

May 31, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Premium Charge for Use of WC 00 03 13
Waiver of Our Right to Recover from Others

The Bureau has adopted and the North Carolina Commissioner of Insurance has approved changes for a uniform premium charge for the use of endorsement WC 00 03 13, Waiver of Our Right to Recover from Others. No changes have been made to WC 00 03 13. The effective date of the filing is September 1, 2006, and all companies are now required to use the uniform premium charge for this endorsement.

Highlights of the filing include:

- A Specific Waiver with a premium charge of 5% of applicable manual premium and a minimum premium of \$100 per waiver.
- A Blanket Waiver with a premium charge of 2% of total manual premium and a minimum premium of \$100 per policy.
- Statistical Code 0930 will be used to report the premium associated with the charge.
- The premium charge is subject to experience rating.
- All member companies are required to use the premium charge when using WC 00 03 13.
- The filing is applicable to both the North Carolina Workers Compensation Assigned Risk Market and the North Carolina Workers Compensation Voluntary Market.

As a result of this filing, the following documentation changes will be made:

- The Premium Algorithm for the Voluntary Market will be revised by eliminating the footnote: “** Premium charges established for Waiver of Subrogation are not filed by the NCRB.”
- The Premium Algorithm for the Assigned Risk Market will be revised by adding a place for this charge as the first row under TOTAL MANUAL PREMIUM in a manner similar to the Premium Algorithm for the Voluntary Market.
- The wording of the additional rule for Rule 3.A.22 will be revised. The current wording: “Add the following to Rule 3-A-22: No standard premium charge has been approved for use in North Carolina” will be deleted and replaced with: “The premium for this endorsement (WC 00 03 13) will be 5% of the applicable manual premium for specific waivers and 2% of the total manual premium for blanket waivers, with a \$100 minimum premium. The premium charge is applicable in both the voluntary and the assigned risk markets.”

- Rule A.4. of the Workers Compensation Insurance Plan Supplement has been revised by adding: “A copy of the contract that requires the employer to obtain the endorsement must be provided to the assigned carrier upon notification of a claim to the assigned carrier and/or at policy audit, as requested by the assigned carrier. There is a mandatory premium charge associated with the waiver which has two options: blanket and specific. The blanket premium charge is 2% of total manual premium with a minimum premium of \$100 per policy. The specific premium charge is 5% of total manual premium with a minimum premium of \$100 per waiver.”

The premium generated by The Waiver of Our Right to Recover from Others Endorsement is considered standard premium and should be included when balancing to minimum premium at standard limits at both policy inception and for mid-term endorsements. For your convenience attached is a copy of the revised premium algorithms for both the voluntary and assigned risk markets. A copy of endorsement WC 00 03 13 is also attached.

Sincerely,

Sue Taylor

Director of Workers Compensation

ST:dg

C-06-13

**EXHIBIT 3
BASIC MANUAL**

MISCELLANEOUS RULES

NORTH CAROLINA ASSIGNED RISK WORKERS COMPENSATION PREMIUM ALGORITHM

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

	PREMIUM ELEMENTS	EXPLANATORY NOTES
	MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
	TOTAL MANUAL PREMIUM	
+	Waiver of Subrogation Factor	Blanket Waiver: [%applied to Total Manual Premium]. Specific Waiver: [% applied to the portion of Total Manual Premium where waiver is applied]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
-	Small Deductible credit	[% applied to Total Manual Premium]
	TOTAL SUBJECT PREMIUM	
x	Experience Modification (Exp Mod)	
	TOTAL MODIFIED PREMIUM	
x	Assigned Risk Adjustment Program (ARAP) Surcharge	
+	Supplemental Disease Exposure (Asbestos, NOC)†	
+	Atomic Energy Radiation Exposure NOC†	
+	Charge for nonratable catastrophe loading†	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
	TOTAL STANDARD PREMIUM‡	
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	Terrorism Risk Insurance Act (TRIA) of 2002—Certified Losses	[(PAYROLL / 100) * TRIA VALUE]
+	Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accident (DTEC)	[(PAYROLL / 100) * DTEC VALUE]
	ESTIMATED ANNUAL PREMIUM	

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to **Reporting Guidebook for the Annual Calls for Experience.**

NOC = Not Otherwise Classified.

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

All North Carolina assigned risk policies with total estimated annual standard premium or total audited standard premium that equals or exceeds \$200,000 are subject to the mandatory Loss Sensitive Rating Plan (LSRP).

EXHIBIT 4
BASIC MANUAL

MISCELLANEOUS RULES

NORTH CAROLINA WORKERS COMPENSATION PREMIUM ALGORITHM (effective 01 Aug 2006)

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

PREMIUM ELEMENTS		EXPLANATORY NOTES
MANUAL PREMIUM		[(PAYROLL / 100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
TOTAL MANUAL PREMIUM		
+	Waiver of Subrogation Factor	Blanket Waiver: [% applied to Total Manual Premium]. Specific Waiver: [% applied to the portion of Total Manual Premium where waiver is applied]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applied]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
-	Deductible credit	[% applied to Total Manual Premium]
TOTAL SUBJECT PREMIUM		
x	Experience Modification	
TOTAL MODIFIED PREMIUM		
x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	
+	Supplemental Disease Exposure (Asbestos, NOC)†	
+	Atomic Energy Radiation Exposure NOC†	
+	Charge for non-ratable catastrophe loading‡	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
TOTAL STANDARD PREMIUM‡		
-	Premium Discount§	[% applied to Standard Premium]
+	Coal Mine Disease Charge	[Surface and other than mining]
+	Expense Constant	
+	Terrorism Risk Insurance Act (TRIA) of 2002—Certified Losses	[(PAYROLL / 100) * TRIA VALUE]
+	Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accident (DTEC)	[(PAYROLL / 100) * DTEC VALUE]
ESTIMATED ANNUAL PREMIUM		

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

** Premium charges established for Waiver of Subrogation are not filed by NCRB.

† Non-ratable Element Premiums generated by non-ratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to the **Reporting Guidebook for the Annual Calls for Experience**.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.

NOC = Not Otherwise Classified.

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

WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit anyone not named in the Schedule.

Schedule

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement
Insured

Effective Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____