

## 11 NCAC 10 .1111 WORKERS' COMPENSATION

The following information is required pursuant to G.S. 58-36-15(h) for those filings made under G.S. 58-36-100:

- (1) North Carolina losses and loss adjustment expenses, each on paid and incurred bases without trending or other modification for the experience period.
  - (a) The filer shall include loss and loss adjustment expense data from all companies writing North Carolina workers' compensation insurance. In addition, if exposures are used in the calculation of premiums at present rates, the filer shall provide all available exposure data from these companies. If the experience of any company that writes more than one percent of the North Carolina workers' compensation written premium has been excluded from any trend or loss development calculations, the filer shall identify the company and its market share and provide an explanation for its exclusion. The filer shall also estimate the aggregate market share of other companies whose experience is excluded from such calculations.
  - (b) If any identifiable group of policies is excluded from the calculation of classification differentials, the filer shall describe those policies, indicate their market share, and provide an explanation for their exclusion.
  - (c) The filer shall clearly describe all adjustments to losses, loss adjustment expenses, expenses as defined in G.S. 58-36-100(c), and exposures included in the filing.
  - (d) The filer shall provide the latest available written and earned premiums and market shares for the 10 largest writers of North Carolina workers' compensation insurance.
  - (e) The filer shall provide the following information on losses and loss adjustment expenses:
    - (i) For each of the latest three available accident and calendar years, undeveloped and untrended losses and loss adjustment expenses;
    - (ii) For each accident and policy year included in the filing, paid losses, case basis reserves, loss development, incurred allocated loss adjustment expenses (if collected separately from losses), incurred unallocated (or combined allocated and unallocated) loss adjustment expenses, applied trend factors, and trended incurred losses and loss adjustment expenses.
- (2) Credibility factor development and application. The filer shall provide all information related to the derivation of all credibility factors contained in the filing, including the following:
  - (a) A description of all data reviewed;
  - (b) A complete description of the methodology used to derive these factors;
  - (c) A description of alternative methodologies used in the last three years;
  - (d) A description of the criteria used to select a methodology;
  - (e) Specific details on the application of these criteria in the selection of a methodology for this filing;
  - (f) Details on the application of the methodology to this filing.
- (3) Loss development factor development and application on both paid and incurred bases and in both numbers and dollars of claims:
  - (a) The filer shall provide all information related to the derivation of all loss development factors contained in the filing, including the following:
    - (i) A description of all data reviewed;
    - (ii) A complete description of the methodology used to derive these factors;
    - (iii) A description of alternative methodologies used in the last three years;
    - (iv) A description of the criteria used to select a methodology;
    - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
    - (vi) Details on the application of the methodology to this filing.
  - (b) The filer shall provide at least the latest five available years of the aggregate loss data described in Sub-items (3)(b)(i) through (iii) of this Rule for matching companies for all pairs of successive evaluation dates. The filer shall also provide the corresponding loss development factors and five-year average factors derivable from the data:
    - (i) Data on both a policy year and an accident year basis;
    - (ii) Data separated into indemnity and medical portions, as well as combined data;
    - (iii) Data separated into paid, case incurred and incurred but not reported portions, as well as combined data;

- (c) The filer shall provide for each of the loss amounts in Sub-item (3)(b) of this Rule, paid claim counts, incurred claim counts, and outstanding claim counts.
  - (d) The filer shall provide at least the latest 10 available policy years of the incurred loss data described in Sub-items (3)(d)(i) through (ii) of this Rule from the Unit Statistical Plan for matching policies for all pairs of successive evaluation dates. The filer shall also provide the corresponding loss development factors and five-year average factors derivable from the data:
    - (i) Losses separated into indemnity and medical portions, as well as combined data;
    - (ii) Losses separated into deaths, permanent totals, major permanent partials, minor permanent partials, temporary totals, and medicals only.
  - (e) The filer shall provide for each of the loss amounts in Sub-item (3)(d) of this Rule the corresponding incurred claim counts and for each of the policy years in Sub-item (3)(d) of this Rule the aggregate earned exposures. Where small claims are reported in bulk, the filer shall provide such information as accurately as possible, given the imprecision inherent in such aggregate data.
  - (f) The filer shall provide for each of the policy periods in Sub-items (3)(b) and (3)(d) of this Rule the law amendment factors for adjusting past losses to current benefit levels.
  - (g) The filer shall include a description of the reasons for the differences between the policy year data provided in response to Sub-items (3)(b) and (3)(c) of this Rule and those provided in response to Sub-items (3)(d) and (3)(e) of this Rule.
- (4) Trending factor development and application:
- (a) The filer shall provide all information related to the derivation of all trend factors contained in the filing including the following:
    - (i) A description of all data reviewed;
    - (ii) A complete description of the methodology used to derive these factors;
    - (iii) A description of alternative methodologies used in the last three years;
    - (iv) A description of the criteria used to select a methodology;
    - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
    - (vi) Details on the application of the methodology to this filing.
  - (b) The filer shall calculate the following trend factors:
    - (i) Indemnity and medical trend factors based on the latest eight available policy years and accident years of North Carolina paid and paid plus case data;
    - (ii) Indemnity and medical trend factors based on the latest eight available accident years and policy years of multi-state paid and paid plus case data;
- (5) Changes in premium base and exposures. The filer shall provide or estimate the following information on exposure trends:
- (a) The statewide average weekly wage for the latest five available calendar years;
  - (b) The statewide average weekly wage for the latest 10 available policy years without the application of a payroll limitation;
  - (c) The statewide average weekly wage for the latest 10 available policy years after the application of payroll limitation; and
  - (d) The estimated statewide average weekly wage for the calendar and policy years during which the rates will be in effect.
- (6) Limiting factor development and application. The filer shall provide information on the following items:
- (a) Limitations on losses included in the statistical data used in the filing;
  - (b) Limitations on the extent of the rate or loss costs level change;
  - (c) Limitations on the extent of classification rate or loss costs changes; and
  - (d) Any other limitations applied.
- (7) The percent rate or loss costs change:
- (a) The filer shall provide the overall statewide rate or loss costs change, as well as the amount of the change attributable to each of the following: loss experience, a modification of the trend factor, law amendments, a change in the loss based assessment provision, and any other factors.

- (b) The filer shall provide the rate or loss costs changes for each industry group and for each classification.
- (8) For assigned risks rate filings, the filer shall include support for reasonable margin for underwriting profit and contingencies and investment income, including realized capital gains.
- (9) For assigned risk rate filings, the filer shall provide investment earnings on capital and surplus. Given the selected underwriting profit and contingencies provision contained in the filing, the filer shall indicate the resulting rates of return (including consideration of investment income) on equity capital, on statutory surplus, and on total assets. The filer shall show the derivation of all factors used in producing these calculations and justify the fairness and reasonableness of these rates of return.
- (10) As required by G.S. 58-36-15, the filer shall:
  - (a) Provide information on the following aspects of workers' compensation individual risk rating plans, including an explanation of their purpose and a detailed description of their derivation:
    - (i) For experience rating plans, the table of expected loss rate and discount ratios and table of weighting and ballast values.
    - (ii) For retrospective rating plans, table of insurance charges, multipliers (including the derivation of any assigned risk subsidy), and table of excess loss factors.
  - (b) Describe all payments made to all consultants (including lawyers, actuaries, and economists) related to this filing and the previous one on workers' compensation insurance. If payments cannot be specifically identified as related to particular filings, the filer shall estimate them.
  - (c) Identify and describe all changes in methodologies from the previous North Carolina workers' compensation rate filing. If any collected or reported data required by this Rule are provided within 30 days after the initial submittal of a filing, that data shall be made a part of the filing, provided the initial submittal acknowledges that it is incomplete and identifies specifically what further data are to be submitted within the time permitted. No filing otherwise complete shall be deemed to be proper until such time that all data required by this Rule have been submitted.

*History Note: Authority G.S. 58-2-40; 58-36-15(h);  
Eff. February 1, 1996;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*