

September 19, 2018

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item R-1414 and R-1414-A Revisions to Retrospective Rating Plan Manual Appendix B and All Related Rules and Endorsements

The North Carolina Rate Bureau has filed and the North Carolina Commissioner of Insurance has approved NCCI Item R-1414 (including the amended NCCI Item R-1414-A) with regard to the Retrospective Rating Program for North Carolina policies. The approved changes will be applicable to all new and renewal policies effective on or after January 1, 2019.

In North Carolina, retrospectively rated volume was approximately 1% of all policies written, and 5% of premium during the policy year 2015.

The Retrospective Rating Program has been modernized to improve the accuracy of the insurance charge, including replacing “Table M” methodology with two new Appendices and a revised lookup process for Retrospectively Rated Policies. The terminology for retrospective rating is also being amended as follows:

Current Term	New Term	Explanation of Terms
Insurance charge	Aggregate Excess Loss Factors (AELFs)	Describes expected losses in excess of those provided by the maximum retrospective premium.
Insurance savings	Aggregate Minimum Loss Factors	Describes expected losses less than those that would produce the minimum retrospective premium.
Net insurance charge	Net aggregate loss factor	Determined by calculating the difference between the aggregate excess loss factor for possible losses that might produce more than the maximum retrospective premium and the aggregate minimum loss factor for losses that might produce less than the minimum retrospective premium, and then multiplying that difference by the product of the expected loss ratio and the loss conversion factor. The net aggregate loss factor may be less than zero, as long as the basic premium factor is not negative.
Table of Insurance Charges	Table of Aggregate Loss Factors	Precomputed table of values used in conjunction with a lookup procedure.

With these changes, NCCI has also introduced a new optional rating tool/system for Carriers to use – Aggregate Loss Factors on Demand (**ALFs on Demand**). Each carrier shall elect to continue using the table-based approach, or to use the NCCI external facing system to produce the insurance charges.

NCCI Item R-1414 revised the NCCI Retrospective Rating Plan Manual rules:

- Changes to Rule 1-B-2-b
- Changes to Rule 1-B-2-e-2-c
- Changes to Rule 3-B
- Changes to Rule 5-A
- Replacement of Appendix A (see R-1414-A)
- Replacement of Appendix B (see R-1414-A)
- Revisions to Appendix D(see R-1414-A)

In addition, the following endorsements have been revised:

- Retrospective Rating Plan Premium Endorsement One-Year Plan (WC 00 05 03 €D)
- Retrospective Rating Plan Premium Endorsement Three-Year Plan (WC 00 05 04 €D)
- Retrospective Rating Plan Endorsement Wrap-Up Construction Project (WC 00 05 05 €D)
- Retrospective Rating Plan Premium Endorsement One-Year Plan–Multiple Lines (WC 00 05 12 €D)
- Retrospective Rating Plan Premium Endorsement Three-Year Plan–Multiple Lines (WC 00 05 13 €D)
- Retrospective Rating Plan Premium Endorsement Wrap-Up Construction Project–Multiple Lines (WC 00 05 14 €D)

Due to the size of these NCCI Item filings, they are being made available on the NCRB website [here](#). These files include all changes to the Retrospective Rating Plan program effective January 1, 2019 that are approved by way of NCCI's Item Filing R-1414 (including the amended tables in R-1414-A).

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

Sincerely,

Joanna Biliouris

Chief Operating Officer

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Attachments
C-18-22