

# COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/boi>

**May 26, 2010**

## **Administrative Letter 2010-05**

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

**Re: Revised Form WCLC VA for Insurer Expense Multiplier Filings,  
Related Rules and Tiered Rating; Withdrawal of Administrative  
Letter 2005-03**

This administrative letter introduces a revised adoption form, WCLC-VA (05/10), for use in filing insurer expense multipliers, related rules, and supplementary rate information for workers' compensation insurance. In addition, this administrative letter introduces the use of tiered rating plans for workers' compensation insurance. Administrative Letter 2005-03, which included the original adoption form, WCLC-VA (05/05), is hereby withdrawn.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, table 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.

Pricing programs reflecting tiered rating are also permitted. However, certain requirements must be met in order to comply with §§ 38.2-1904 and 38.2-1906 of the Code of Virginia. If an insurer wishes to use tiered rating, the insurer must file the multiplier(s) it will use for each tier. In addition, the insurer is required to file eligibility criteria applicable to new and renewal policies for each tier. The criteria for assignment must be objective and mutually exclusive, allowing a risk to qualify for only one rating tier.

In addition to filing eligibility criteria, insurers are required to re-evaluate each policy at renewal to ensure that the appropriate rates are applied in accordance with the filed eligibility criteria. The filed rules must reflect this requirement.

Insurers are required to use the attached form WCLC-VA (05/10) to file new or revised expense multipliers in combination with any of the other rating elements outlined above. If filing amendments to exception pages on file, the insurer should file only the pages being changed. Pages not being amended need not be re-filed. If filing exception pages only with no change in multipliers, use of the WCLC-VA form is not necessary. The insurer should simply submit its exception pages with a clear explanation of the changes. 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 listing the primary multiplier and exceptions on page 1 of form WCLC-VA (05/10). Any insurer electing to file more than 27 exceptions should attach a schedule of its multipliers when submitting the WCLC VA (05/10). A separate WCLC VA (05/10) must be filed for each tier.

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. If the indicated multiplier meets or exceeds unity (1.00), any selected multiplier less than unity will be considered a deviation from loss costs, subjecting the insurer's filing to the delayed-effect provisions. Filings reflecting modifications or deviations from loss costs require the submission of final rates in lieu of a multiplier. 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.

Filings subject to § 38.2-1912 must include actuarial support of the filing and the insurer must certify that it has notified the Division of the Consumer Counsel of the Office of the Attorney General that the filing has been made. The filing should propose an effective date which is at least sixty days after the date the filing is received by the Bureau of Insurance. Under Virginia statute the filing is not deemed made until all necessary data requested from the insurer is furnished. If the initial submission does not include all necessary data, the earliest the filing can be approved is 60 days from the date the filing is deemed complete.

Any questions related to this administrative letter may be directed to:

Sandra Mawyer  
Principal Insurance Market Examiner  
Commercial Casualty Rates and Forms Section  
Property and Casualty Division  
(804) 371-9197  
[sandra.mawyer@scc.virginia.gov](mailto:sandra.mawyer@scc.virginia.gov)

Cordially,

A handwritten signature in dark ink, appearing to read "Alfred W. Gross". The signature is fluid and cursive, with a large, sweeping "A" and "G".

Alfred W. Gross  
Commissioner of Insurance

AWG/shm

Attachment

**WORKERS' COMPENSATION INSURANCE  
EXPENSE MULTIPLIER FILING**

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

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

\*If filing tiered programs, a separate WCLC VA form must be filed for each tier.

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, or sole multiplier for the tier shown, unless exceptions are noted below or provided in an attached schedule. If exceptions are noted, the expense multiplier shown above is the insurer's primary multiplier, applicable to all classifications not included in the exceptions below. Exceptions in excess of 27 must be filed on an attached schedule.\*\*

Exceptions, if any, to the insurer's primary expense multiplier shown above 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 any exceptions above.

\_\_\_\_ Exceptions are in excess of 27 and, as required, are filed on the attached schedule.

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

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

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

**TIER:** \_\_\_\_\_ \*

\*If filing tiered programs, a separate WCLC VA form must be filed for each tier.

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

### Tiered Rating:

- ☐ Rating Plan Criteria

### 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):

---

---

---

**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 (05/10), 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, risk evaluation, 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)