



# Oregon

## Department of Consumer and Business Services

Insurance Division  
350 Winter St. NE, Room 440  
PO Box 14480  
Salem, OR 97301-0405  
(503) 947-7980  
FAX (503) 378-4351  
TTY (503) 947-7280  
[www.oregoninsurance.org](http://www.oregoninsurance.org)

### INSURANCE DIVISION BULLETIN INS 92-5

**TO:** All Workers' Compensation Insurers

**RE:** Rate Filing Procedures for Workers' Compensation Insurance

With the adoption of revisions to our competitive rating filing rules and new filing forms, this is an opportunity for us to explain the changes and also remind you of your responsibilities for properly filing and maintaining your workers' compensation rating system.

What you must do:

Our rating law still requires you to independently file your entire rating system. You are required to be a member of the National Council on Compensation Insurance (NCCI) and to participate in the National Pool which reinsures the Oregon Workers' Compensation Insurance Plan. Nevertheless, your membership does not automatically entitle you to use NCCI rating plans or rating systems. You must file them independently.

The NCCI is prohibited by law from filing any rating values which contain provision for expenses, taxes, or profit. Hence, any such values contained in NCCI rating manuals are inapplicable to Oregon. The National Council does file its rules and plans with us on an advisory basis excluding these rating values. You may adopt NCCI rating plans by reference and provide your own rating values.

Most insurers have made the necessary filings. The following guidelines are provided to assist you in determining whether you are in compliance with our rating law:

1. Classifications, rules for classifying, premium basis, anniversary rating date rule, methods of insuring, policy preparation, etc. , may be filed by reference to the NCCI Basic Manual or by filing an independent manual. If you devise your own manual, you must have an anniversary rating date rule.
2. Rules for premium discounts, expense constants, minimum premiums, and deposit premiums in the NCCI Basic Manual are not usable for Oregon unless you file the specific values or tables your company will use. You may not file values by reference to any NCCI manual tables. They are totally inapplicable for Oregon. Specifically, the terms "stock" and "non-stock" have no relevance. You are not required to adopt NCCI rules, you may file independent plans.
3. The NCCI Retrospective Rating Plan may be adopted by reference or you may prepare your own plan. If you wish to use retrospective rating, you must file your own basic premium percentages, tax multipliers, expected loss ratios, expense ratio tables, or excess loss premium factors. We will assume that a company which adopts the NCCI Retrospective Rating Plan will use the Table of

Insurance Charges ("Table M"), the Table of Expected Loss Ranges, and the Table of Classifications by Hazard Group ("Table H") and approved revisions thereto.

4. You may file independent classifications or subclassifications. The principal constraint is that the NCCI must be able to construct experience for its standard classifications. Prior to your filing, the NCCI will give you 9300-series codes to use for statistical reporting. Legislation in 1990 requires that any independent classification approved for any insurer must also be used in the Workers' Compensation Insurance Plan.
5. You are required by law to use National Council policy or standard endorsement forms. If you have an independent rating plan for which no NCCI form is usable, you may file your own form directly with us. Otherwise, any modification of NCCI forms must be filed by the NCCI on your behalf. If you wish to issue participating policies, you must file your own participation clause to comply with OAR 836-80-105 through 155.
6. The NCCI Experience Rating Plan and the Statistical Plan have been specified for use by all insurers by administrative rule (OAR 836-42-015(6) and OAR 836-42-045).

### **How to file Premium Rates:**

Oregon pioneered the loss cost multiplier concept when competitive rating became effective in 1982. You still may either file a schedule of rates by class or else specify a factor or factors to be applied to NCCI advisory loss cost rates. If you file a factor, you must also specify a rule for rounding after you multiply a loss cost rate by your factor.

You may file a multiplier to apply automatically to new advisory loss costs whenever we approve a revision for NCCI or you may file a factor to apply only to the then current advisory loss cost rates. One of the major rule revisions specifies that rates based on outdated loss cost rates are declared to be unfairly discriminatory. Hence, if you do not file an "automatic" multiplier, you must be certain to act to revise your rates whenever the advisory loss cost rates are revised.

The same need to keep your rates current exists if you file a rate schedule. If the schedule is based on outdated advisory loss costs, our rules declare you to be practicing unfair discrimination. The Director may order you to revise your rates and may impose other sanctions.

Refer to the revised OAR 836-42-025 for the current restrictions on premium rates. The major changes are the declarations of unfair discrimination for rates based on outdated loss costs or for loss cost deviations effective on a date other than the effective date approved for the NCCI loss cost rates. In recent years, NCCI loss cost rates have been revised January 1 each year. Deviations effective on another date cause discrimination problems between policies with differing anniversary dates.

Legally, you may file rates which are not based on NCCI advisory loss costs. However, you would face a substantial burden of supplying actuarial justification for classification credibilities and differentials.

### **NEW RATE FILING FORMS:**

Whenever you file premium rates based on NCCI advisory loss cost rates, you must use the new revised filing forms. These forms replace the original filing form adopted in 1982 and the form distributed by bulletin in 1988. We have purposely adopted the forms recently developed by the National Association of Insurance Commissioners (NAIC) to minimize difficulties insurers had in knowing how to file rates in Oregon. National uniformity should facilitate the filing process for all concerned. Unless conditions

develop which require us to adopt state-specific forms, we intend to adopt any future revisions to the NAIC forms.

These forms are only needed when you file premium rates based on advisory loss cost rates. When you are filing other rating plans or values, you do not need to use these forms.

**Exhibit 1** (to OAR 836-42-015) is the NAIC "Reference Filing Adoption Form." This form gives us the basic information about what you are proposing to adopt. Specifically, if you file a loss cost multiplier, you must indicate whether or not your multiplier will automatically apply to revised NCCI advisory loss cost rates. If your multiplier is not "automatic", you must be certain to act to keep your rates current.

Note that the wording on item 9 of Exhibit 1 is not intended to be sufficiently refined to describe all anniversary rating dates or other possible exceptions to rates being revised on policy inception dates. The statement that your multiplier will apply automatically to policies written after the effective date of an NCCI revision (if that is the box you check) is intended to be a general statement to distinguish the filing options. We will assume the rules of your rating plan govern specific applications.

**Exhibit 2** (to OAR 836-42-015) is the calculation of an indicated loss cost multiplier for your company. The NAIC has two such forms. We have adopted the form relating to loss cost rates which do not include loss adjustment expenses since the NCCI is prohibited from filing such provisions in Oregon.

Item 2 in Exhibit 2 relates to any deviation from advisory loss cost rates and to provision for loss adjustment expenses. If you are basing your rates on "pure premiums" which are a uniform percentage departure from current NCCI advisory loss cost rates, show the departure as a multiplicative factor in item 28. For example: If you are proposing to use loss costs 10 percent lower than the advisory rates, enter ".90". If you are proposing to use loss costs 15 percent higher than the advisory rates, enter "1.15". If you are not proposing to deviate from NCCI advisory loss cost rates, enter "1.00". You may use any number of decimal places. Remember, loss cost deviations effective on a different date than the current NCCI revision have been declared unfairly discriminatory. Any deviation must also be accompanied by substantial actuarial justification.

Most insurers will include provision for loss adjustment expenses as a multiplicative factor in item 2C. For example, if your loss expenses are 12 percent of losses, you would enter "1.12". These expenses might alternatively be included in item 3E.

The expense ratios in Item 3 are intended to be your projections of actual company expenses divided by projected standard premium at proposed company rates. For purposes of this exhibit, we defined "standard premium at company rates" to exclude both minimum premiums and expense constants. Some rating manuals may include one or another of these components in a definition of standard premium. Note that these expense ratios should not be "grossed up" to include the effect of expense graduation or premium discount such as you may have seen in some NCCI rate filings for other states. Provision for the effects of expense graduation, expense constants, minimum premiums and other such rating components should be accounted for in items 5 and 6.

Note that if you change the value of any expense constant or minimum premium, you must file your revised values. If you use the same formula for calculating minimum premiums as you used previously, you may check "NO" in item 9, but you must file your revised values. A change in the maximum minimum premium value IS a change in your formula.

Filing multiple loss cost multipliers for use in the same company is beyond the intended scope of this bulletin. We advise that you contact us in advance of any such filings. The same forms are usable. A

separate Exhibit 2 would be required for each multiplier. We are available to respond to any further questions about the use of these forms. You may contact Michael Lamb, our casualty actuary, in writing or by telephone at (503) 378-4271.

### **Other Reminders:**

All workers' compensation rating filings are subject to prior approval. The original competitive rating law did allow file and use of premium rates which were not less than the advisory loss cost rates; however, that exception was repealed in 1987. Any effective date prior to the end of the 30-day review period must be clearly requested in the filing and is subject to the Director's discretion.

Copies of all your filings must be sent simultaneously to the National Council. The NCCI currently requests that you send these copies to its western regional office at 30501 Agoura Road, Suite 205, Agoura Hills, California 91301.

It is your responsibility to provide rates and rating values to your agents. If you file a loss cost multiplier with us instead of a rate table, you must provide agents with sufficient information to determine premium rates. The NCCI does not distribute advisory loss cost rates to agents. If you provide the advisory loss costs to agents and ask them to multiply by your loss cost multiplier, be certain to also explain your rounding rule.

These guidelines are provided to assist you. They do not completely describe the administrative rules or statutes. You may contact our Insurance Division if you need further clarification of our filing requirements.

This bulletin is dated the 12th day of November, 1992, at Salem, Oregon.

\_\_\_\_\_(signed)\_\_\_\_\_  
**Mary Alice Bjork**, Administrator

INSPA600