

September 04, 2018

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item E-1405 – Revisions to Experience Rating Plan Manual Rules and the Notification of Change in Ownership Endorsement (WC 00 04 14)

The North Carolina Rate Bureau has filed and the North Carolina Commissioner of Insurance has approved NCCI Item E-1405 – Revisions to Experience Rating Plan Manual Rules and the Notification of Change in Ownership Endorsement (WC 00 04 14). The approved changes will be applicable to all new and renewal policies effective on or after January 1, 2019 and all ownership changes reported to the rating organization on or after January 1, 2019.

NCCI Item E-1405 revised the NCCI Experience Rating Plan Manual rules to:

- Add references in Rule 3-E-1 for:
 - NCCI Experience Rating Split Data Guide
 - North Carolina Separated Data Guide
- Update options in Rule 5-A-2-b for the reporting of separated experience rating data
- Remove the NC2745 Form from the NCCI Experience Rating Plan Manual Appendix
- Revise the Notification of Change in Ownership Endorsement (WC 00 04 14) to emphasize the 90 day reporting requirement for changes in ownership

A complete copy of NCCI's Item Filing E-1405, along with appropriate state-specific exhibits 8, 9, and 10 for North Carolina are included for your review.

The revised Notification of Change in Ownership Endorsement (WC 00 04 14A) will be made available, prior to the January 1, 2019 effective date, in the NCCI Form Manual and at www.ncrb.org under Endorsements/Policy Forms.

The NC2745 Form will also be available prior to the January 1, 2019 effective date in the NCCI Experience Rating Split Data Guide and the North Carolina Separated Data Guide available at www.ncrb.org.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at winfo@ncrb.org.

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:amt
Attachments
C-18-19

FILING MEMORANDUM

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

PURPOSE

This item revises NCCI's *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)* rules to:

- Address the electronic reporting of separate experience rating data
- Update the experience rating modification recalculation rules related to changes in ownership and/or combinability status

This item also revises the Notification of Change in Ownership Endorsement (WC 00 04 14) in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*. In response to this change, references to this endorsement in NCCI's *Experience Rating Plan Manual* must be revised to reflect the new endorsement title.

BACKGROUND

Separate Data Reporting

When Unit Statistical data is reported for a policy that covers multiple entities, separate payroll and loss data for an individual entity may be needed for experience rating purposes. The Experience Rating (ER) Split Data Reporting method was established to provide an electronic solution to the current hard copy data submission process. The new electronic reporting method is used to report individual payroll and loss data needed for experience rating purposes for ownership and/or combinability status changes and for clients that terminate their agreements with a Professional Employer Organization (PEO) and were covered under the PEO master policy. This new reporting method requires that data is reported in accordance with the *Statistical Plan for Workers Compensation and Employers Liability Insurance* and is an alternative to the hard copy submission of the Workers Compensation Experience Rating for Former Clients of Labor Contractors form (NC2745 Form), along with state-specific forms under various titles (FL1372 Form, NV-361 Form, and VA1271 Form).

In July 2016, NCCI's *Experience Rating (ER) Split Data Reporting Guide* was made available on ncci.com. This guide contains the conditions, requirements, and examples for reporting separate experience rating data electronically or on hard copy. It also includes the Workers Compensation Experience Rating for Former Clients of Labor Contractors form, along with the state-specific forms that are used for submitting payroll and loss data for individual entities.

Because separate experience rating data can now be reported electronically, *Experience Rating Plan Manual* rules need to be revised to:

- Remove language stating that the Workers Compensation Experience Rating for Former Clients of Labor Contractors form is the only acceptable format for reporting separate experience rating data
- Remove language stating that data must be resubmitted prior to each renewal rating effective date
- Add references to the *Experience Rating (ER) Split Data Reporting Guide*

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In addition, the Workers Compensation Experience Rating for Former Clients of Labor Contractors form and the state-specific forms will be removed from the *Experience Rating Plan Manual* because they are now in the *Experience Rating (ER) Split Data Reporting Guide*.

Ownership Changes

Experience Rating Plan Manual Rule 3-E-3 provides for the recalculation and application of experience rating modifications when a change in ownership and/or combinability status has occurred. Currently, recalculation and application of experience rating modifications are based on whether the change in ownership and/or combinability status is reported within 90 days of the change or more than 90 days after the change:

- If the change is reported *within 90 days* of the date of the change, then the recalculation and application of the revised experience rating modification(s) will be as of the date of the change
- If the change is reported *more than 90 days after* the date of the change, then the recalculation and application of the revised experience rating modification(s) will be as of *the next rating effective date* following the earliest notice of the change

Knowing that a revised experience rating modification would be applied as of *the next rating effective date* could result in delayed reporting of ownership and/or combinability status changes by those wanting to avoid a change to a current experience rating modification. This could happen, for example, if a purchaser knowingly bought a business with poor experience.

NCCI conducted a review of the current recalculation and application of experience rating modification rules and determined that it is fair and reasonable for the impact of an ownership and/or combinability status change to be reflected in the purchaser's and seller's experience rating modifications as quickly as possible. This ensures that the correct premium for the exposure is charged regardless of whether the experience rating modification increases or decreases as a result of the change.

As a result of the review, several rules related to the recalculation and application of experience rating modifications due to an ownership and/or combinability status change must be revised to:

- Use the date of the change to determine the recalculation of the revised experience rating modifications
- Specify that recalculation of the revised experience rating modifications may impact the current and two preceding experience rating modifications; the current experience rating modification is the experience rating modification in effect on the date that the notification of the change is received by the rating organization
- Apply the revised experience rating modification (whether an increase or a decrease) retroactively to the date of the change

PROPOSAL

This item proposes the following national and state-specific changes to NCCI's *Experience Rating Plan Manual*:

1. Separate Data Reporting

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ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

- Rule 3-E-1—Add a reference to NCCI's *Experience Rating (ER) Split Data Reporting Guide*
- Rule 5-A—Remove language stating that the Workers Compensation Experience Rating for Former Clients of Labor Contractors form is the only acceptable format for reporting separate experience rating data and add a reference to NCCI's *Experience Rating (ER) Split Data Reporting Guide*
- Appendix—Remove the Workers Compensation Experience Rating for Former Clients of Labor Contractors form (NC2745 Form)

2. Ownership Changes

- Rule 3-A—Update the title of the Notification of Change in Ownership Endorsement and add language stating that the reporting requirement applies regardless of whether an experience rating modification is currently applied
- Rule 3-E-3-a—Revise the recalculation and application requirements related to changes in ownership and/or combinability status
- Rule 4-E—Add a note clarifying that decreases in experience rating modifications due to a change in ownership and/or combinability status are applied retroactively to the date of the change

Maine-specific: Add language for the application of an experience rating modification when a change occurs more than 90 days after the policy effective date.

Tennessee-specific: Revise the language provided for application of an experience rating modification when an increase occurs after the policy effective date.

3. This item proposes that the Notification of Change in Ownership Endorsement in NCCI's *Forms Manual* be revised to add:
 - The 90-day reporting requirement language to the title
 - Language stating that the reporting requirement applies regardless of whether the policyholder is currently experience rated
4. This item includes state-specific updates to correlate with the national changes
5. This item also includes various formatting and grammatical changes

IMPACT

Separate Data Reporting

There will be no statewide premium impact as a result of the changes related to reporting of experience rating data proposed in this item.

Ownership Changes

It is possible that some risks may experience a change in premium as a result of the revisions proposed to in this item. It is proposed that the date of the ownership and/or combinability status change determines when the revised experience rating modification is applied; therefore, a change reported more than 90 days after the date of the change would be applied to the appropriate rating effective date(s) instead of applied at the next rating effective date. The revised experience rating modification applied to the appropriate policy(ies)

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could be an increase, a decrease, or no change. As long as changes are reported in a timely manner, the proposed revisions should have only limited premium impact.

As a result of the revisions proposed in this item that relate to ownership and/or combinability status changes, the premium impact to individual risks will vary based on (a) whether the change to the risk’s experience rating modification is an increase or a decrease and (b) the date of the ownership and/or combinability status change.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In all states except Hawaii:

- All exhibits except for Exhibit 5—To become effective for new and renewal policies effective on and after 12:01 a.m. on January 1, 2019
- Exhibit 5—To become effective for ownership and/or combinability status information received by the rating organization on and after January 1, 2019

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

Exhibit	Exhibit Comments
National Exhibits	
1-Rule Separate Data Reporting	<ul style="list-style-type: none"> • Details the revisions to Rule 3-E-1 in NCCI’s <i>Experience Rating Plan Manual</i> • The revisions to Rule 3-E-1 do not apply in ME • Refer to state exhibits for ME and OR
2-Rule Separate Data Reporting	<ul style="list-style-type: none"> • Details the revisions to Rule 5-A-2-b in NCCI’s <i>Experience Rating Plan Manual</i> • The revisions to Rule 5-A-2-b do not apply in AZ, CT, FL, HI, IL, KS, MA, ME, MO, MT, NE, NM, NV, OK, OR, TX, UT, VA, and WV • The revisions to Rule 5-A-2-b(1) do not apply in GA and KY • The revisions to PEO Table 2 in Rule 5-A-2-b(1) do not apply in IN • Refer to state exhibits for FL, GA, IL, IN, KY, NE, NM, NV, VA, and WV
3-Rule Separate Data Reporting	<ul style="list-style-type: none"> • Details the revisions to the Appendix in NCCI’s <i>Experience Rating Plan Manual</i> • The revisions to the Appendix do not apply in CT, FL, HI, KS, MA, ME, MO, NV, OK, TX, and VA • Refer to state exhibits for FL, NV, and VA

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Exhibit	Exhibit Comments
4-Rule Ownership Changes	<ul style="list-style-type: none"> • Details the revisions to Rule 3-A in NCCI's <i>Experience Rating Plan Manual</i> • The revisions to Rule 3-A do not apply in NC • Refer to state exhibit for NC
5-Rule Ownership Changes	<ul style="list-style-type: none"> • Details the revisions to Rule 3-E-3-a in NCCI's <i>Experience Rating Plan Manual</i> • The revisions to Rule 3-E-3-a do not apply in OR
6-Rule Ownership Changes	<ul style="list-style-type: none"> • Details the revisions to Rule 4-E in NCCI's <i>Experience Rating Plan Manual</i> • The revisions to Rule 4-E do not apply in AK, FL, IL, KS, ME, MO, NE, OR, TN, and TX • Refer to state exhibits for AK, FL, IL, KS, ME, MO, NE, OR, TN, and TX
7-Form Ownership Changes	<ul style="list-style-type: none"> • Details the revisions to the Notification of Change in Ownership Endorsement (WC 00 04 14) in NCCI's <i>Forms Manual</i> • The revisions to the Notification of Change in Ownership Endorsement do not apply in IN, MA, and NC
State Exhibits in NCCI's <i>Experience Rating Plan Manual</i>	
8-Rule Ownership Changes	Details the revisions to Alaska's exception to Rule 4-E.
8-Rule Separate Data Reporting	Details the revisions to Florida's exception to Rule 5-A-2-b.
9-Rule Separate Data Reporting	Details the elimination of Florida's Appendix and FL1372 Form.
10-Rule Ownership Changes	Details the revisions to Florida's exception to Rule 4-E.
8-Rule Separate Data Reporting	Details the revisions to Georgia's exception to Rule 5-A-2-b(1).
8-Rule Separate Data Reporting	Details the revisions to Illinois's exceptions to Rules 5-A-2-b(1) and 5-A-2-c.
9-Rule Ownership Changes	Details the revisions to Illinois's exception to Rule 4-E.

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Exhibit	Exhibit Comments
8-Rule Separate Data Reporting	Details the revisions to Indiana's exception to Rule 5-A-2-b(1)—PEO Table 2.
8-Rule Ownership Changes	Details the revisions to Kansas's exception to Rule 4-E.
8-Rule Separate Data Reporting	Details the revisions to Kentucky's exception to Rule 5-A-2-b(1).
8-Rule Separate Data Reporting	Details the revisions to Maine's exception to Rule 3-E-1.
9-Rule Ownership Changes	Details the revisions to Maine's exception to Rule 4-E.
8-Rule Ownership Changes	Details the revisions to Missouri's exception to Rule 4-E—Changes in Experience Rating Modifications Table.
8-Rule Ownership Changes	Details the revisions to North Carolina's exception to Rule 3-A.
8-Rule Separate Data Reporting	Details the revisions to Nebraska's exception to Rule 5-A-2-b(1).
9-Rule Ownership Changes	Details the revisions to Nebraska's exception to Rule 4-E.
8-Rule Separate Data Reporting	Details the revisions to New Mexico's exception to Rule 5-A-2-b(1).
8-Rule Separate Data Reporting	Details the revisions to Nevada's exceptions to Rules 5-A-2-b(1) and 5-A-2-c.
9-Rule Separate Data Reporting	Details the elimination of Nevada's Appendix and NV-361 Form.
8-Rule Separate Data Reporting	Details the revisions to Oregon's exception to Rule 3-E-1.

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Exhibit	Exhibit Comments
9-Rule Ownership Changes	Details the revisions to Oregon's exception to Rule 4-E—Changes in Experience Rating Modification Table.
8-Rule Ownership Changes	Details the revisions to Tennessee's exception to Rule 4-E.
8-Rule Ownership Changes	Details the revisions to Texas's exception to Rule 4-E—Changes in Experience Rating Modification Table.
8-Rule Separate Data Reporting	Details the revisions to Virginia's exceptions to Rule 5-A (includes the elimination of VA1271 Form).
8-Rule Separate Data Reporting	Details the revisions to West Virginia's exception to Rule 5-A-2-b(1).

Some states require that form and rule filings be filed separately. For filing purposes in those states, this memorandum is being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item E-1405-R. The form exhibit is filed with the regulatory authority as Item E-1405-F.

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ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 1-RULE—SEPARATE DATA REPORTING
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES
E. TREATMENT OF EXPERIENCE**

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

1. Transfer of Experience

Changes in ownership and/or ~~combination~~ combinability status may or may not result in revisions of experience rating modifications. The rating organization may issue, retract, and/or revise the current and up to two preceding experience rating modifications due to ownership and/or ~~combination~~ combinability status changes. For purposes of this rule, the current experience rating modification is the experience rating modification in effect on the date that the notification of the change is received by the rating organization.

The rating organization will request separate data from the carrier when appropriate. In certain cases, documentation may be needed to validate the accuracy of the submitted data. *Refer to NCCI's **Experience Rating (ER) Split Data Reporting Guide** for the data reporting requirements.*

The experience for any entity undergoing a change in ownership will be retained or transferred to the experience ratings modification(s) of the acquiring, surviving, or new entity unless specifically excluded by this Plan.

Transfer of Experience Table 1

If the single or multiple entity risk disposes of all of its operations, and the purchaser . . .	Then . . .
Does not have any prior or current policies or experience	The experience will be retained in the future experience ratings <u>modification(s)</u> of the purchaser, subject to Rule 2-A.
<ul style="list-style-type: none"> • Has prior experience, for which an experience rating modification has already been issued, or • Has prior experience, but did not qualify for experience rating 	The experience will be retained in the future experience ratings <u>modification(s)</u> of the purchaser and combined with the other experience of the purchaser, subject to Rule 2-A.

Transfer of Experience Table 2

If the single or multiple entity risk . . .	And the purchaser . . .	Then . . .
<ul style="list-style-type: none"> • Disposes of part of its operations, and • Otherwise continues to operate its business, and • Its statistical data has been combined on a single policy, and • The insurance provider can furnish the rating organization with the appropriate experience to provide for transfer of the data to the purchaser 	Does not have any experience	<ul style="list-style-type: none"> • The appropriate experience will be retained in the future experience ratings <u>modification(s)</u> of the purchaser, subject to Rule 2-A. • The same experience will be excluded from the future experience ratings <u>modification(s)</u> of the seller. • If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, a unity factor (1.00) will apply to the non-qualifying <u>nonqualifying</u> risk(s) until qualifying experience is developed.

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 1-RULE—SEPARATE DATA REPORTING (CONT'D)
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES**

E. TREATMENT OF EXPERIENCE

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

Transfer of Experience Table 2 (Cont'd)

If the single or multiple entity risk . . .	And the purchaser . . .	Then . . .
	<ul style="list-style-type: none"> Has experience but does not qualify for experience rating, or Is an experience rated risk 	<ul style="list-style-type: none"> The appropriate experience will be retained in the future experience ratings <u>modification(s)</u> of the purchaser, and combined with the other experience of the purchaser, subject to Rule 2-A. The same experience will be excluded from the future experience ratings <u>modification(s)</u> of the seller. If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, a unity factor (1.00) will apply to the non-qualifying <u>nonqualifying</u> risk(s) until qualifying experience is developed.
<ul style="list-style-type: none"> Disposes of part of its operations, and Otherwise continues to operate its business, and Its statistical data has been combined on a single policy, and The insurance provider cannot furnish the rating organization with the appropriate experience to provide for transfer of the data to the purchaser- 	<ul style="list-style-type: none"> Does not have any experience, or Has experience but does not qualify for experience rating 	<ul style="list-style-type: none"> A unity factor (1.00) will apply to the purchaser's policy until qualifying experience is developed. All experience developed prior to the sale remains in future <u>experience ratings modification(s)</u> of the seller.
	Is an experience rated risk	<ul style="list-style-type: none"> The purchaser's experience rating modification will continue to apply. Any experience developed by the purchased entity(ies) after the sale will be used <u>included</u> in the future <u>experience ratings modification(s)</u> of the purchaser. All experience developed <u>by the purchased entity(ies)</u> prior to the sale remains in the future <u>experience ratings modification(s)</u> of the seller.

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 2-RULE—SEPARATE DATA REPORTING
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 5—SPECIAL RATING CONDITIONS**

A. EMPLOYEE LEASING/PROFESSIONAL EMPLOYER ORGANIZATIONS

2. Calculation and Application of Experience Rating Modification

(Applies in: AK, AL, AR, CO, DC, GA, IA, ID, IN, KY, LA, MD, MS, NC, NH, RI, SC, SD, TN, VT)

b. Upon Termination of a Client's Employee Leasing Arrangement

When a client terminates an employee leasing arrangement, experience rating modifications are impacted. ~~PEO Table 2 provides the~~ The experience rating rules for both master policy and multiple coordinated policy (MCP) scenarios are provided below. Refer to the **User's Guide** for examples.

(1) Master Policy

When a client leaves an employee leasing arrangement covered under a master policy, the PEO's insurance provider reports the client's data developed during the employee leasing arrangement to the rating organization to calculate an experience rating modification for the former client, subject to Rule 2-A. The NG2745 Form—Experience Rating Data for Former Clients of Labor Contractors is the only acceptable format for reporting this data. The data must be resubmitted prior to each renewal rating effective date. Refer to NCCI's Experience Rating (ER) Split Data Reporting Guide for the data reporting requirements.

PEO Table 2 provides the experience rating rules for the client and PEO when a client leaves an employee leasing arrangement covered under a master policy basis. Refer to the User's Guide for examples.

PEO Table 2

The arrangement was covered under a master policy and . . .	Client	PEO
The insurance provider can furnish the rating organization with the appropriate experience to provide for transfer of the client's data	1. The rating organization will calculate the client's experience rating modification using the data reported for the client <u>on the NG2745 Form.</u> This experience rating modification will include experience for the client's covered and non-covered <u>noncovered</u> (if any) employees during the experience period. Note: The PEO's experience rating modification applies to the client's new policy until the rating organization calculates the client's own experience rating modification. 2. The client's new experience rating modification will apply to the client's policy retroactive to the inception of the policy.	The rating organization will revise the PEO's experience rating modification to remove the <u>data reported for the former client's data as reported on the NG2745 Form.</u>

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

EXHIBIT 2-RULE—SEPARATE DATA REPORTING (CONT'D)
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 5—SPECIAL RATING CONDITIONS

A. EMPLOYEE LEASING/PROFESSIONAL EMPLOYER ORGANIZATIONS

2. Calculation and Application of Experience Rating Modification

(Applies in: AK, AL, AR, CO, DC, GA, IA, ID, IN, KY, LA, MD, MS, NC, NH, RI, SC, SD, TN, VT)
PEO Table 2 (Cont'd)

The arrangement was covered under a master policy and . . .	Client	PEO
	3. If the client isn't eligible for experience rating based on the client's experience for covered and non-covered <u>noncovered</u> employees during the experience period, a unity (1.00) factor will apply to the client's policy until the client is eligible for an experience rating modification.	
The insurance provider cannot furnish the rating organization with the appropriate experience to provide for transfer of the client's data	1. Then an experience rating modification is calculated for the client using experience developed: <ul style="list-style-type: none"> • Prior to the employee leasing arrangement • From policies covering non-covered <u>noncovered</u> employees 2. If an experience rating modification cannot be developed, the PEO's experience rating modification applies to the client's policy until the client is eligible for its own experience rating modification. However, the PEO's experience rating modification cannot apply for more than three years. 3. After three years, a unity (1.00) factor will apply to a client not eligible for experience rating.	The client's experience remains in the PEO's experience rating modification.

(2) Multiple Coordinated Policy (MCP)

No special treatment is necessary to develop an experience rating modification for the client when it leaves an employee leasing arrangement covered on a multiple coordinated policy basis. This is because the data is submitted routinely for each client according to the **Statistical Plan**, and experience rating modifications are calculated and applied as detailed in Rule 5-A-2-a.

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 3-RULE—SEPARATE DATA REPORTING (CONT'D)
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
APPENDIX**

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

INSTRUCTIONS FOR SUBMITTING EXPERIENCE RATING DATA

The experience rating will be completed in accordance with the **NCCI Experience Rating Plan**.

Payroll and losses must be rounded to the nearest whole dollar.

Please complete a separate form for each state, each policy year.

COLUMN 1 Fill in the appropriate workers compensation classification code(s).

COLUMN 2 Fill in the payroll associated with the classification code(s) in Column 1 for reported policy year.

COLUMN 3 Fill in unique claim number for all losses other than lump medical or combined indemnity and medical claims under \$2,000. For claims less than \$2,000 refer to Columns 8 and 9. For combined indemnity and medical claims or medical only claims under \$2,000, it is only necessary to lump them together for reporting purposes. Indicate the aggregate losses in Column 10 and the number of claims represented by the lumped dollar values in Column 6.

COLUMN 4 Fill in the date of the accident.

COLUMN 5 The kind of injury to be indicated in this column. Fill in the appropriate injury type code (see following list) for each loss:

- 1 - Death
- 2 - Permanent Total Disability
- 3 - Permanent Medical or Hospital Allowance
- 4 - Temporary Total or Partial Disability
- 5 - Permanent Partial Disability
- 6 - Medical
- 7 - Combined Medical or Hospital Allowance
- 8 - Permanent Partial Disability
- 9 - Permanent Total Disability

COLUMN 6 Indicate whether the claim is open or closed (final) by placing an O or F, respectively, in the column.

COLUMN 7 Fill in the classification code applicable to the injured worker.

COLUMN 8 and 9 In Columns 8 and 9, respectively, fill in the actual losses (including reserves) for each indemnity and medical loss incurred during the reported period. If no losses occurred, place a 0 in Column 8 or 9, or appropriate. Column 10 is the total of Columns 8 and 9. Losses must be valued and reported in accordance with the **Statutory Plan**.

COLUMN 11-12 Fill in the loss coverage code and, if applicable, the estimate number in accordance with the **Statutory Plan**.

NOTE: Complete payroll and properly valued losses for all years in the rating experience period must be resubmitted prior to each renewal rating effective date.

We hereby certify that the information given in this report is correct to the best of our knowledge and belief.

Insurance Carrier _____ Signature _____ Title _____ Date _____

Name of person completing the form _____

Telephone No. _____

THIS DOCUMENT MUST BE SIGNED BY THE INSURANCE COMPANY THAT PROVIDED COVERAGE FOR THE YEAR BEING REPORTED

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 5-RULE—OWNERSHIP CHANGES
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES
E. TREATMENT OF EXPERIENCE**

(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, RI, SC, SD, TN, TX, UT, VA, VT, WV)

3. Recalculation and Application of Experience Rating Modifications

- a. If a change in ownership and/or combinability status occurs, recalculation of experience rating modifications may be required, as described in the table below. Changes in ownership and/or combinability status may also result in a change in rating effective date, as determined by the rating organization. *Refer to Rule 2-B for information on rating effective date.*

If the first written reporting of the change by either the acquiring entity or acquired entity to their carrier or the rating organization occurs - - -	Then the recalculation and application of the revised experience rating modification(s) will be as of the - - -
Within 90 days of the date of the change	Date of the change
More than 90 days after the date of the change	Next rating effective date following the earliest notice of the change received by a carrier or the rating organization

<u>If the rating organization . . .</u>	<u>Then . . .</u>
<u>Determines that a change in ownership and/or combinability status requires recalculation of experience rating modification(s)</u>	<u>The rating organization will revise the current and up to two preceding experience rating modification(s). For purposes of this rule, the current experience rating modification is the experience rating modification in effect on the date that the notification of the change is received by the rating organization.</u>
<u>Revises the current and up to two preceding experience rating modification(s) because of a change in ownership and/or combinability status</u>	<u>The revised experience rating modification(s) (increase or decrease) is applied retroactively to the date of the change in ownership and/or combinability status.</u>

Refer to the User's Guide for examples.

- b. Recalculation and application of experience rating modifications in conjunction with this rule is subject to Rules 3-F and 4-E.

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

**EXHIBIT 6-RULE—OWNERSHIP CHANGES
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 4—APPLICATION AND REVISION OF EXPERIENCE RATING MODIFICATIONS
(Applies in: AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IN, KY, LA, MA, MD, MS, MT, NC, NH, NM, NV, OK, RI, SC, SD, UT, VA, VT, WV)**

E. CHANGES IN EXPERIENCE RATING MODIFICATIONS

Experience rating modifications may change for reasons detailed in this Plan. These changes can occur at various points in time. The following table provides the rules regarding the application of an experience rating modification when a change occurs.

Changes in Experience Rating Modifications Table

If the change results in . . .	And the change occurs . . .	Then the change is applied . . .
A decrease in the experience rating modification for any reason other than a correction in classification according to Rule 4-B-3	<ul style="list-style-type: none"> At any time during the policy period, or After expiration of the policy but within revision period according to Rule 4-B 	<ul style="list-style-type: none"> Retroactively to the inception of the policy, or As of the rating effective date, if later than the policy effective date <p>Note: Decreases in experience rating modifications due to a change in ownership and/or combinability status are applied retroactively to the date of the change, according to Rule 3-E-3.</p>
An increase in the experience rating modification due to: <ul style="list-style-type: none"> Revision of payroll Revision of losses Change in status from preliminary to final modification Change in status of contingent modification Any additional reasons other than exclusions listed below 	Within 90 days after the policy effective date	<ul style="list-style-type: none"> Retroactively to the inception of the policy, or As of the rating effective date, if later than the policy effective date
	More Than 90 days after the policy effective date	Pro rata from the date the carrier endorses the policy.
<p>Exclusions: An increase in the experience rating modification due to:</p> <ul style="list-style-type: none"> Changes in ownership <u>and/or</u> combinability status Retroactive reclassification of a risk The termination of a client’s employee leasing arrangement under a master policy approach Late issuance of an experience rating modification due to a risk that has failed to cooperate with audits or other actions attributable to the risk or representatives of the risk, including but not limited to modification avoidance 	<ul style="list-style-type: none"> At any time during the policy period, or After expiration of policy 	<ul style="list-style-type: none"> Retroactively to the inception of the policy, or As of the rating effective date, if later than the policy effective date <p>Note: Increases in experience rating modifications due to a change in ownership <u>and/or</u> combinability status are applied retroactively to the date of the change, according to Rule 3-E-3.</p>

**ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT**

**EXHIBIT 6-RULE—OWNERSHIP CHANGES (CONT'D)
EXPERIENCE RATING PLAN MANUAL—2003 EDITION**

RULE 4—APPLICATION AND REVISION OF EXPERIENCE RATING MODIFICATIONS

(Applies in: AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IN, KY, LA, MA, MD, MS, MT, NC, NH, NM,
NV, OK, RI, SC, SD, UT, VA, VT, WV)

Changes in Experience Rating Modifications Table (Cont'd)

If the change results in . . .	And the change occurs . . .	Then the change is applied . . .
<ul style="list-style-type: none"> • Appeals Board or other appropriate administrative process or judicial decision 		

**ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT**

**EXHIBIT 7-FORM—OWNERSHIP CHANGES
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT (WC 00 04 14)
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS,
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

**90-DAY REPORTING REQUIREMENT—NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT
(WC 00 04 14 A)**

You must report any change in ownership to us in writing within 90 days of the date of the change. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity, and other changes provided for in the applicable experience rating plan. Experience rating is mandatory for all eligible insureds. The experience rating modification factor, if any, applicable to this policy, may change if there is a change in your ownership or in that of one or more of the entities eligible to be combined with you for experience rating purposes. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity and other changes provided for in the applicable experience rating plan manual.

You must report any change in ownership to us in writing within 90 days of such change. Failure to report such changes within this period any change in ownership, regardless of whether the change is reported within 90 days of such change, may result in revision of the experience rating modification factor used to determine your premium.

This reporting requirement applies regardless of whether an experience rating modification is currently applicable to this policy.

**ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT**

**EXHIBIT 8-RULE—OWNERSHIP CHANGES
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
NORTH CAROLINA RULE EXCEPTIONS
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES**

A. REPORTING REQUIREMENT

Change Rule 3-A as follows:

The 90-Day Reporting Requirement—Notification of Change in Ownership Endorsement provides that changes in ownership and/or combinability status must be reported by the employer to its carrier(s) within 90 days of the date of the change. This may be accomplished by submitting:

- For North Carolina intrastate risks, a ~~completed North Carolina Rate Bureau ERM-14 Confidential Request for Ownership Information Form (refer to the NCRB ERM-14 Form in the North Carolina Appendix), or~~ ownership changes are reported via the NCRB ManageOwnership web application at www.ncrb.org
- For risks with exposure in multiple states, including North Carolina (interstate risks), a completed Confidential Request for Ownership Information Form (refer to national Rule 3-A and the national version of the ERM-14 Form in Appendix), or
- ~~The information in narrative form on the letterhead of the insured, signed by an officer of the insured entity~~

~~Failure to report changes in ownership, to the carrier according to the 90-Day Reporting Requirement—Notification of Change in Ownership Endorsement, may be considered experience rating modification evasion. Refer to Rule 3-F.~~

~~This reporting requirement applies regardless of whether an experience rating modification is currently applicable.~~

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

EXHIBIT 9—RULE—SEPARATE DATA REPORTING
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
NORTH CAROLINA RULE EXCEPTIONS
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES
E. TREATMENT OF EXPERIENCE

1. **Transfer of Experience**

Add the following to Rule 3-E-1:

Refer to the North Carolina Separated Data Guide for the data reporting requirements for separate data requested for *intrastate* risks.

ITEM E-1405—REVISIONS TO EXPERIENCE RATING PLAN MANUAL RULES AND THE
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

EXHIBIT 10-RULE—SEPARATE DATA REPORTING
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
NORTH CAROLINA RULE EXCEPTIONS
RULE 5—SPECIAL RATING CONDITIONS
A. EMPLOYEE LEASING/PROFESSIONAL EMPLOYER ORGANIZATIONS
2. Calculation and Application of Experience Rating Modification
b. Upon Termination of a Client's Employee Leasing Arrangement

(1) **Master Policy**

Add the following to Rule 5-A-2-b(1):

Refer to the North Carolina Separated Data Guide for the data reporting requirements for separate data requested for *intrastate* risks.