

**State:** Missouri **Filing Company:** NCCI Inc  
**TOI/Sub-TOI:** 16.0 Workers Compensation/16.0004 Standard WC  
**Product Name:** R-1415 - 2018 Update to the Retrospective Rating Plan Parameters - Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors  
**Project Name/Number:** /

## Filing at a Glance

**Company:** NCCI Inc  
**Product Name:** R-1415 - 2018 Update to the Retrospective Rating Plan Parameters - Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors  
**State:** Missouri  
**TOI:** 16.0 Workers Compensation  
**Sub-TOI:** 16.0004 Standard WC  
**Filing Type:** Rule  
**Date Submitted:** 06/06/2018  
**SERFF Tr Num:** NCCI-131526431  
**SERFF Status:** Closed-APPROVED  
**State Tr Num:** 13  
**State Status:** APPROVED  
**Co Tr Num:** R-1415  
  
**Effective Date:** 01/01/2019  
**Requested (New):**  
**Effective Date:** 01/01/2019  
**Requested (Renewal):**  
**Author(s):** Lesley O'Brien, Frank Gnolfo, Kevin Ott, Whitney Atheras  
**Reviewer(s):** Patrick Lennon (primary)  
**Disposition Date:** 09/13/2018  
**Disposition Status:** APPROVED  
**Effective Date (New):** 01/01/2019  
**Effective Date (Renewal):** 01/01/2019  
  
**State Filing Description:**

**State:** Missouri **Filing Company:** NCCI Inc  
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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: 09/13/2018  
 State Status Changed: 09/13/2018 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 revisions to the Excess Loss Pure Premium Factors (ELPPFs) and Excess Loss and Allocated Expense Pure Premium Factors (ELAEPFFs) in NCCI's Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual).

## Company and Contact

### Filing Contact Information

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 Suite 310 314-842-3188 [FAX]  
 St. Louis, MT 63126

### Filing Company Information

NCCI Inc CoCode: State of Domicile: Florida  
 901 Peninsula Corporate Circle Group Code: Company Type:  
 Boca Raton, FL 33487 Group Name: State ID Number: 9999-8500  
 (561) 893-3186 ext. [Phone] FEIN Number: 65-0439698

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$50.00  
 Retaliatory? No  
 Fee Explanation: Rule  
 Per Company: Yes

Company	Amount	Date Processed	Transaction #
NCCI Inc	\$50.00	06/06/2018	140481535

## State Specific

NAIC Number: NA  
 Have you reviewed the General Instructions document? (yes/no)(General Instructions updated 06/16/2017): Yes  
 If this is a rate filing, was rate data added on the rate/rule schedule? (yes/no): No  
 Are you paying the \$50 per company per submission filing fee electronically using EFT? The utilization of SERFF and EFT for filings of papers, documents, and reports is now required, per 20 CSR 100-1.900.: Yes

SERFF Tracking #: NCCI-131526431      State Tracking #: 13      Company Tracking #: R-1415

State: Missouri      Filing Company: NCCI Inc  
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Product Name: R-1415 - 2018 Update to the Retrospective Rating Plan Parameters - Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors  
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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Patrick Lennon	09/13/2018	09/13/2018

**Disposition**

Disposition Date: 09/13/2018  
 Effective Date (New): 01/01/2019  
 Effective Date (Renewal): 01/01/2019  
 Status: APPROVED

**Comment:**  
 Thank you for your filing submission. At this point in time, I do not have any further questions and am concluding my review of this filing. Please note that although this filing has reached final review with the Department it does not mean the Department is precluded from initiating future inquiries or from taking further administrative or legal action. Ultimately, the insurance company is responsible for ensuring it is in compliance with Missouri insurance law through its administration of insurance policies and handling of claims.

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
<b>Supporting Document</b>	Filing Memorandum	APPROVED	Yes
<b>Rate</b>	Exhibit 1	APPROVED	Yes
<b>Rate</b>	Exhibit 2	APPROVED	Yes

**State:** Missouri      **Filing Company:** NCCI Inc  
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### Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	APPROVED 09/13/2018	Exhibit 1	ELPPF	Replacement	R-1413	MO exhibit 1.pdf
2	APPROVED 09/13/2018	Exhibit 2	ELAEPPF	Replacement	R-1413	MO exhibit 2.pdf

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN PARAMETERS—  
EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND ALLOCATED EXPENSE  
PURE PREMIUM FACTORS**

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

<b>3. Excess Loss 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	0.572	0.616	0.642	0.678	0.704	0.729	0.744
\$15,000	0.514	0.563	0.591	0.631	0.662	0.692	0.712
\$20,000	0.467	0.519	0.549	0.592	0.626	0.660	0.684
\$25,000	0.429	0.483	0.513	0.558	0.595	0.631	0.658
\$30,000	0.397	0.452	0.482	0.528	0.567	0.605	0.635
\$35,000	0.370	0.425	0.456	0.502	0.542	0.582	0.615
\$40,000	0.346	0.401	0.432	0.478	0.520	0.561	0.595
\$50,000	0.307	0.361	0.392	0.438	0.481	0.523	0.561
\$75,000	0.241	0.291	0.320	0.364	0.408	0.451	0.495
\$100,000	0.199	0.245	0.272	0.313	0.357	0.398	0.445
\$125,000	0.170	0.212	0.238	0.276	0.319	0.359	0.407
\$150,000	0.149	0.188	0.213	0.248	0.289	0.327	0.376
\$175,000	0.132	0.169	0.193	0.226	0.266	0.302	0.351
\$200,000	0.119	0.153	0.177	0.208	0.246	0.281	0.330
\$225,000	0.108	0.141	0.163	0.193	0.230	0.263	0.312
\$250,000	0.099	0.130	0.152	0.180	0.216	0.248	0.296
\$275,000	0.092	0.121	0.142	0.169	0.204	0.234	0.283
\$300,000	0.085	0.113	0.134	0.159	0.193	0.222	0.271
\$325,000	0.079	0.106	0.126	0.151	0.184	0.212	0.260
\$350,000	0.074	0.100	0.119	0.143	0.175	0.203	0.250
\$375,000	0.070	0.095	0.114	0.136	0.168	0.194	0.241
\$400,000	0.066	0.090	0.108	0.130	0.161	0.186	0.233
\$425,000	0.062	0.086	0.104	0.125	0.155	0.179	0.225
\$450,000	0.059	0.082	0.099	0.120	0.149	0.173	0.218
\$475,000	0.056	0.078	0.095	0.115	0.144	0.167	0.212
\$500,000	0.054	0.075	0.092	0.111	0.139	0.162	0.206
\$600,000	0.045	0.064	0.079	0.097	0.123	0.143	0.186
\$700,000	0.039	0.056	0.070	0.086	0.110	0.129	0.170
\$800,000	0.034	0.050	0.063	0.077	0.100	0.118	0.157
\$900,000	0.030	0.045	0.057	0.070	0.092	0.108	0.146
\$1,000,000	0.027	0.041	0.052	0.064	0.085	0.100	0.137
\$2,000,000	0.013	0.021	0.028	0.035	0.050	0.059	0.086
\$3,000,000	0.008	0.014	0.019	0.024	0.035	0.042	0.064
\$4,000,000	0.005	0.010	0.014	0.018	0.027	0.032	0.051
\$5,000,000	0.004	0.008	0.011	0.014	0.021	0.026	0.042
\$6,000,000	0.003	0.006	0.009	0.011	0.017	0.022	0.035
\$7,000,000	0.003	0.005	0.007	0.009	0.015	0.018	0.030
\$8,000,000	0.002	0.004	0.006	0.008	0.012	0.016	0.026
\$9,000,000	0.002	0.003	0.005	0.007	0.011	0.013	0.023
\$10,000,000	0.002	0.003	0.004	0.006	0.009	0.012	0.020

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN PARAMETERS—  
EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND ALLOCATED EXPENSE  
PURE PREMIUM 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	0.653	0.700	0.727	0.765	0.793	0.820	0.834
\$15,000	0.589	0.642	0.673	0.716	0.749	0.781	0.801
\$20,000	0.539	0.595	0.627	0.674	0.710	0.746	0.771
\$25,000	0.497	0.555	0.588	0.637	0.677	0.716	0.744
\$30,000	0.461	0.521	0.554	0.604	0.646	0.688	0.719
\$35,000	0.431	0.491	0.524	0.575	0.619	0.662	0.696
\$40,000	0.404	0.464	0.498	0.549	0.595	0.639	0.675
\$50,000	0.361	0.420	0.453	0.504	0.551	0.598	0.638
\$75,000	0.286	0.341	0.373	0.421	0.470	0.517	0.564
\$100,000	0.238	0.289	0.319	0.364	0.412	0.459	0.509
\$125,000	0.205	0.252	0.281	0.323	0.370	0.414	0.466
\$150,000	0.180	0.224	0.251	0.291	0.336	0.379	0.432
\$175,000	0.161	0.202	0.228	0.266	0.309	0.350	0.403
\$200,000	0.146	0.184	0.210	0.245	0.287	0.326	0.380
\$225,000	0.133	0.170	0.194	0.228	0.269	0.306	0.359
\$250,000	0.123	0.157	0.181	0.213	0.253	0.288	0.342
\$275,000	0.113	0.147	0.170	0.200	0.239	0.273	0.326
\$300,000	0.106	0.138	0.160	0.189	0.227	0.260	0.312
\$325,000	0.099	0.130	0.151	0.179	0.216	0.248	0.300
\$350,000	0.093	0.122	0.144	0.170	0.206	0.237	0.289
\$375,000	0.087	0.116	0.137	0.162	0.198	0.228	0.279
\$400,000	0.083	0.110	0.130	0.155	0.190	0.219	0.269
\$425,000	0.078	0.105	0.125	0.149	0.183	0.211	0.261
\$450,000	0.074	0.100	0.120	0.143	0.176	0.203	0.253
\$475,000	0.071	0.096	0.115	0.138	0.170	0.197	0.246
\$500,000	0.068	0.092	0.111	0.133	0.164	0.190	0.239
\$600,000	0.057	0.079	0.096	0.116	0.146	0.169	0.216
\$700,000	0.049	0.069	0.085	0.103	0.131	0.152	0.198
\$800,000	0.043	0.062	0.076	0.093	0.119	0.139	0.183
\$900,000	0.038	0.056	0.069	0.084	0.109	0.128	0.170
\$1,000,000	0.035	0.051	0.063	0.077	0.101	0.118	0.159
\$2,000,000	0.016	0.026	0.034	0.042	0.059	0.069	0.100
\$3,000,000	0.010	0.017	0.023	0.029	0.041	0.049	0.074
\$4,000,000	0.007	0.012	0.017	0.021	0.031	0.038	0.058
\$5,000,000	0.005	0.009	0.013	0.017	0.025	0.030	0.048
\$6,000,000	0.004	0.007	0.010	0.013	0.020	0.025	0.040
\$7,000,000	0.003	0.006	0.008	0.011	0.017	0.021	0.034
\$8,000,000	0.003	0.005	0.007	0.009	0.014	0.018	0.029
\$9,000,000	0.002	0.004	0.006	0.008	0.012	0.015	0.026
\$10,000,000	0.002	0.003	0.005	0.007	0.011	0.013	0.023

SERFF Tracking #: NCCI-131526431 State Tracking #: 13 Company Tracking #: R-1415

State: Missouri  
TO/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC  
Product Name: R-1415 - 2018 Update to the Retrospective Rating Plan Parameters - Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium  
Project Name/Number: / Filing Company: NCCI Inc

### Supporting Document Schedules

Satisfied - Item:	Filing Memorandum
Comments:	
Attachment(s):	Filing Memorandum R-1415.pdf
Item Status:	APPROVED
Status Date:	09/13/2018



FILING MEMORANDUM

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND  
 ALLOCATED EXPENSE PURE PREMIUM FACTORS**  
**PURPOSE**

This item proposes revisions to the Excess Loss Pure Premium Factors (ELPPFs) and Excess Loss and Allocated Expense Pure Premium Factors (ELAEPFFs) in NCCI’s *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)*.

**BACKGROUND**

A retrospective rating plan adjusts the premium for an employer’s policy on the basis of losses incurred during the term of that policy. At the simplest level, an employer’s retrospective rating premium (RRP) is determined by the formula  $RRP = (BP + LCF * L) * TM$ , where:

RRP	=	Retrospective Rating Premium, subject to minimum and maximum amounts
BP	=	Basic Premium
LCF	=	Loss Conversion Factor, generally reflecting loss adjustment expense
L	=	Actual Incurred Loss during the effective policy period
TM	=	Tax Multiplier

The RRP is not known until after the policy has expired and the actual losses are fully developed. The basic premium contains provisions for the expenses of the carrier. It also includes a net aggregate loss factor, which results from the maximum and minimum limitations on the RRP. The net aggregate loss factor reflects the charge to compensate for the possibility that the RRP will exceed the maximum premium amount. It also reflects the savings resulting from the possibility that the RRP will be less than the minimum premium amount. The net aggregate loss factor is the difference between the charge for the maximum and the savings from the minimum.

NCCI’s recently filed Item R-1414, effective January 1, 2019, replaces Appendix B—Table of Insurance Charges in NCCI’s *Retrospective Rating Plan Manual* and provides carriers with the option to calculate the net aggregate loss factors using either the new Table of Aggregate Loss Factors (Table of ALFs) or *ALFs on Demand*. As a result of this methodology change, Appendix A—Table of Expected Loss Ranges in NCCI’s *Retrospective Rating Plan Manual* will be replaced with new look-up tables that eliminate the use of Hazard Group Differentials. Therefore, Expected Loss Ranges and the Hazard Group Differentials are not being updated in this item.

To determine policy size, one references the new look-up table, Appendix A—Table of Expected Claim Count Groups, based on a calculation of the expected number of claims for the policy. To provide consistency to the derivation of the expected number of claims, the average cost per case values that underlie the proposed ELPPFs and ELAEPFFs from this item will be published in each state’s annual loss cost filings and updated annually in accordance with this item on a going-forward basis. For an illustration of how the expected number of claims is computed, reference line 7 of the Basic Premium Factor Calculation in the *Retrospective Rating Plan*, Appendix D. For states with an effective date after January 1, 2019, the current

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## FILING MEMORANDUM

### ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN PARAMETERS—EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND ALLOCATED EXPENSE PURE PREMIUM FACTORS

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*Retrospective Rating Plan Manual* rating value pages will also be updated to include the average costs per case that underlie the currently approved ELPPFs and ELAEPFFs.

#### ELPPFs and ELAEPFFs

The Retrospective Rating Plan contains an optional provision—an individual loss limitation—that limits the loss amount 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) or an Excess Loss and Allocated Expense Factor (ELAEF). The ELFs and ELAEFs vary by loss limitation, state, and hazard group. The variation in ELFs and ELAEFs among hazard groups reflects the varying degrees of severity exposure to occupational hazards inherent to operations associated with each classification.

In states for which loss costs are developed, NCCI files ELPPFs and ELAEPFFs instead of ELFs and ELAEFs. Carriers convert these two factors into ELFs and ELAEFs. The differences between ELPPFs and ELAEPFFs are:

- ELPPFs represent the expected amount of losses above a given limit (excess losses) relative to the loss cost portion of the premium. ELPPFs do not consider the inclusion of allocated loss adjustment expense (ALAE) as part of incurred losses. Carriers convert ELPPFs to ELFs.

$$\text{ELPPF} = \text{Excess Losses} / \text{Loss Cost Premium}$$

- ELAEPFFs, which apply when the definition of loss includes ALAE, represent the expected amount of losses and ALAE above a given limit (excess losses including ALAE) relative to the loss cost portion of the premium. These optional values are provided for loss cost states where permitted. Refer to the Exhibit Comments and Implementation Summary of this memorandum for a list of the states where ELAEPFFs are not provided. Carriers convert ELAEPFFs to ELAEFs.

$$\text{ELAEPFF} = \text{Excess Losses and Allocated Loss Adjustment Expenses} / \text{Loss Cost Premium}$$

ELPPFs and ELAEPFFs are updated regularly for two reasons:

1. ELPPFs and ELAEPFFs 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, ELPPFs and ELAEPFFs are regularly updated to accurately reflect the effect of inflation on those losses.
2. Overall excess ratios are computed as a weighted average of claim group excess ratios. Thus, excess ratios and, consequently, ELPPFs and ELAEPFFs are updated regularly for changes in the mix of claim groups.

The proposed state ELPPFs and ELAEPFFs are based on the latest five years of Unit Statistical data. The latest five years of data generally underlie the latest approved NCCI experience filings.

## PROPOSAL

This item proposes to update the ELPPFs and ELAEPFFs that are used with an optional loss limitation in NCCI's *Retrospective Rating Plan Manual*. Exhibits 1 and 2 contain the proposed ELPPFs and ELAEPFFs.

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**FILING MEMORANDUM**

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND  
 ALLOCATED EXPENSE PURE PREMIUM FACTORS**  
**IMPACT**

The values proposed in this item are based on the latest filed information available as of May 14, 2018.

The proposed ELPPFs and ELAEPFFs are necessary to maintain the aggregate expected balance between the retrospectively rated premium and the guaranteed cost premium. If the ELPPFs and ELAEPFFs are not updated, there will be a natural erosion of rate adequacy over time caused by inflation acting to increase the percentage of losses over any fixed loss limit.

This proposal to adjust the ELPPFs and ELAEPFFs may increase or decrease premium for an employer that chooses to purchase an individual loss limitation, depending on which limit is purchased. The proposed ELPPFs and ELAEPFFs are adjusted to remove losses more than \$50 million.

The proposed ELPPFs and ELAEPFFs also reflect an updated mix of loss weights and average costs per case by hazard group and claim group. Because retrospectively rated policies represent a small percentage of a state's premium, changes are expected to have a negligible impact on overall statewide premium levels.

**IMPLEMENTATION**

This item is applicable to new and renewal voluntary policies only and will become effective concurrent with each state's approved loss cost/rate filing effective on and after October 1, 2018. For example, this item will be effective January 1, 2019, for approved loss cost/rate filings that have a January 1, 2019 effective date. Similarly, this item will be effective July 1, 2019, for approved loss cost/rate filings that have a July 1, 2019 effective date.

If there is no loss cost/rate filing for a state in a given year, this item will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is one year later than the date of the state's previous year's effective date.

**Anticipated Effective Dates by State**

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

<b>State</b>	<b>Anticipated* Effective Date</b>
Alabama	March 1, 2019
Alaska	January 1, 2019
Arkansas	July 1, 2019
Colorado	January 1, 2019
Connecticut	January 1, 2019
District of Columbia	November 1, 2018

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FILING MEMORANDUM

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND  
 ALLOCATED EXPENSE PURE PREMIUM FACTORS**

Georgia	March 1, 2019
Hawaii	The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Illinois	January 1, 2019
Indiana	January 1, 2019
Kansas	January 1, 2019
Kentucky	October 1, 2018
Louisiana	May 1, 2019
Maine	April 1, 2019
Maryland	January 1, 2019
Mississippi	March 1, 2019
Missouri	January 1, 2019
Montana	July 1, 2019
Nebraska	February 1, 2019
Nevada	March 1, 2019
New Hampshire	January 1, 2019
New Mexico	January 1, 2019
North Carolina	April 1, 2019
Oklahoma	January 1, 2019
Oregon	January 1, 2019
Rhode Island	August 1, 2019
South Carolina	April 1, 2019
South Dakota	July 1, 2019
Tennessee	March 1, 2019
Texas	July 1, 2019
Utah	January 1, 2019
Vermont	April 1, 2019
West Virginia	November 1, 2018

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FILING MEMORANDUM

**ITEM R-1415—2018 UPDATE TO THE RETROSPECTIVE RATING PLAN  
 PARAMETERS—EXCESS LOSS PURE PREMIUM FACTORS AND EXCESS LOSS AND  
 ALLOCATED EXPENSE PURE PREMIUM FACTORS**

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

**EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY**

Exhibit	Exhibit Comments
1	Displays the revised state ELPPFs in NCCI's <i>Retrospective Rating Plan Manual</i> .
2	<ul style="list-style-type: none"> <li>• Displays the revised state ELAEPFFs in NCCI's <i>Retrospective Rating Plan Manual</i></li> <li>• Applies in all states in this item except GA, IL, KY, LA, MD, OR, and SD</li> <li>• In GA, IL, KY, LA, MD, OR, and SD, ELAEPFFs do not apply</li> </ul>

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