

May 20, 2014

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Basic Manual Deductible Rule – Workers Compensation

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved a revised Miscellaneous Rule in the Basic Manual for Deductibles. The changes to this rule were made to be consistent with current practices. These changes are effective immediately.

Two copies of the revised rule are enclosed for review. One page is in change-tracking mode, and one is a clean copy.

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

Sincerely,

Sue Taylor

Chief Operating Officer, NCRB

ST:dms

Attachments

C-14-6

DEDUCTIBLE INSURANCE

Each insurer transacting or offering to transact workers compensation insurance in North Carolina may offer deductibles to employers. Deductible coverage is effected by attaching the Benefits Deductible Endorsement (~~WC 00-06-03~~) to the policy. An insurer is not required to offer a deductible to an employer.

Deductibles may be available for total combined medical and indemnity benefits in amounts of \$100, \$200, \$300, \$400, \$500, \$1,000, \$1,500, \$2,000, \$2,500, and \$5,000 per claim. A selected deductible ~~shall apply on~~ applies on a per claim basis. The deductible must apply separately to each claim for bodily injury by accident or disease.

The claim ~~must be~~ is paid by the insurer, which ~~must~~ will then be reimbursed by the employer for any deductible amounts paid by the insurer. The employer is liable for reimbursement up to the limit of the deductible chosen. The payment or nonpayment of deductible amounts by the ~~insured~~ employer to the insurer is treated under the policy insuring the liability for workers compensation in the same manner as payment or nonpayment of premiums.

~~An insurer shall not be required to offer a deductible to an employer.~~

The applicable loss elimination ratio (LER) represents the percentage of losses removed when an employer is responsible for losses up to the deductible amount. LERs vary by deductible amount and hazard group. The LER is a key variable used in determining the policy premium credit.

In the voluntary market, the policy premium credit is calculated using the published LER on the North Carolina Miscellaneous Values pages in combination with the appropriate insurer expenses. In the assigned risk market, the applicable premium reduction percentage for the policy premium credit is that percentage corresponding to the appropriate hazard group and desired deductible amount, and hazard group as shown on the North Carolina Miscellaneous Values pages. The insurer will determine the policy premium reduction credit for the deductible coverage is obtained by and apply that credit to the policy manual premium, which is determined before the application of the appropriate premium reduction percentage to the premium determined before application of any experience or schedule rating modification, premium discounts, or any retrospective rating plan.

The applicable hazard group is determined from the Table of Classifications by Hazard Group. *Refer to Appendix E for the Table of Classifications by Hazard Group.* The hazard group assignments are based on the classification, subject to any deductible amount, that produces the largest amount of estimated workers compensation standard premium for North Carolina.

DEDUCTIBLE INSURANCE

Each insurer transacting or offering to transact workers compensation insurance in North Carolina may offer deductibles to employers. Deductible coverage is effected by attaching the Benefits Deductible Endorsement to the policy. An insurer is not required to offer a deductible to an employer.

Deductibles may be available for total combined medical and indemnity benefits in amounts of \$100, \$200, \$300, \$400, \$500, \$1,000, \$1,500, \$2,000, \$2,500, and \$5,000 per claim. A selected deductible applies on a per claim basis. The deductible must apply separately to each claim for bodily injury by accident or disease.

The claim is paid by the insurer, which will then be reimbursed by the employer for any deductible amounts paid by the insurer. The employer is liable for reimbursement up to the limit of the deductible chosen. The payment or nonpayment of deductible amounts by the employer to the insurer is treated under the policy insuring the liability for workers compensation in the same manner as payment or nonpayment of premiums.

The applicable loss elimination ratio (LER) represents the percentage of losses removed when an employer is responsible for losses up to the deductible amount. LERs vary by deductible amount and hazard group. The LER is a key variable used in determining the policy premium credit.

In the voluntary market, the policy premium credit is calculated using the published LER on the North Carolina Miscellaneous Values pages in combination with the appropriate insurer expenses. In the assigned risk market, the applicable premium reduction percentage for the policy premium credit is that percentage corresponding to the appropriate deductible amount and hazard group as shown on the North Carolina Miscellaneous Values pages. The insurer will determine the policy premium credit for the deductible coverage and apply that credit to the policy manual premium, which is determined before the application of any experience or schedule rating modification, premium discounts, or any retrospective rating plan.

The applicable hazard group is determined from the Table of Classifications by Hazard Group. *Refer to Appendix E for the Table of Classifications by Hazard Group.* The hazard group assignments are based on the classification, subject to any deductible amount, that produces the largest amount of estimated workers compensation standard premium for North Carolina.