



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
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JULIE MIX McPEAK
COMMISSIONER

October 9, 2012

Honorable David Lillard, Jr., Chair
Tennessee Workers' Compensation Advisory Council
Treasurer, State of Tennessee
State Capitol, First Floor
Nashville, TN 37243-0225

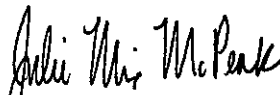
Dear Chairman Lillard:

Tenn. Code Ann. §50-6-402(d) requires that the Commissioner of Commerce and Insurance report to the Workers' Compensation Advisory Council regarding all workers' compensation filings made by the designated rate service organization and received by this Department.

Attached to this letter, please find a summary of all NCCI filings made in Tennessee for the period July 1, 2012 through September 30, 2012. This Department appreciates the role that the Workers' Compensation Advisory Council provides in the area of workers' compensation regulation.

Should you or any member have questions or comments concerning this report, please do not hesitate in contacting me or a member of my staff.

Sincerely,


Julie Mix McPeak
Commissioner

JMM/ms

NCCI Filing Activity Report:

Summary as of September 30, 2012

(includes filings received July 1, 2012 and later)

1. Revision to TWCIP Rehabilitation and Tabular Surcharge Reduction Incentive Plan

Filed: July 2, 2012

Effective Date: September 1, 2012 applicable to new and renewal assigned risk policies only

Status: Approved July 10, 2012

PURPOSE

The objective of the TWCIP Rehabilitation and Tabular Surcharge Reduction Incentive Program is to provide a rehabilitative incentive to policyholders to improve the safety and cost containment controls on risks in the TWCIP that have had unfavorable experience.

BACKGROUND

The program incepted on July 1, 2010 under the original tabular surcharge program. The Department decided to amend the tabular surcharge program to lower the surcharges by 50% effective September 1, 2012. To coincide with that change, the TWCIP Rehabilitation and Tabular Surcharge Reduction Incentive Program is being amended to reflect the revised surcharge values. Due to the fact that surcharges are being reduced impacting the size of potential premium reductions, the qualifying premium is being increased to \$30,000.

PROPOSED

The rule is being amended along with the supporting endorsement WC 41 06 01 A (copy attached) to accommodate the reduction in the tabular surcharge.

IMPACT

With the premium savings accompanying the reduction in tabular surcharges, the corresponding savings from the TWCIP Rehabilitation and Tabular Surcharge Reduction Incentive Program will be reduced as well, the extent of which is unknown.

Effective September 1, 2012

TENNESSEE WORKERS COMPENSATION INSURANCE PLAN (TWCIP) REHABILITATION AND TABULAR SURCHARGE REDUCTION INCENTIVE PROGRAM PREMIUM ENDORSEMENT

In conjunction with Tennessee Code Annotated (TCA) 56-5-314(6)(A)(ii), the **Rehabilitation and Tabular Surcharge Reduction Incentive Program (Rehab Program)** has been established to provide a rehabilitative incentive to some TWCIP policyholders who are subject to paying a premium surcharge called the **Tabular Surcharge** because their experience rating modification factor is 1.11 or higher.

This endorsement provides notification that you may be eligible to receive a reduction in the amount of your **Tabular Surcharge by up to 80%**, provided that you have **at least \$30,000 in estimated annual premium** and you meet **all of the following Qualifying Conditions**:

1. You must sign up for the program with the plan administrator within the first 90 days from the inception date of your policy;
2. Your assigned insurance carrier conducts a comprehensive health and safety survey of the largest facility or job site within 60 days of the inception date of your policy and you comply with all recommendations before certification is evaluated (see step three);
3. Your company has been trained and certified by the TWCIP's third-party loss control firm as a **Certified Safety and Cost Containment Employer*** within eight (8) months of the inception date of your policy. The elements of this program include the following: Management Commitment; Supervisory Accountability; Active Safety Committee; Accident Investigations; Hazard Prevention and Control; Emergency Planning; Safety Training; Disciplinary Action; Prompt Reporting of Claims; and Transitional Duty/Post-Injury Program;
4. Your company passes a performance review approximately 9 to 10 months after the performance period.

* Becoming a **Certified Safety and Cost Containment Employer** will require a high degree of cooperation between the policyholder and the TWCIP's third-party loss control firm.

Your ability to receive a reduction on the amount of your Tabular Surcharge is based on your compliance with the above qualifiers, **including** a review of your actual loss performance during the policy period. Your actual performance under this policy will be reviewed approximately 9 to 10 months after the end of the expiration of this policy using the recently published Experience Rating Worksheet produced by the National Council on Compensation Insurance (NCCI).

Both of the following criteria must be met in order for the policyholder to qualify for the Level A (80%) Tabular Surcharge reduction:

Level A

- **Frequency Improvement:** The ratio of actual primary losses to expected primary losses in Tennessee for this policy period must have fallen by 20% or more (or this ratio is below 1.00) compared to the prior experience rating modification's total** actual primary losses to total primary expected losses, **and**
- **Severity Improvement:** The ratio of actual incurred losses to expected losses in Tennessee for this policy period must have fallen by 15% or more (or the ratio is below 1.00) compared to the **prior** experience rating modification's total** actual incurred losses to total expected losses.

You can still receive a reduction of your Tabular Surcharge if you don't meet both of the above criteria for Level A. You may be eligible for a **Level B (33%)** Tabular Surcharge reduction, provided you meet the following requirement:

Level B

- **Frequency Improvement:** The ratio of actual primary losses to expected primary losses in Tennessee for this policy period must have fallen by 10% or more (or the ratio is below 1.00) compared to the **prior** experience rating modification's total** actual primary losses to total primary expected losses.

If all four Qualifying Conditions are met and either the Level A or Level B performance measures are met, you will receive the applicable reduction to your Tabular Surcharge. We will promptly execute your premium refund by amending your premium audit on this policy.

In order to continue to qualify for the program after year one, the third-party loss control firm will conduct an annual recertification of the Safety and Cost Control Containment program within 90 days of inception of the applicable policy period, at the request of the policyholder, and will also ensure that the policyholder remains in compliance with prior loss control recommendations.

Effective July 1, 2010

If carriers change, it will be the responsibility of the policyholder to provide the carrier during the performance period with the experience rating modification worksheet(s) necessary to calculate the appropriate ratios.

Below is a table showing the potential Level A or Level B benefit that can be attained through the Rehab Program:

Level A

Experience Rating Modification Range	Standard Tabular Surcharge	Adjusted Tabular Surcharge for Qualifying Policyholders
1.11-1.15	5%	1%
1.16-1.20	10%	2%
1.21-1.25	13%	3%
1.26 and up	15%	3%

Level B

Experience Rating Modification Range	Standard Tabular Surcharge	Adjusted Tabular Surcharge for Qualifying Policyholders
1.11-1.15	5%	3%
1.16-1.20	10%	7%
1.21-1.25	13%	9%
1.26 and up	15%	10%

** If the risk is interstate rated, use only the total experience for the state of Tennessee for comparing Tennessee losses.