifications—Code 7421—Aviation—Transportation of Personnel 	

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.

FILING MEMORANDUM

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

Exhibit	Exhibit Comments	Implementation Summary
	in Conduct of Employer’s Business—Flying Crew <ul style="list-style-type: none"> • Refer to Exhibit 16 for OR State Rule Exception for Code 7421 • Refer to Exhibit 19 for VA State Rule Exception for Code 7421 • Not recommended in MA, MN, TX, WI 	
6	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 1-B • Not recommended in MN, TX, WI 	Revises NCCI’s <i>Experience Rating Plan Manual</i> .
7	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 1-B-1-c; applicable only to voluntary policies • Refer to Exhibit 16 for FL, MA, MN, TX, and WI, and Exhibit 18 for NC State Rule Exceptions for Rule 1-B-1-c 	Revises NCCI’s <i>Retrospective Rating Plan Manual</i> .
8	<ul style="list-style-type: none"> • Includes the proposed national revisions to Rule 1-B-1-f; applicable only to voluntary policies • Refer to Exhibit 17 for FL, MA, MN, TX and WI State Rule Exceptions for Rule 1-B-1-f 	
9	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 1-L • Not recommended in MA, MN, NC, WI 	
10	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 3-F-2-b • Refer to Exhibit 21 for VA State Exception for Part 3-F-2-b • Not recommended in MA, MN, NC, WI 	Revises NCCI’s <i>Statistical Plan</i> .
11	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-E-1-f(2)(a) • Refer to Exhibit 22 for VA State Exception for Part 4-E-1-f(2)(a) • Not recommended in MA, MN, NC, WI 	

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.

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

Exhibit	Exhibit Comments	Implementation Summary
12	<ul style="list-style-type: none"> Includes the proposed national revisions to Part 6-G Not recommended in MA, MN, NC, WI 	
13	<ul style="list-style-type: none"> Includes the proposed coding value revision for all states except AZ and VA for national Part 6-H-2, Statistical Code 9108 Not recommended in MA, MN, NC, WI 	
14	<ul style="list-style-type: none"> Includes the proposed national revisions to Part 6-K-1 Not recommended in MA, MN, NC, WI 	
15	<ul style="list-style-type: none"> Includes the proposed revisions to each state's individual workers compensation premium algorithm in the voluntary market, where applicable Includes the proposed revisions to each state's individual assigned risk workers compensation premium algorithm in the assigned risk market, where applicable For WV, additional information has been added to certain premium element explanatory notes in the WV Assigned Risk Workers Compensation Premium Algorithm Not recommended in MA, MN, TX, WI 	Revises NCCI's <i>Basic Manual</i> .
16	Includes the proposed revision for the AZ State Exception to Part 3-F-2-b.	Revises NCCI's <i>Statistical Plan</i> .
	Includes the proposed revisions to the FL State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .
	Includes the proposed revisions to the IN State Rule Exception for Rule 4-H; applicable only to assigned risk policies.	
	Includes the proposed revisions to the KS Miscellaneous Rules, Part One, Rule 2-f; applicable to assigned risk policies only.	Revises NCCI's <i>Basic Manual</i> .

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.

FILING MEMORANDUM

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

Exhibit	Exhibit Comments	Implementation Summary
	Includes the proposed revisions to the MA State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .
	Includes the proposed establishment of the MN State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	
	Includes the proposed revisions to Rule 2-A-7; applicable only to assigned risk policies.	Revises NCCI's <i>New Mexico Workers' Compensation Assigned Risk Pool Manual (NMARM)</i> .
	Includes the proposed revisions to the NC State Rule Exception for Rule 3-A-12-c.	Revises NCCI's <i>Basic Manual</i> .
	Includes the proposed revisions to the OR State Special phraseology for Classification Code 7421.	
	Includes the proposed revisions to the TX State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .
	Includes the proposed revisions to the VA State Rule Exception for Rule 3-A-12.	Revises NCCI's <i>Basic Manual</i> .
	Includes the proposed establishment of the WI State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .
17	Includes the proposed revision for the AZ State Exception to Part 4-E-1.	Revises NCCI's <i>Statistical Plan</i> .
	Includes the proposed revisions to the FL State Rule Exception for Rule 1-B-1-f; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .
	Includes the proposed revisions to the KS Miscellaneous Rules, Part One, Rule 5; applicable to assigned risk policies only.	Revises NCCI's <i>Basic Manual</i> .
	Includes the proposed revisions to the MA State Rule Exception for Rule 1-B-1-f; applicable only to voluntary policies.	Revises NCCI's <i>Retrospective Rating Plan Manual</i> .

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.

FILING MEMORANDUM

ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES

Exhibit	Exhibit Comments	Implementation Summary
	Includes the proposed establishment of the MN State Rule Exception for Rule 1-B-1-f; applicable only to voluntary policies.	
	Includes the proposed revisions to Rule 10-B-2-b; applicable only to assigned risk policies.	Revises NCCI's MMARM .
	Includes the proposed revisions to the NC Workers Compensation Insurance Plan, Section I—Definitions; applicable to assigned risk policies only.	Revises NCCI's Basic Manual .
	Includes the proposed revisions to the TX State Rule Exception for Rule 1-B-1-f; applicable only to voluntary policies.	Revises NCCI's Retrospective Rating Plan Manual .
	Includes the proposed discontinuation of the assigned risk VA State Rule Exception for Rule 3-A-12. The voluntary and assigned risk VA exceptions for Basic Manual Rule 3-A-12 are identical; therefore, it is not necessary to have duplicate rules apply separately for both markets.	Revises NCCI's Basic Manual .
	Includes the proposed revisions to the WI State Rule Exception for Rule 1-B-1-f; applicable only to voluntary policies.	Revises NCCI's Retrospective Rating Plan Manual .
18	<ul style="list-style-type: none"> • Includes the proposed revisions to Appendix, Article II-2 • In addition to the Act name, NCCI has determined that the formatting of certain statutory citations must be updated • Applicable only to assigned risk policies 	Revises NCCI's MMARM .
	Includes the proposed establishment of the NC State Rule Exception for Rule 1-B-1-c; applicable only to voluntary policies.	Revises NCCI's Retrospective Rating Plan Manual .
	Includes the proposed revisions to the VA State Rule Exception for Rule 3-A-20.	Revises NCCI's Basic 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.

FILING MEMORANDUM

**ITEM B-1426—UPDATE FEDERAL MINE SAFETY AND HEALTH ACT REFERENCES;
 DISCONTINUE PER PASSENGER SEAT SURCHARGE; EXCLUDE FRAUDULENT AND/OR
 NONCOMPENSABLE LOSSES FROM INCURRED LOSSES**

19	Includes the proposed update to the phraseology and description to discontinue references to the per passenger seat surcharge for Classification Code 7421—Aviation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew.	Revises the Virginia Special Classifications section of NCCI's <i>Basic Manual</i> .
20	Includes the proposed coding value revision specific to VA for national Part 6-H-1, Statistical Code 0088.	Revises NCCI's <i>Statistical Plan</i> .
21	Includes the proposed revision for the VA State Exception to Part 3-F-2-b.	
22	Includes the proposed revision for the VA State Exception to Part 4-E-1-f(2)(a).	

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.



**National Council on
Compensation Insurance**

Roy O Wood
State Relations Executive
Regulatory Services Division
(P) 314-843-4001 (F) 561-893-5550
Email: Roy_Wood@ncci.com

October 17, 2013

Missouri Department of Insurance
PO Box 690
Jefferson City, MO 65102-0690

Attn: Jon Meyer

RE: B-1426—Update Federal Mine Safety and Health Act References; Discontinue Per Passenger Seat Surcharge; Exclude Fraudulent and/or Noncompensable Losses From Incurred Losses
SERFF Tracking #: NCCI-129196408/State Tracking #: 30

Dear Mr. Meyer,

Thank you for your October 4, 2013 objection regarding the above-referenced item filing. After review and consideration, we offer the following response to your question:

Objection 1

The filing says the impact will be a slight increase in approximately two years. Please give an indication as to what that increase may look like and how many insureds may be impacted in Missouri. Also, compare that increase to the initial decrease that may occur.

Response:

The per passenger seat surcharge is used in conjunction with Code 7421— Aircraft or Helicopter Operation—Transportation of Personnel in Conduct of Employer's Business—Flying Crew. Code 7421 applies when an employer owns or leases fixed-wing aircraft that are operated by their own employees to transport themselves, coworkers, business associates, or products. The code applies to the payroll of pilots and all members of the flying crew. It also applies to the payroll of executive officers or other employees who operate fixed-wing aircraft in the conduct of the employer's business. The per passenger seat surcharge is used to provide the premium to cover losses incurred due to the catastrophe potential inherent in an aircraft accident. Currently, the surcharge must be charged in addition to the premium otherwise determined under Code 7421. These losses are reported to NCCI under Statistical Code 9108, with no associated payroll, rather than to Code 7421.

As a result, losses under Statistical Code 9108 are not currently utilized in the ratemaking process or in the calculation of experience rating modifications. Item B-1426 proposes that for policies effective on and after 1/1/2015, losses previously reported under Statistical Code 9108 will instead be reported to the classification of exposure, and flow through standard ratemaking and experience rating processes. Additionally, insureds will no longer be charged the additional per passenger seat surcharge premium. This results in initial premium savings beginning with policies effective 1/1/2015. As data is reported to NCCI,

aircraft loss experience will begin impacting experience rating modifications for policies effective 1/1/2017 and subsequent. All else equal, the inclusion of these losses could increase the experience rating modification for an individual risk.

Historical data shows that there were fewer than ten aircraft losses reported under Statistical Code 9108 in Missouri during the most recent available ten policy years. If the same trend persists (an average of less than one aircraft loss per year) that would imply that only a single insured would have an experience rating modification impacted in 2017. Since three years of experience are typically used for experience rating, this would imply that by 2019, three insureds could be impacted. It is expected that the statewide increase in premium associated with this change will be less than the statewide per passenger seat surcharge premium currently being collected.

Thank you for your consideration of this item. If you have further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy O. Wood", with a stylized flourish at the end.

Roy O. Wood
State Relations Executive