

# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

May 25, 2005

### ADMINISTRATIVE LETTER 2005-03

**TO: All Insurers Licensed to Write Workers' Compensation Insurance  
In Virginia**

**RE: Revised Form WC LC VA for Insurer Adoption of Workers'  
Compensation Loss Costs Filed by the National Council on  
Compensation Insurance**

#### **Insurer Expense Multiplier Filings and Related Rules**

This administrative letter introduces an improved adoption form, WCLC-VA (05/05), for use in filing insurer expense multipliers and related rules and supplementary rate information for workers' compensation insurance. Administrative Letter 1993-18, which included the original adoption form, WCLC-VA, is hereby withdrawn.

The National Council on Compensation Insurance (NCCI) files loss costs for the voluntary workers' compensation insurance market on behalf of all insurers licensed to write this coverage in Virginia. Such loss costs supersede previously-approved loss costs and must be used by all insurers for policies effective on or after the effective date prescribed in the State Corporation Commission's approval order. A given insurer's workers' compensation rates will then be the approved NCCI loss costs modified by that insurer's filed expense multiplier. Expense multiplier filings are accepted on a file-and-use basis and apply to policies effective on or after the requested effective date or the date received by the Bureau, whichever is later. Insurers may not file to delay or change the implementation date of the approved NCCI loss costs.

In addition to its expense multiplier, each insurer must also file any expense constant, premium discount table, or minimum premium formula that will be used in rating workers' compensation policies. Insurers using the NCCI small deductible plan must file the variable expense multiplier and safety factor that will be used to calculate deductible credits. Insurers writing retrospectively-rated policies must file the values used in premium calculation, including expected loss ratios, tax multipliers, tables of expense ratios, excess loss premium factors, and loss development factors. Each insurer must also file a drug-free workplace premium discount rule in compliance with § 65.2-813.2 of the Code of Virginia. These filings are accepted on a file-and-use basis. Any

exceptions to the approved NCCI manual of rules must also be filed. Insurers should not re-file rules already filed on their behalf by NCCI.

Insurers are required to use the attached form WCLC-VA (05/05) to file new or revised expense multipliers, as well as the other rating elements outlined above. Insurers should file only the pages being changed. Pages not being amended need not be re-filed. Rate certification form COF-1 (05/05) must also be completed and submitted with each filing (see Administrative Letter 2005-01).

An insurer electing to file expense multipliers that vary by classification code may file its primary multiplier and up to 27 exceptions by class by listing the primary multiplier and exceptions on page 1 of form WCLC-VA (05/05). Any insurer electing to file more than 27 exceptions to its primary expense multiplier must submit the material on a computer diskette or compact disc. Please contact the Bureau of Insurance at (804) 371-9298 for formatting instructions.

Any modification of, or deviation from, the approved NCCI loss costs (other than the filed expense multiplier) is deemed to be a filing of independent workers' compensation insurance rates and is, therefore, subject to the 60-day delayed-effect provisions of § 38.2-1912 of the Code of Virginia. Exceptions to NCCI rules that impact premiums will also be deemed to be independent rate filings subject to the delayed-effect statute. In addition, large deductible plans for workers' compensation insurance are subject to the 60-day delayed-effect provisions of § 38.2-1912 unless exempted from filing requirements by § 38.2-1903. Section 38.2-1903 also sets forth exemption criteria for certain retrospective rating plans.

Questions regarding workers' compensation insurance rate filings may be directed to the Bureau of Insurance, Property and Casualty Division, Commercial Casualty Rates and Forms Section, at (804) 371-9298.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alfred W. Gross".

Alfred W. Gross  
Commissioner of Insurance

Attachment

**WORKERS' COMPENSATION INSURANCE  
EXPENSE MULTIPLIER FILING**

**INSURER NAME:** \_\_\_\_\_ **NAIC NUMBER:** \_\_\_\_\_

**SELECTED PRIMARY EXPENSE MULTIPLIER:** \_\_\_\_\_

The above insurer hereby declares that it is a member or subscriber of the National Council on Compensation Insurance (NCCI) and files to be deemed to have independently submitted as its own filing the approved prospective loss costs filed on its behalf by NCCI.

For policies effective on or after \_\_\_\_\_, the insurer's rates will be the combination of the applicable NCCI loss costs and the insurer's selected expense multiplier along with any expense constant, premium discount table, and minimum premium formula specified in the insurer's attached manual exception pages. The selected multiplier(s), along with any expense constant, premium discount table, and minimum premium formula filed, represent a rate level \_\_\_\_increase or \_\_\_\_decrease of \_\_\_\_\_%, and a premium level \_\_\_\_increase or \_\_\_\_decrease of \_\_\_\_\_%.

The selected multiplier(s) and the attached exception pages apply to the applicable NCCI loss costs, including every subsequently approved NCCI loss costs filing on its effective date.

Note: The selected expense multiplier shown at the top of this page is the insurer's sole multiplier unless exceptions are noted below or provided in electronic format. If exceptions are noted, the expense multiplier shown above is the insurer's primary multiplier, applicable to all classifications not included in the insurer's exceptions. Exceptions in excess of 27 must be filed on a computer diskette or compact disc.\*

Exceptions, if any, to the insurer's primary expense multiplier are as follows:

<u>Class Code</u>	<u>Multiplier</u>	<u>Class Code</u>	<u>Multiplier</u>	<u>Class Code</u>	<u>Multiplier</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

\* If there are more than 27 exceptions, do not list them above.  
 \_\_\_\_\_Exceptions are in excess of 27 and, as required, are filed using the attached  
 \_\_\_\_\_diskette or \_\_\_\_\_compact disc.

**SUMMARY OF SUPPORTING INFORMATION  
WORKERS' COMPENSATION EXPENSE MULTIPLIER**

**INSURER:** \_\_\_\_\_ **NAIC NUMBER:** \_\_\_\_\_

**EFFECTIVE DATE OF MULTIPLIER:** \_\_\_\_\_

Development of Expected Loss ratio:

- a. Total Production Expense \_\_\_\_\_ %
- b. General Expense \_\_\_\_\_ %
- c. Taxes, Licenses and Fees \_\_\_\_\_ %
- d. Underwriting Profit and Contingencies \_\_\_\_\_ %
- e. Residual Market Costs \_\_\_\_\_ %
- f. Other (Explain) \* \_\_\_\_\_ %

\* \_\_\_\_\_  
g. Total \_\_\_\_\_ %

Expected Loss Ratio (100% – g) in decimal form: \_\_\_\_\_

Indicated Insurer Loss Costs Multiplier (1.00/ELR): \_\_\_\_\_ \*\*

Selected Insurer Primary Loss Costs Multiplier: \_\_\_\_\_ \*\*\*

*\*\*Multipliers must be expressed as a factor to be applied to loss costs (e.g. 1.25)*

*\*\*\*Explain any differences between the indicated and selected multiplier below:*

\_\_\_\_ Competitive Reasons  
\_\_\_\_ Other (explain) \_\_\_\_\_

**COMPLETED BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**NOTE:** *If an insurer makes any modification to the approved NCCI loss costs (other than the application of an expense multiplier to represent the insurer's expenses, profit and contingencies), the resulting rates will be deemed to be independent rates and shall be subject to the 60 day delayed-effect provisions of § 38.2-1912 of the Code of Virginia, as provided by § 38.2-1906 E.*

**SUMMARY OF ATTACHED MANUAL EXCEPTION PAGES**

*(Check all that apply)*

- Expense Constant
- Premium Discount Table
- Minimum Premium Formula
- Drug-Free Premium Discount Rules

Small Deductible Plan:

- Variable Expense Multiplier
- Safety Factor

Retrospective Rating Values:

- Expected Loss Ratio (ELR) Factor
- Tax Multiplier
- Table of Expense Ratios (insurers must file the table)
- Excess Loss Premium Factors
- Retrospective Premium Development Factors

Other (explain):

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**NOTE:** *Please attach exception pages only for values being changed or filed for the first time. These values remain filed until withdrawn or changed; therefore, it is not necessary to re-file values that are not being changed. A completed and signed rate certification form COF-1 (05/05) must be attached whenever this form, WCLC VA (05/05), is filed.*

## DEFINITIONS

### The following are commonly accepted definitions for use with Form WCLC VA:

**Expense Multiplier:** total production expenses, general expenses, taxes, licenses and fees, underwriting profit and contingencies and other expenses (excluding loss adjustment expenses)

**Total Production Expenses:** commission and brokerage and other expenses associated with production, sales, field supervision, advertising and collection

**General Expenses:** payroll, rent, board and bureau fees, pensions and employee benefits

**Taxes, Licenses and Fees:** premium taxes, fire programs fund assessment, maintenance assessment of the Bureau of Insurance, payroll taxes, guaranty fund assessments, etc.

**Underwriting Profit and Contingences:** investment income, riskiness, cost of capital, surplus, competitive considerations

**Other Expenses:** expenses not included above (must be described)

**Loss Costs:** historical aggregate losses and loss adjustment expenses projected through development to their ultimate value and through trending to a future point in time (loss costs do not include provisions for profit or expenses other than loss adjustment expenses)