



June 3, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance  
Item B-1414 – Revisions to the *Basic Manual for Workers Compensation and Employers Liability Insurance*

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved the adoption of changes to NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*. The approval is effective June 1, 2009, and will impact all new and renewal business written on or after January 1, 2010.

The purpose of the filing is to clarify and enhance Rule 3-A – Explanation and Application, of the NCCI *Basic Manual for Workers Compensation and Employers Liability Insurance*.

This filing includes two exhibits.

Title	Exhibit	Pages
Rule 3- Rating Definitions and Application of Premium Elements, A. Explanation and Application	1	1-30
Rule 3- Rating Definitions and Application of Premium Elements, A. Explanation and Application – State Rule Exceptions for North Carolina	2	1-3

The attached exhibits explain these changes in more detail.

This filing was made with the Department of Insurance on behalf of all member companies, and no additional filing is needed by the carrier.

Contact the Information Center at 919-582-1056 or via email at [wcinfo@ncrb.org](mailto:wcinfo@ncrb.org), if you require additional information.

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg

C-09-14

## FILING MEMORANDUM

### ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION

#### PURPOSE

This item clarifies and enhances NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* Rule 3-A—Explanation and Application.

#### BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's manuals. This process ensures that NCCI products continue to add value to the various industry stakeholders. During the process, NCCI gathers feedback and comments from internal and external stakeholders. Based on this feedback, NCCI is proposing certain changes to Rule 3-A as described below.

#### PROPOSAL

The following is a summary of the key changes proposed to *Basic Manual* Rule 3-A of this item:

- **Rule 3-A-2—Anniversary Rating Date (ARD)**
  - Added language regarding treatment of ARD due to an ownership change
  - Revised various ARD tables
- **Rule 3-A-3-b—Reasons for Cancellation and Premium Determination**
  - Clarified that the current calculation in Cancellation Provisions Table 4 is based on short-rate percentage
  - Added rules for calculating short-rate cancellation based on short-rate factor to Cancellation Provisions Table 4
- **Rule 3-A-5—Combination of Legal Entities, Locations and Operations**
  - Added language regarding how multiple entities can be combined on one policy at a single location
- **Rule 3-A-7—Disease Loading**
  - Split out Supplemental Disease Exposure and Supplementary Disease into two distinct rules under Rule 3-A-7 to be consistent with individual state premium algorithms
- **Rule 3-A-9—Estimated Annual Premium**
  - Added reference to individual state premium algorithms for rating elements included in the estimated annual premium
- **Rule 3-A-11—Expense Constant**
  - Added rules regarding treatment when multiple states on the same policy have the same expense constant
  - Added rules regarding treatment when policy is cancelled by the insured except when retiring from business
  - Added rules regarding treatment due to a change in the ARD
- **Rule 3-A-12—Federal Coal Mine Safety and Health Act**
  - Added "Coal Mine Disease Charge" to the title to be consistent with the individual state premium algorithms

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### ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION

- Changed title to be consistent with statute
- Added manual reference for reporting disease exposure
- **Rule 3-A-14—Limits of Liability**
  - Added rules regarding treatment for increased limits to minimum premium policies
  - Added rules for treatment of increased limits for multiple states
  - Added rules for treatment of increased limits for Employers Liability Insurance—Without Workers Compensation Insurance for residual market policies in states where NCCI is the Plan Administrator
- **Rule 3-A-15—Majority Interest**
  - Revised rules to be consistent with the *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*
- **Rule 3-A-16—Minimum Premium**
  - Clarified that minimum premium is applicable on a per policy basis
  - Added rules regarding treatment for multiple state policy
  - Added rules regarding treatment of multiple states on the same policy with the same minimum premium
  - Added rules regarding treatment due to a change in the ARD
- **Rule 3-A-17—Nonratable Element**
  - Added rules regarding how elements are treated on advisory loss cost or assigned risk rate pages
  - Added rules regarding treatment for determining premium
- **Rule 3-A-18—Other States Insurance**
  - Added rules for treatment of residual market policies in states where NCCI is the Plan Administrator
- **Rule 3-A-19—Premium Discount**
  - Added rules regarding treatment due to a change in the ARD
  - Clarified that the carrier determines policy effective date for application of discount
- **Rule 3-A-21—States Added After Policy Effective Date**
  - Added rules for treatment of residual market policies in states where NCCI is the Plan Administrator
- **Rule 3-A-22—Waiver of Subrogation**
  - Clarified rule for treatment of residual market policies in states where NCCI is the Plan Administrator
  - Added rules for treatment to a minimum premium policy

### IMPACT

No premium impact is expected as a result of this item. As part of NCCI's continuing effort to simplify and clarify manual rules, we anticipate that these changes will enhance the understanding of the *Basic Manual*.

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## FILING MEMORANDUM

### ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION

#### IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's *Basic Manual*. The following is a summary of the exhibits included in this item filing package:

- **Exhibit 1** contains national Rule 3-A items
- **Exhibit 2** contains state-specific Rule 3-A items, if applicable

In all states, except Hawaii and Virginia, this item will be implemented effective 12:01 a.m. on January 1, 2010, applicable to new and renewal voluntary and assigned risk policies.

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

In Virginia, this item filing will be implemented for new and renewal, voluntary and assigned risk policies effective on or after 12:01 a.m. on January 1, 2010.

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**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

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

**2. Anniversary Rating Date (ARD)**

The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the National Council on Compensation Insurance, Inc. or other licensed rating organization.

Rules, classifications, and rates are applied on an Anniversary Rating Date basis for all risks. When a material change in ownership occurs, the ARD of the previous entity is not used to determine the applicable rules, classifications, and rates of the new entity. For more information on ownership changes, refer to the *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*. To determine the proper application, refer to the tables below:

**ARD Table 1**

For a single policy risk whose . . .	The insurance carrier must apply . . .
Policies have run consecutively, or  The risk is a new entity . . .	The rules, classifications, and rates effective on the normal ARD for the full term of: <ul style="list-style-type: none"> <li>• The policy beginning on that date, or</li> <li>• Any other policy beginning up to three months after that date</li> </ul> Refer to the <i>User's Guide</i> for an example.
<del>Policy has been cancelled and rewritten, either by the same or another carrier within three months after the normal ARD . . .</del>	<del>To the rewritten policy, all rules, classifications and rates of the rewriting carrier that were in effect as of the normal ARD:</del> <ul style="list-style-type: none"> <li>• <del>Until the next ARD has been reached, or</del></li> <li>• <del>Until the next ARD is established by the rating organization</del></li> </ul> Refer to <i>User's Guide</i> for an example.
Policy has been cancelled and rewritten, either by the same or another carrier . . . more than three months after the normal ARD . . .	To the rewritten policy, all rules, classifications, and rates of the rewriting carrier in effect as of the: <ul style="list-style-type: none"> <li>• The rates in effect as of the normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization.</li> <li>• The rates in effect as of the next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. <del>to the new policy until the expiration date of the policy.</del> Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

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

<b>For a single policy risk whose . . .</b>	<b>The insurance carrier must apply . . .</b>
	<ul style="list-style-type: none"> <li>• <del>The rates in effect as of the new ARD annually thereafter as the new normal ARD. This will be the date that is 12 months after the effective date of the new policy.</del></li> </ul> <p><i>Refer to the <b>User's Guide</b> for an example.</i></p>

**ARD Table 2**

<b>For a multiple policy risk with varying effective dates . . .</b>	<b>The insurance carrier must apply . . .</b>
That is not a long-term policy or Three-Year Fixed-Rate Policy . . .	<p>The <b>rules, classifications, and rates</b> in effect on the normal ARD until the next normal ARD:</p> <ul style="list-style-type: none"> <li>• These <b>rules, classifications, and rates</b> apply to the portion of each policy falling within the 12-month period, regardless of their effective and termination dates.</li> <li>• The <b>renewal rules, classifications, and rates</b> must be applied in the same manner.</li> <li>• The ARD is determined by the policy with the largest <b>standard premium</b>, unless otherwise established by the rating organization.</li> </ul> <p><i>Refer to the <b>User's Guide</b> for an example.</i></p>
That has been cancelled and rewritten, either by the same or another carrier . . .	<p>To the rewritten policy, all rules, classifications and rates of the rewriting carrier that were in effect as of the: <del>normal ARD</del></p> <ul style="list-style-type: none"> <li>• <b>Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization.</b></li> <li>• <b>Next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</b></li> <li>• <del>Until the next ARD has been reached, or</del></li> <li>• <del>The next ARD is established by the rating organization</del></li> </ul>

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

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

**ARD Table 3**

<b>For other situations such as . . .</b>	<b>The insurance carrier must apply . . .</b>
A long-term policy (issued for a period longer than one year and 16 days, other than a Three-Year Fixed-Rate Policy) . . .	<p>All rules, classifications and rates to individual units as if a separate policy had been issued.</p> <ul style="list-style-type: none"> <li>• Divide the policy into consecutive units of 12 months each.</li> <li>• This division will designate either the first or last unit of less than 12 months as a short-term policy.</li> </ul> <p><i>Refer to the <b>User's Guide</b> for an example.</i></p>
A Three-Year Fixed-Rate Policy . . .	<p>The rates in force on the effective date of the policy without change until its termination.</p> <p><b>Exceptions:</b></p> <p>A single rate revision resulting in an increase of 10% or more on outstanding policies must be applied to the remaining portion of the policy</p>

**ARD Table 4**

<b>Applicable Endorsements</b>
<ul style="list-style-type: none"> <li>• Use the Standard Anniversary Rating Date Endorsement (WC 00 04 02) when necessary. The endorsement is used to show the normal anniversary rating date if different from the policy effective date.</li> <li>• Use the Standard Policy Period Endorsement (WC 00 04 05) if the policy period is not a multiple of 12 months. This endorsement is used to designate the first or last unit of less than 12 months as a short-term policy.</li> </ul>

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**EXHIBIT 1  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**3. Cancellation Provisions**

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

**b. Reasons for Cancellation and Premium Determination**

The way in which the premium is calculated for cancelled policies depends on the reason for cancellation:

**Cancellation Provisions Table 1**

If . . .	Then . . .
The policy is cancelled by the insurance carrier . . .	<ol style="list-style-type: none"> <li>1. Apply authorized rates to the payroll developed during the period the policy was in effect.</li> <li>2. Apply an experience rating modification in accordance with rules of the <i>Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance</i>.</li> <li>3. Add the pro rata portion of the expense constant, but not less than \$15.</li> <li>4. The total premium for the cancelled policy must not be less than the pro rata portion of the minimum premium.</li> </ol>

**Cancellation Provisions Table 2**

If . . .	Then . . .
<p>The policy is cancelled by the insured when retiring from business such that:</p> <ul style="list-style-type: none"> <li>• All the work covered by the policy has been completed, or</li> <li>• All interest in any business covered by the policy has been sold, or</li> <li>• The insured has retired from all business covered by the policy . . .</li> </ul> <p><b>Note:</b> For the purpose of this rule, a change in the ownership of a corporation that results in the elimination of experience under the rules of the <i>Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance</i> is not considered retiring from the business insured by the policy.</p>	<ol style="list-style-type: none"> <li>1. Apply authorized rates to the payroll developed during the period the policy was in effect.</li> <li>2. Apply an experience rating modification in accordance with rules of the <i>Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance</i>.</li> <li>3. Add the pro rata portion of the expense constant, but not less than \$15.</li> <li>4. The total premium for the cancelled policy must not be less than the pro rata portion of the minimum premium.</li> </ol>



**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**3. Cancellation Provisions**

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

**Cancellation Provisions Table 3**

If . . .	Then . . .
An assigned risk policy is being cancelled because the insured replaced coverage through the voluntary market . . .	<ol style="list-style-type: none"> <li>1. Apply authorized rates to the payroll developed during the period the policy was in effect.</li> <li>2. Apply an experience rating modification in accordance with rules of the <i>Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance</i>.</li> <li>3. Add the pro rata portion of the expense constant, but not less than \$15.</li> <li>4. The total premium for the cancelled policy must not be less than the pro rata portion of the minimum premium.</li> </ol>

**Cancellation Provisions Table 4**

If . . .	Then . . .
The policy is cancelled by the insured, except when retiring from the business . . .	<p>The premium for the cancelled policy must be calculated by using either the short-rate percentage or short-rate factor as follows, based on the Short Rate <del>Factor</del> Cancellation Table located in the Appendix B:</p> <p>Steps based on short-rate percentage:</p> <ol style="list-style-type: none"> <li>1. Determine the payroll developed during the period the policy was in effect.</li> <li>2. Determine the full policy payroll by using the following formula: <del>extending such payroll pro rata based on the number of days for which the policy was written divided by the number of days the policy remained in force.</del>  <math display="block">\frac{\text{number of days for which the policy was written}}{\text{number of days the policy was in effect}} \times \text{actual payroll}</math> </li> <li>3. Apply authorized rates to such payroll.</li> <li>4. Calculate the extended number of days by using the following formula. If the policy was written for a one-year period, the extended number of days is the number of days the policy was in effect:</li> </ol>

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**3. Cancellation Provisions**

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

**Cancellation Provisions Table 4 (Cont'd)**

If . . .	Then . . .
	<p align="center"> <math display="block">\frac{\text{number of days the policy was in effect}}{\text{number of days for which the policy was written}} \times 365</math> </p> <p>4. <del>Apply authorized rates to such payroll. If the policy was written for a one-year period, the extended number of days is the number of days the policy was in effect.</del></p> <p>5. Based on the extended number of days, apply the short-rate percentage shown in the Short Rate Cancellation Table located in the Appendix to the full policy premium calculated in step 3. <del>on the basis of the extended payroll.</del> This result is the short-rate <del>portion of the manual premium.</del></p> <p>6. If applicable:</p> <ul style="list-style-type: none"> <li>• Apply any pricing programs</li> <li>• Apply any experience rating modification</li> <li>• Apply any premium discount based on the final earned total standard premium</li> <li>• Add the short-rate portion of the expense constant but not less than \$15</li> <li>• Apply catastrophe provisions (if applicable) based on the earned manual premium.</li> </ul> <p>7. The total earned premium for the short-rate cancelled policy must not be less than the annual minimum premium applicable to the policy.</p> <p>Steps based on short-rate factor:</p> <ol style="list-style-type: none"> <li>1. Determine the payroll developed during the period that the policy was in effect.</li> <li>2. Apply authorized rates to such payroll.</li> <li>3. Based on the number of days that the policy was in effect, determine the applicable short-rate factor shown in the Short Rate Cancellation Table located in Appendix B.</li> <li>4. Apply the short-rate factor to the premium calculated on the basis of the earned premium for the period that the policy was in effect in step 2. This result is the short-rate manual premium.</li> <li>5. If applicable:</li> </ol> <ul style="list-style-type: none"> <li>• Apply any pricing programs</li> <li>• Apply any experience rating modification</li> <li>• Apply any premium discount based on the final earned total standard premium</li> <li>• Add the short-rate portion of the expense constant but not less than \$15</li> </ul>

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**3. Cancellation Provisions**

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

**Cancellation Provisions Table 4 (Cont'd)**

If . . .	Then . . .
	<ul style="list-style-type: none"> <li>• Apply catastrophe provisions (if applicable) based on the earned manual premium</li> </ul> <p>6. The total earned premium for the short-rate cancelled policy must not be less than the annual minimum premium applicable to the policy.</p>

Refer to *the User's Guide* for examples.

**EXHIBIT 1**  
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**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**  
**A. EXPLANATION AND APPLICATION**

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MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**5. Combination of Legal Entities, Locations and Operations**

**a. Legal Entities**

Separate legal entities may be insured by one policy only if the same persons, or group of persons, own the majority interest in such entities. Where combination of separate entities is permissible, a single policy may be issued to insure more than one corporation.

For additional details, refer to *the Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*.

Classifications are applied separately to each legal entity.

**b. Locations and Operations**

All operations of any one employer at a single location must be insured on one policy. Separate legal entities at the same location may be insured on one policy only if the same person(s), or group of persons, own the majority interest in such entities.

For additional details, refer to *the Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*.

All locations and operations of the employer in a state must be insured on one policy if required by the state workers compensation law.

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION****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, MS, MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**7. Disease Loading****a. Supplemental Disease Exposure**

- (1) Advisory loss costs and manual rates include premium for the disease exposures covered by the Standard Policy.
- (2) Supplemental disease loading may be added to a manual rate applicable to an individual risk. The supplemental disease loading proposed must be based on the carrier's judgment after an evaluation of the operations.

Atomic Energy Radiation Exposure NOC may be subject to a supplemental disease loading and is applicable for operations that involve exposure to radioactive materials that are not performed for, or under the direction of, the Nuclear Regulatory Commission or any governmental agency. Statistical Code 9985—Atomic Energy—Radiation Exposure NOC is used for reporting the radiation exposure.

**(3) Specific Disease Loading**

- The advisory loss costs or manual rates for classification code numbers followed by the symbol "D" or "E" on the state pages include specific disease loadings. These loadings reflect specific disease hazards involved in the operations assigned to those classifications.
- A supplemental disease loading that is added to an advisory loss cost or manual rate that includes a specific disease load must be for exposure not contemplated within the specific disease loading.
- The carrier may remove the specific disease loading from a manual rate when the substance for which the disease loading was established is not present or is determined by the carrier to be insignificant in the operations of the insured.

**Exception to 7-a(3)-e above:**

For silicosis, the specific disease loading may be removed when not more than 5% free silica is present.

- (4) Partial application of a specific disease loading is permissible based on the carrier's judgment after an evaluation of the operations.

**b. Supplementary Disease**

- (1) Supplementary disease advisory loss costs or rates shown on the state pages reflect hazards involved in foundry, abrasive, or sandblasting operations.
  - Supplementary disease rates for Codes 0065—Incidental Foundries—Steel, 0066—Incidental Foundries—Non-Ferrous Metals, and 0067—Incidental Foundries—Iron must be applied to the payroll of employees exposed to the foundry hazard, except employees assigned to Codes 3081, 3082, 3085, and 3175.
  - Supplementary disease rate Code 0059—Abrasive or Sandblasting must be assigned to the payroll of employees exposed to these hazards.

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**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, MS, MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

**9. Estimated Annual Premium**

Estimated Annual Premium is based on the estimated payroll for the policy period. Estimated payrolls for each classification reflect actual payroll anticipated by the insured during the policy period. Such estimates are subject to substantiation by the carrier through evaluation of records or inspections. For details, refer to *User's Guide D-2-g(4)* or the *Example* section.

*Refer to the individual state algorithms for rating elements that are included in the estimated annual premium.*

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**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, IL, IN, KS, KY, LA, MD, ME, MS, MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**11. Expense Constant**

Expense Constant is a premium charge that is applied to every policy regardless of premium size. The expense constant contributes to the recovery of expenses common to issuing, recording, and auditing a policy. The expense constant charged at the inception of the policy will not change when a state is added or deleted during the policy term.

In competitive rating jurisdictions, the expense constant is filed by or on behalf of the carrier. In administered pricing jurisdictions, the expense constant is shown on the state pages.

**Note:** The following rules, as they appear in this manual, do not apply unless approval for their use is obtained by or on behalf of the carrier from the appropriate insurance regulatory authority.

- a. The expense constant is:
  - Not subject to premium discount, experience rating modification, retrospective rating adjustment, or additional charges for the catastrophe provisions detailed in Rule 3-A-24.
  - Included in the minimum premium for each classification and must not be added to the minimum premium if the minimum premium becomes the final premium for the policy
  - Shown on the Information Page of the policy. For details, *refer to **User's Guide D-2-g(6)***. *Refer to **the User's Guide** for an example.*
- b. When more than one state is insured on the same policy, the highest expense constant must be charged even if that state is on an "if any" basis. If two or more states have the same highest expense constant, the expense constant is determined by the state with the largest amount of standard premium.
- c. The expense constant must be excluded from the determination of standard premium.
- d. Full expense constants must be charged for short-term policies.

**Exceptions:**

Expense constants are prorated when short-term policies are issued:

- To replace a binder
  - Solely to establish consistent effective dates with other insurance policies
- e. If the policy is cancelled by the insured, except when retiring from business, the short-rate portion of the expense constant must not be less than \$15.

In addition to the exception to Rule 3-A-11-d above, the pro rata portion of expense constants are charged when:

- The policy is cancelled:
  - By the insurance carrier according to Cancellation Provisions Table 1
  - When the insured is retiring from business according to Cancellation Provisions Table 2
  - When an assigned risk policy is cancelled because coverage was placed in the voluntary market according to Cancellation Provisions Table 3
- The amount changes due to a change in the anniversary rating date  
*Refer to the **User's Guide** for an example.*

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
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A. EXPLANATION AND APPLICATION  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MS, MO,  
MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

~~In addition to the exception to Rule 3-A-11-d above, expense constants are prorated when a policy is cancelled:~~

- ~~• By the insurance carrier according to Cancellation Provisions Table 1~~
  - ~~• When the insured is retiring from business according to Cancellation Provisions Table 2~~
- f. The pro rated portions of the expense constant in d. and e. above must not be less than \$15.  
For expense constant determination on Three-Year Fixed-Rate policies, *refer to Rule 3-B.*



**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1  
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**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MS, MO, 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 and Safety Act~~)**

- a. In states where disease coverage is provided for risks subject to the Federal Coal Mine ~~Health and Safety Act~~ **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-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1  
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A. EXPLANATION AND APPLICATION**

**14. Limits of Liability**

**b. Increased Limits of Liability**

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

**(1) Standard Policy**

Employers Liability (E/L) Increased Limits Factor is a factor that is applied to the manual premium if the employer chooses to increase its standard limits under Part Two—Employers Liability.

If the limits of liability under Part Two are increased:

- (a) The limits of liability must be the same for all states specified in Item 3A of the Information Page of the policy.
- (b) The additional premium for increased limits must be determined by multiplying the total manual premium by the percentage in the Table for Increased Limits.
- (c) In competitive rating jurisdictions, the additional premium must not be less than the minimum premium, if any, filed by or on behalf of the carrier and approved for use by the appropriate insurance regulatory authority.
- (d) In administered pricing jurisdictions, the additional premium must not be less than the minimum premium shown in the Table for Increased Limits.
- (e) For assigned risk policies, the additional premium must not be less than the minimum premium shown in the Table for Increased Limits.
- (f) The minimum premium for increased limits is in addition to the policy minimum premium at standard limits of liability and applies although coverage for increased limits may have been added during the policy term. *Refer to Rule 3-A-16-b for additional minimum premium information.*  
*Refer to the **User's Guide** for an example.*
- (g) When more than one state is insured on the same policy:
  - The applicable increased limits minimum premium for the policy is that of the state with the highest increased limits minimum premium, or
  - No increased limits minimum premium applies to any of the states when the premium calculated for all states equals or exceeds the increased limits minimum premium for the state with the highest increased limits minimum premium. The combined increased limits premium for all states would apply.

*Refer to the **User's Guide** for examples.*

**Table for Increased Limits\***

Limits of Liability (000 omitted)	Percentage	Minimum Premium For Increased Limits
\$ 500/500/500	1.7%	\$100.00
1,000/1,000/1,000	2.8	150.00
2,000/2,000/2,000	4.3	175.00
3,000/3,000/3,000	5.3	200.00
4,000/4,000/4,000	6.1	225.00

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
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A. EXPLANATION AND APPLICATION**

**14. Limits of Liability**

**b. Increased Limits of Liability**

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

Table for Increased Limits\* (Cont'd)

Limits of Liability (000 omitted)	Percentage	Minimum Premium For Increased Limits
5,000/5,000/5,000	6.8	250.00
6,000/6,000/6,000	7.4	260.00
7,000/7,000/7,000	7.9	270.00
8,000/8,000/8,000	8.3	280.00
9,000/9,000/9,000	8.7	290.00
10,000/10,000/ 10,000	9.0	300.00

\*Refer to Appendix C for additional limits values.

**EXHIBIT 1**  
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**14. Limits of Liability**

**b. Increased Limits of Liability**

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

**(2) Employers Liability Insurance—Without Workers Compensation Insurance**

- (a) The standard limits of employers liability insurance may be increased. If higher limits of liability apply, the premium is determined on the basis of the rates multiplied by the factors filed by or on behalf of the carrier and approval for their use is obtained from the appropriate insurance regulatory authority.
- (b) All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to residual market policies in states where NCCI is the Plan Administrator.

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

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**14. Limits of Liability**

**b. Increased Limits of Liability**

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

**(4) Admiralty Law/FELA**

- (a) The total premium including the additional premium for increased limits must be determined by applying the factor in the Table for Increased Limits provided below to the total premium for admiralty or FELA classifications.
- (b) The minimum premium for increased limits is in addition to the policy minimum premium at standard limits of liability, and applies although coverage for increased limits may have been added during the policy term. *Refer to Rule 3-A-16-b for additional minimum premium information.*

**Table for Increased Limits\***

Limit Per Accident	Factor		Minimum Premium	
	Program I	Program II	Program I	Program II
\$100,000	1.00	1.00	\$115	\$230
150,000	1.17	1.15	119	238
200,000	1.30	1.28	123	246
300,000	1.51	1.48	129	258
400,000	1.68	1.63	134	268
500,000	1.80	1.75	138	276

\*Refer to Appendix C for additional limits values.

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

**15. Majority Interest**

Majority Interest means more than 50%:

- a. Of voting stock.
- b. Of owners, partners, or members ~~or directors~~ if there is no voting stock, ~~or~~
- c. Of the board of directors or comparable governing body if a. or b. is not applicable.
- d. Participation of each general partner in profits of a partnership. Limited partners are not considered in determining majority interest.
- e. Ownership interest held by an entity as a fiduciary. Such an entity's total ownership interest will also include any ownership held in a nonfiduciary capacity.

*Refer to the **Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance** for more information.*

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**16. Minimum Premium**

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

**a. Standard Policy**

Minimum Premium is the lowest **policy** premium that is required in order to provide insurance under the Standard Policy. Minimum premium must be shown on the Information Page of the policy. Minimum premium is not subject to an experience rating modification. For details, *refer to **User's Guide D-2-g(7)***.

In competitive rating jurisdictions, minimum premiums are filed by or on behalf of the carrier. In administered pricing jurisdictions, the minimum premiums are shown on the state pages.

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

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**16. Minimum Premium**

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

**b. Determination**

- (1) The minimum premium at policy issuance is determined as follows:
  - For a policy with only one classification, apply the minimum premium for that classification.
  - For a policy with two or more classifications, apply the highest minimum premium for any classification on the policy.
  - For a multiple state policy, the applicable minimum premium for the policy would be that of the state with the single highest minimum premium, even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- (2) The minimum premium is subject to final adjustment at final audit. It is determined on the basis of those classifications developing premium as follows:
  - If the final earned premium is less than the minimum premium determined on audit, then that minimum premium must be charged.
  - If no classification develops premium, the minimum premium for Code 8810 must be charged.
  - When more than one state is insured on the same policy, the minimum premium for the state with the single highest minimum premium must be charged even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- (3) Full minimum premiums are charged for short-term policies, subject to 4. below.
- (4) The minimum premium is prorated when:
  - A short-term policy is issued to replace a binder
  - A short-term policy is issued to establish consistent effective dates with other insurance policies
  - A policy is cancelled by the insurance carrier according to Cancellation Provisions Table 1
  - A policy is cancelled when the insured is retiring from business according to Cancellation Provisions Table 2
  - An assigned risk policy is cancelled because coverage was placed in the voluntary market according to Cancellation Provisions Table 3
  - The amount changes due to a change in the anniversary rating date  
*Refer to the **User’s Guide** for an example.*
- (5) In the event that a policy is cancelled midterm, the minimum premium for increased limits for employers liability and federal coverages must be treated the same as the classification minimum premium.
  - Cancellation may occur by the carrier or by the insured when retiring from business. When this happens, the total premium for the policy must not be less than the pro rata portion of the minimum premium.
  - If cancellation occurs by the insured, and the insured is not retiring from business, the total earned premium for the cancelled policy must not be less than the applicable annual minimum premium.
- (6) For a policy that provides only employers liability insurance with increased limits, the minimum premium must be increased by the factor that applies to the rates for that policy.



**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
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RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**16. Minimum Premium**

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

All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to residual market policies in states where NCCI is the Plan Administrator.

For minimum premium information for Domestic Workers, *refer to Rule 3-C-5-c.*

**EXHIBIT 1  
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**16. Minimum Premium**

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

**c. Admiralty Law/FELA**

A separate minimum premium applies to a policy that includes classifications for operations subject to admiralty law or FELA if filed by or on behalf of the carrier, and if approval for its use is granted by the appropriate insurance regulatory authority. In administered pricing jurisdictions, it must not be less than the minimum premium shown in the Table for Increased Limits in Rule 3-A-14-b(4).

- This minimum premium is the lowest premium for insuring admiralty or FELA operations
- It must apply in addition to the minimum premium or premium for other operations on this type of policy
- It is not subject to an experience rating modification

*Refer to the **User's Guide** for an example.*

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**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, MS, MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**17. Non-ratable Element**

- a. A non-ratable element is a supplementary loading or percentage included in the development of the manual rate for a particular classification. It adjusts for the classification's potential for occupational disease or catastrophic losses.
- b. Class codes designated with an "N" on a state's advisory loss cost or rate pages are part of a ratable/non-ratable group.
- c. The footnotes to the advisory loss cost or rate pages provide the separate statistical code for each non-ratable element to reflect the non-ratable catastrophe loading.
- d. The statistical non-ratable code and corresponding advisory loss cost or rate are applied in addition to the basic classification when determining premium.
- e. Premium for a non-ratable element is not subject to experience rating or retrospective rating.

**EXHIBIT 1**

**BASIC MANUAL—2001 EDITION**

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**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, MS, MO, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**18. Other States Insurance**

- a. Premium developed for operations covered under Part Three—Other States Insurance is based on the workers compensation rules and rates. *Refer to **User's Guide A-3** for more information.*
- b. All references to Other States Insurance in this rule or other rules in this manual do not apply to residual market policies in states where NCCI is the Plan Administrator. For more information, *refer to **Basic Manual Rule 4-A**.*

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**19. Premium Discount**

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

**a. Determination of Premium Discount**

A policy qualifies for premium discount when the standard premium exceeds the eligibility amount authorized by the insurance regulatory authority.

Premium Discount is applied in accordance with the anniversary rating date. *Refer to Rule 3-A-2 for information on anniversary rating date.*

Total standard premium is subject to premium discount as follows:

**(1) Without Retrospective Rating**

• **Single State Policy**

Premium discount is determined by applying the appropriate discount percentages to the total standard premium in excess of the authorized threshold amount.

• **Multiple State Policy**

Premium discount applies on an interstate basis. It is determined by applying the appropriate discount percentages to each state's portion of the total standard premium in excess of the authorized threshold amount.

Each state's portion of the threshold amount and varying gradations of premium discount are calculated by multiplying the total standard premium by the ratio of state standard premium to the total standard premium.

*Refer to the **User's Guide** for an example.*

**(2) With Retrospective Rating**

The portion of the standard premium subject to a Retrospective Rating Plan is not subject to premium discount.

Total the premium of all entities to determine the amount subject to the Retrospective Rating Plan. The remainder of that standard premium is subject to premium discount and is calculated as follows:

(a) Determine the discount (x) as if none of the premium is subject to retrospective rating

(b) Determine the discount (y) for the premium subject to retrospective rating only

(c) The premium discount is the difference between (x) and (y)

The total premium discount is distributed by state by allocating the state portion of standard premium to the premium discount.

*Refer to the **User's Guide** for an example.*

**(3) Other Methods**

Any other method of determining premium discount may be used as long as the result does not differ by more than 0.1% of the standard premium from the premium discount produced by the methods outlined in this rule.

~~*Refer to Appendix A for Premium Discount Tables.*~~

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1  
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**19. Premium Discount**

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

**b. Combination of Policies**

For the purpose of calculating premium discount for two or more policies that are issued to the same insured by one or more carriers that are under the same management, the total standard premium for those policies must be combined. This applies unless the insured instructs the carrier otherwise.

If the policies being combined have different expiration dates:

- (1) ~~Either NCCI or another licensed rating organization.~~ The carrier must determine the policy effective date for application of the premium discount
- (2) All policies in effect before the established effective date must be cancelled and rewritten as of the established effective date
- (3) All policies written to be effective after the established effective date of the combination of policies must be written to expire on the same date as the other policies in the combination

~~Refer to **User's Guide** for an example.~~

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

**21. States Added After Policy Effective Date**

- a. A state may be added after the effective date of the policy. For the additional state operations, apply:
  - (1) Manual rates in effect on the anniversary rating date of the policy to which the state has been added
  - (2) Any rate change that applies to outstanding policies for the state being added, and
  - (3) Any applicable experience rating modification for the policy to which the state has been added.  
*Refer to **the Experience Rating Plan Manual**.*
- b. Additional states may be added to the policy only in accordance with **Basic Manual** Rule 4-A for residual market policies in states where NCCI is the Plan Administrator.

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**EXHIBIT 1**

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**A. EXPLANATION AND APPLICATION**

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

**22. Waiver of Right to Recover From Others (Subrogation)**

- a. The premium for this endorsement (WC 00 03 13) is based on a charge determined by the carrier from its evaluation of the exposures.
- b. In jurisdictions where NCCI is the assigned risk Plan Administrator, ~~an set fee exists for assigned risk policies only.~~ additional premium charge is required for the use of this endorsement (WC 00 03 13) on assigned risk policies. The additional premium charge for assigned risk policies is 5% of the manual premium developed in conjunction with the work for which that waiver is provided, subject to ~~a with~~ \$250 minimum premium charge per waiver.
- c. The minimum premium, if applicable, for this coverage is in addition to the policy minimum premium and applies although coverage may have been added during the policy term.



**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1  
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APPENDIX A**

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

**STATE REFERENCE CHART PREMIUM DISCOUNT TABLES**

State	TYPE A CARRIERS		TYPE B CARRIERS		ASSIGNED RISK (e) PLAN	
	Effective Date	Table	Effective Date	Table	Effective Date	Table
Alabama	(f)		(f)		N/A	
Alaska	(f)		(f)		N/A	
Arizona	10/1/1995	9	10/1/1995	10	10/1/1995	9
Arkansas	(f)		(f)		N/A	
Colorado	(f)		(f)		N/A	
Connecticut	(f)		(f)		10/1/1980	3
District of Columbia	(f)		(f)		N/A	
Florida	1/1/2007	9	1/1/2007	10	N/A	
Georgia	(f)		(f)		N/A	
Hawaii	(f)		(f)		N/A	
Idaho	1/1/1996	9	1/1/1996	10	N/A	
Illinois	1/1/2004	9 (b)	1/1/2004	10 (b)	N/A	
Indiana	1/1/1996	9 (a)	1/1/1996	10 (a)	N/A	
Iowa	1/1/1997	9	1/1/1997	10	N/A	
Kansas	(f)		(f)		N/A	
Kentucky	(f)		(f)		N/A	
Louisiana	(f)		(f)		N/A	
Maine	(f)		(f)		N/A	
Maryland	(f)		(f)		N/A	
Minnesota	N/A		N/A		N/A	
Mississippi	(f)		(f)		N/A	
Missouri	(f)		(f)		N/A	
Montana	(f)		(f)		N/A	
Nebraska	(f)		(f)		N/A	
Nevada	(f)	9	(f)		N/A	
New Hampshire	(f)		(f)		1/1/1995	8
New Mexico	(f)		(f)		8/1/1992	(d)
North Carolina	(g)		(g)		N/A	
Oklahoma	(f)		(f)		N/A	
Oregon	(f)		(f)		1/1/1990	8
Rhode Island	11/1/1998	9	1/1/1998	10(c)	N/A	
South Carolina	(f)		(f)		N/A	
South Dakota	(f)		(f)		N/A	

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 1 (CONT'D)  
BASIC MANUAL—2001 EDITION  
APPENDIX A**

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

State	TYPE A CARRIERS		TYPE B CARRIERS		ASSIGNED RISK (e) PLAN	
	Effective Date	Table	Effective Date	Table	Effective Date	Table
Tennessee	(f)		(f)		1/1/1990	7
Utah	(f)		(f)		N/A	
Vermont	(f)		(f)		N/A	
Virginia	(f)		(f)		N/A	
West Virginia	(f)		(f)		N/A	
Wisconsin	7/1/1998	9	7/1/1998	10	N/A	

N/A Not Applicable.

- a Premium Discounts are not mandatory in Indiana.
- b Advisory basis only or voluntary business.
- c Advisory for carriers writing less than 1% of state workers compensation premium volume.
- d See particular state pages.
- e To be used by all carriers for policies issued under an assigned risk plan.
- f NCCI does not file Premium Discount Tables. Carriers must choose the applicable table and obtain approval for its use from the appropriate state insurance regulatory authority.
- g NCRB does not file Premium Discount Tables.

**EXHIBIT 2**  
**BASIC MANUAL—2001 EDITION**  
**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**  
**A. EXPLANATION AND APPLICATION**  
**(Applies in: NC)**

**11. Expense Constant**

a. The expense constant is:

- Not subject to premium discount, experience rating modification, retrospective rating adjustment, or additional charges for the catastrophe provisions detailed in Rule 3-A-24
- Included in the minimum premium for each classification and must not be added to the minimum premium if the minimum premium becomes the final premium for the policy
- Shown on the Information Page of the policy. For details, *refer to **User's Guide D-2-g(6)***.

*Refer to **the User's Guide** for an example.*

**ITEM B-1414—REVISIONS TO BASIC MANUAL RULE 3-A-EXPLANATION AND APPLICATION**

**EXHIBIT 2  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION  
(Applies in: NC)**

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

Change Rule 3-A-12-c as follows:

- c. Advisory loss costs or rates for employers not described by a coal mine classification and for former coal mine operators are subject to “a” rating, and are not shown separately in the state pages.

**EXHIBIT 2**  
**BASIC MANUAL—2001 EDITION**  
**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**  
**A. EXPLANATION AND APPLICATION**  
**(Applies in: NC)**

**22. Waiver of Right to Recover From Others (Subrogation)**

Change Rule 3-A-22 as follows:

- a. A premium charge is applicable for the use of this endorsement (WC 00 03 13) and is calculated in the same manner in both the Voluntary and Assigned Risk markets. There are two options available when using this endorsement: Blanket Waivers and Specific Waivers.
  - ~~a(1)~~ Blanket Waivers: Used when the waiver applies to all jobs during the policy year. The premium charge is 2% of the total manual premium with a \$100 minimum premium per policy.
  - ~~b(2)~~ Specific Waivers: Used when the waiver applies to a specific job. The premium charge is 5% of the manual premium that applies to the specific job being covered. The minimum premium for a Specific Waiver is \$100 per waiver.
- b. The minimum premium for this coverage is in addition to the policy minimum premium and applies although coverage may have been added during the policy term.