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TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas
Project Name/Number: /

Filing at a Glance

Company: National Council on Compensation Insurance, Inc.
Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas
State: Texas
TOI: 16.0 Workers Compensation
Sub-TOI: 16.0004 Standard WC
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State: Texas **Filing Company:** National Council on Compensation Insurance, Inc.
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas
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General Information

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State TOI: Workers Compensation State Sub-TOI: Workers Compensation

Filing Description:

This item revises and establishes rules and an endorsement related to the Catastrophe (other than Certified Acts of Terrorism) Provision in Texas. The following NCCI manuals are impacted:

- Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)
- Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)
- Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)
- Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)

Company and Contact

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Filing Company Information

National Council on Compensation Insurance, Inc. CoCode: State of Domicile: Florida
901 Peninsula Corporate Circle Group Code: Company Type:
Boca Raton, FL 33487 Group Name: State ID Number:
(561) 893-3186 ext. [Phone] FEIN Number: 65-0439698

State: Texas **Filing Company:** National Council on Compensation Insurance, Inc.
TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC
Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas
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Filing Fees

State Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

- [PII] Does this filing contain any personally identifiable information (PII)? (See SERFF General Instructions for the definition and examples of PII.) Answer either YES or NO:: No
- [Associated filing] Provide the TDI file number or SERFF tracking number for all associated filings:: NCCI-132958411
- [Deemer date] Do you waive the deemer for form, endorsement, and certificate of insurance filings under 28 TAC 5.9325? Answer either YES or NO:: No
- Do you waive the limits on requests for information for rate/rule filings under 28 TAC 5.9336? Answer either YES or NO:: No
- [Replacement number] Provide the TDI file number of the previously approved forms and endorsements or accepted rates, rules, or rate/rules that you are replacing:: NA
- [Reference/adopt] Provide the TDI file number that contains approved forms and endorsements or accepted rates, rules, or rate/rules that you are referencing/adopting.: NA
- [Interline] State if this is an interline filing and list all lines of insurance the endorsement or rate/rules applies to.: No
- [Dual] For dual filings (monoline and multi-peril) state if this is a new program. If not, provide the TDI file number for either the previous dual filing, or the previous monoline and multi-peril filings approved for this program:: NA
- [Policy form] What policy form do these endorsements and forms go with? List the TDI file number where the policy form was approved or referenced:: NA
- [RPG] Will this filing be used for a Risk Purchasing Group? Answer either YES or NO. If yes, provide the name:: No
- [COVID-19] Is this filing related to the COVID-19 pandemic? Answer either YES or NO.: Yes

SERFF Tracking #:

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02-TX-2021 (RULE)

State: Texas

Filing Company:

National Council on Compensation Insurance, Inc.

TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC

Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas

Project Name/Number: /

Rate Information

Rate data applies to filing.

Filing Method: Neutral

Rate Change Type: %

Overall Percentage of Last Rate Revision: %

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

SERFF Tracking Number of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
National Council on Compensation Insurance, Inc.	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

State: Texas

Filing Company:

National Council on Compensation Insurance, Inc.

TOI/Sub-TOI: 16.0 Workers Compensation/16.0004 Standard WC

Product Name: 02-TX-2021 Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Exhibit 1A	Rule 3-A-24	Replacement	TDI-3142	02-TX-2021 Exhibit 1A-RULE.pdf
2		Exhibit 1B	BM-PARC-C499F	Replacement	B-1444/S692689	02-TX-2021 Exhibit 1B-RULE.pdf
3		Exhibit 2A	Premium Algorithm	Replacement	02-TX-2015/S613281	02-TX-2021 Exhibit 2A-RULE.pdf
4		Exhibit 2B	Premium Algorithm	Replacement	B-1444/S692689	02-TX-2021 Exhibit 2B-RULE.pdf
5		Exhibit 3A	TX Advisory Misc Values	New		02-TX-2021 Exhibit 3A-RULE.pdf
6		Exhibit 3B	TX Advisory Misc Values	New		02-TX-2021 Exhibit 3B-RULE.pdf
7		Exhibit 4	Retro Rule 1-B-1	Replacement	03-TX-2014/7187	02-TX-2021 Exhibit 4-RULE.pdf
8		Exhibit 5	Retro Rule 1-B-1	Replacement	03-TX-2014/7187	02-TX-2021 Exhibit 5-RULE.pdf
9		Exhibit 6	Stat Part 6-E	New		02-TX-2021 Exhibit 6-RULE.pdf

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**EXHIBIT 1A-RULE
BASIC MANUAL—2001 EDITION
TEXAS RULE EXCEPTIONS
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION
24. Catastrophe Provisions**

b. Catastrophe (Other Than Certified Acts of Terrorism)

Change Rule 3-A-24-b as follows:

Rule 3-A-24-b does not apply in Texas. Premium for Catastrophe (other than Certified Acts of Terrorism) is calculated on the basis of total payroll according to Rule 2. A risk's total Texas payroll is divided by units of \$100 and multiplied by the Catastrophe (other than Certified Acts of Terrorism) Rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as (Payroll/100 x Catastrophe (other than Certified Acts of Terrorism) Rate = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.

Per capita classifications are not subject to this premium charge.

c. Terrorism

Change Rule 3-A-24-c as follows:

Premium for Terrorism is calculated on the basis of total payroll according to Rule 2. A risk's total Texas payroll is divided by units of \$100 and multiplied by the Terrorism Rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as [(Payroll / 100) x Terrorism Rate = Premium]. This premium is added to the Total applied after Standard Premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.

Per capita charges classifications are not subject to this premium under this Act charge.



EXHIBIT 1B-RULE

Item 02-TX-2021—

Rules and an Endorsement
Related to the Catastrophe
(Other Than Certified Acts of
Terrorism) Provision in Texas

Catastrophe provisions*

Rule ID: BM-PARC-C499F

Effective Date: July 1, 2022

Catastrophe provisions of the policy are (a) ~~Terrorism, and Catastrophe (other than Certified Acts of Terrorism), (b) Terrorism Risk Insurance Act (TRIA) of 2002 and any amendments thereto enacted by Congress. Terrorism, and (c) Terrorism Risk Insurance Act (TRIA) of 2002 and any amendments thereto enacted by Congress.~~

Premium for Catastrophe (other than Certified Acts of Terrorism)

Premium for Catastrophe (other than Certified Acts of Terrorism) is calculated on the basis of total payroll according to the Rules for calculating the premium and Payroll rules. Premium is calculated by dividing an employer's total payroll in Texas by units of \$100 and multiplying the result by the catastrophe (other than Certified Acts of Terrorism) rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as

Payroll/100 x Catastrophe (other than Certified Acts of Terrorism) Rate = Premium.

This premium is applied after standard premium and is not subject to any other modifications including, but not limited to

- premium discount
- experience rating
- modeled rating
- schedule rating
- retrospective rating, or
- premium incentive for small employers.

A policy issued on an "if any" basis is not charged this premium unless such policy develops premium during the policy term or at audit.

Per capita classifications are not subject to this premium charge.

Premium for Terrorism

Premium for Terrorism is calculated on the basis of total payroll according to the Rules for calculating the premium and Payroll rules. Premium is calculated by dividing an employer's total payroll in Texas by units of \$100 and multiplying the result by the terrorism rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as

Payroll/100 x Terrorism Rate = Premium.

This premium is ~~added to the total~~ applied after standard premium and is not subject to any other modifications including, but not limited to

- premium discount
- experience rating
- modeled rating
- schedule rating
- retrospective rating, or
- premium incentive for small employers.

A policy issued on an "if any" basis is not charged this premium unless such policy develops premium during the policy term or at audit.

Per capita classifications are not subject to this premium charge.

*This exhibit shows the revisions to the rule, Catastrophe provisions, as provided in Item B-1444—NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance.

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**EXHIBIT 2A-RULE
BASIC MANUAL—2001 EDITION
TEXAS MISCELLANEOUS RULES**

TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

	PREMIUM ELEMENTS	EXPLANATORY NOTES
1	MANUAL PREMIUM	$[(PAYROLL / 100) * RATE]$
2	+ Supplementary Disease (foundry, abrasive, sandblasting)	$[(SUBJECT PAYROLL / 100) * DISEASE RATE]$
3	+ USL&H Exposure for non-F-classification codes	$[(SUBJECT PAYROLL / 100) * (RATE * USL\&H FACTOR)]$
4	+ OW Exposure for non-OW classification codes	$[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]$
5	TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]
6	+ Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]
7	+ Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
8	+ Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
9	+ Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
10	+ Employers Liability increased limits charge (Admiralty, FELA)	[Balance to Admiralty, FELA E/L increased limits minimum premium]
11	+ Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
12	SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]
13	x Experience Rating Modification (Exp Mod)	
14	TOTAL MODIFIED PREMIUM	[Row 12 x 13]
15	x Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]
16	x Modeled Rating Factor	[Row 14 + 15 x Modeled Rating Factor]
17	x Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[Row 14 + 15 + 16 x Schedule Rating factor]
18	x Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[Row 14 + 15 + 16 + 17 x Healthcare Network Credit factor]
19	– Deductible Credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]
20	+ Supplemental Disease Exposure (Asbestos ^{NOC}) [†]	
21	+ Atomic Energy Radiation Exposure ^{NOC} [†]	
22	+ Charge for nonratable catastrophe loading [†]	
23	+ Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]
24	+ Balance to Minimum Premium (Admiralty, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty, FELA, USL&H)]
25	TOTAL STANDARD PREMIUM	
26	– Premium Discount [§]	[% applied to Total Standard Premium]
27	x Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**EXHIBIT 2A-RULE (CONT'D)
BASIC MANUAL—2001 EDITION
TEXAS MISCELLANEOUS RULES**

28	+	Coal Mine Disease Charge	[Underground, surface, surface auger]
29	+	Expense Constant	
30	+	Terrorism	[(PAYROLL / 100) * TERRORISM RATE]
31	+	Catastrophe (other than Certified Acts of Terrorism)	[(PAYROLL / 100) * CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) RATE]
<u>32</u>		ESTIMATED ANNUAL PREMIUM	

NOC = Not Otherwise Classified.

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.



EXHIBIT 2B-RULE

Item 02-TX-2021—

Rules and an Endorsement
Related to the Catastrophe
(Other Than Certified Acts of
Terrorism) Provision in Texas

Texas Workers Compensation Premium Algorithm*

Rule ID: BM-BMPP-W0064

Effective Date: July 1, 2022

This algorithm provides the framework for premium charges and credits. Where not specified, the premium base is the result from the prior line.

Texas Workers Compensation Premium Algorithm

		PREMIUM ELEMENTS	EXPLANATORY NOTES
1		MANUAL PREMIUM	$[(\text{PAYROLL} / 100) * \text{RATE}]$
2	+	Supplementary Disease (foundry, abrasive, sandblasting)	$[(\text{SUBJECT PAYROLL} / 100) * \text{DISEASE RATE}]$
3	+	USL&H Exposure for non-F-classification codes	$[(\text{SUBJECT PAYROLL} / 100) * (\text{RATE} * \text{USL\&H FACTOR})]$
4	+	OW Exposure for non-OW classification codes	$[(\text{SUBJECT PAYROLL} / 100) * (\text{RATE} * \text{OW FACTOR})]$
5		TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]
6	+	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]
7	+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
8	+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
9	+	Employers Liability increased limits factor (Admiralty law, FELA)	[Factor applied to the portion of Manual Premium where Admiralty law/FELA coverage is applicable]
10	+	Employers Liability increased limits charge (Admiralty law, FELA)	[Balance to Admiralty law, FELA E/L increased limits minimum premium]
11	+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
12		SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]
13	x	Experience Rating Modification (Exp Mod)	
14		TOTAL MODIFIED PREMIUM	[Row 12 x 13]
15	x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]
16	x	Modeled Rating Factor	$[(\text{Row } 14 + 15) * \text{Modeled Rating Factor}]$
17	x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	$[(\text{Row } 14 + 15 + 16) * \text{Schedule Rating factor}]$
18	x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	$[(\text{Row } 14 + 15 + 16 + 17) * \text{Healthcare Network Credit Factor}]$
19	–	Small Deductible credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]
20	+	Supplemental Disease Exposure (Asbestos NOC) ^{1, 2}	
21	+	Atomic Energy Radiation Exposure NOC ^{1, 2}	
22	+	Charge for nonratable catastrophe loading ²	

		PREMIUM ELEMENTS	EXPLANATORY NOTES
23	+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]
24	+	Balance to Minimum Premium (Admiralty law, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty law, FELA, USL&H)]
25		TOTAL STANDARD PREMIUM	
26	–	Premium Discount ³	[% applied to Total Standard Premium]
27	x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]
28	+	Coal Mine Disease Charge	[Underground, surface, surface auger]
29	+	Expense Constant	
30	+	Terrorism	[(PAYROLL / 100) * TERRORISM RATE]
31	±	<u>Catastrophe (other than Certified Acts of Terrorism)</u>	<u>[(PAYROLL / 100) * CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) RATE]</u>
31 <u>32</u>		ESTIMATED ANNUAL PREMIUM	

1 Not Otherwise Classified.

2 Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

3 For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.

*This exhibit shows the revisions to the Texas Workers Compensation Premium Algorithm, as provided in Item B-1444—NCCI’s Basic Manual for Workers Compensation and Employers Liability Insurance.

**ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE
(OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS**

EXHIBIT 3A-RULE

**BASIC MANUAL—2001 EDITION
TEXAS ADVISORY MISCELLANEOUS VALUES
Effective July 1, 2022**

Catastrophe (other than Certified Acts of Terrorism) - Carriers file the Catastrophe (other than Certified Acts of Terrorism) rate with the Texas Department of Insurance. See **Basic Manual** Rule 3-A-24.*

*Effective July 1, 2022, per Item 02-TX-2021.



EXHIBIT 3B-RULE

Item 02-TX-2021—

Rules and an Endorsement
Related to the Catastrophe
(Other Than Certified Acts of
Terrorism) Provision in Texas

TEXAS ADVISORY MISCELLANEOUS VALUES*

Effective Date: July 1, 2022

Catastrophe (other than Certified Acts of Terrorism) - Carriers file the Catastrophe (other than Certified Acts of Terrorism) rate with the Texas Department of Insurance. See **Basic Manual** rule, Premium for Catastrophe (other than Certified Acts of Terrorism).

*This exhibit shows the revisions to the Texas Advisory Miscellaneous Values—Advisory Loss Costs, as provided in Item B-1444—NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance.

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**EXHIBIT 4-RULE
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1—GENERAL EXPLANATION
B. DEFINITIONS****1. General Definitions****National Rule to Be Established in Texas and Texas Exception to Be Eliminated****c. Incurred Losses**

Incurred losses for workers compensation and employers liability insurance are defined in the ***Statistical Plan***. Incurred losses include paid and outstanding losses.

If the ALAE Option is elected, then incurred losses will include ALAE.

Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.

Note: The rating formula for incurred losses will not include a loss:

- Resulting from the nonratable element codes
- For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
- Resulting from the application of catastrophe provisions as outlined in NCCI's ***Basic Manual*** and ***Statistical Plan***
- Reported as fully fraudulent according to the ***Statistical Plan***
- Reported as noncompensable according to the ***Statistical Plan***

c. ~~Incurred Losses~~

Change Rule 1-B-1-e as follows:-

~~Incurred losses for workers compensation and employers liability insurance are defined in the ***Statistical Plan***. Incurred losses include paid and outstanding losses.~~

~~If the ALAE Option is elected, then incurred losses will include ALAE.~~

~~*Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.*~~

~~**Note:** The rating formula for incurred losses will not include a loss:-~~

- Resulting from the nonratable element codes
- For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
- Resulting from the application of the terrorism provision as outlined in NCCI's ***Basic Manual*** and ***Statistical Plan***
- Reported as fully fraudulent according to the ***Statistical Plan***
- Reported as noncompensable according to the ***Statistical Plan***

**ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE
(OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS**

**EXHIBIT 5-RULE
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1—GENERAL EXPLANATION
B. DEFINITIONS**

1. General Definitions

National Rule to Be Established in Texas and Texas Exception to Be Eliminated

f. Standard Premium

For purposes of the retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:

- (1) Premium discount
- (2) Expense constant
- (3) Premium resulting from nonratable element codes
- (4) Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
- (5) Premium developed by the catastrophe provisions as outlined in NCCI's *Basic Manual*

f. Standard Premium

Change Rule 1-B-1-f as follows:

~~For purposes of this retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:~~

- (1) ~~Premium discount~~
- (2) ~~Expense constant~~
- (3) ~~Premium resulting from nonratable element codes~~
- (4) ~~Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act~~
- (5) ~~Premium developed in accordance with the terrorism provision as outlined in NCCI's *Basic Manual*~~

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**EXHIBIT 6-RULE
STATISTICAL PLAN—2008 EDITION**

PART 6—CODING VALUES

E. STATISTICAL CODES

3. Premium Amount *Not Part* of Standard Premium

Phraseology	Stat Code	Premium Credit (-) or Debit (+)	Applicable States	Effective Date	Discontinued Date	Notes (If Applicable)
Catastrophe Provisions for Catastrophe (Other Than Certified Acts of Terrorism)	9741	Debit (+)	TX	07/01/2022		

State: Texas **Filing Company:** National Council on Compensation Insurance, Inc.
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Project Name/Number: /

Supporting Document Schedules

Satisfied - Item:	Does this filing contain confidential information?
Comments:	No
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Exhibit A
Bypass Reason:	NA
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Exhibit C
Bypass Reason:	NA
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Filing Memorandum (Rates/Rules)
Comments:	
Attachment(s):	02-TX-2021 Filing Memorandum.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Side by Side
Comments:	
Attachment(s):	02-TX-2021 Side_by_side.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Informational Exhibit
Comments:	
Attachment(s):	02-TX-2021 Informational Exhibit.pdf
Item Status:	
Status Date:	

SERFF Tracking #: NCCI-132958079 **State Tracking #:** S694945 **Company Tracking #:** 02-TX-2021 (RULE)

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FILING MEMORANDUM

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

PURPOSE

This item revises and establishes rules and an endorsement related to the Catastrophe (other than Certified Acts of Terrorism) Provision in Texas. The following NCCI manuals are impacted:

- ***Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)***
- ***Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)***
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
- ***Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)***

BACKGROUND

NCCI currently categorizes catastrophic events as earthquakes, noncertified acts of terrorism, or catastrophic industrial accidents that result in aggregate workers compensation losses in excess of \$50 million. Under NCCI's actuarial catastrophe methodology, data from catastrophes is excluded in the calculation of loss costs/rates because these events are not considered to be predictive of future experience. NCCI's Catastrophe (other than Certified Acts of Terrorism) Provision is used to contemplate exposure to catastrophic occurrences.

Both the definition of catastrophe and the treatment of catastrophe losses in property and casualty ratemaking are addressed in the Actuarial Standards of Practice (ASOP). As defined in ASOP 39, Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking, a catastrophe is "a relatively infrequent event or phenomenon that produces unusually large aggregate losses." ASOP 39 also states that "consideration should be given to the impact of catastrophes and that procedures should be developed to include an allowance for catastrophe exposure in the rate."

The exposure to catastrophic workers compensation losses exists in Texas. In 2004, NCCI filed a similar provision in most states. Item B-1393—Miscellaneous Values for Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents was filed to address certain catastrophic occurrences; this item was not filed in Texas because NCCI was not authorized to file in Texas. Since there is not currently a provision to account for any events that may result in aggregate workers compensation losses in excess of \$50 million, the current loss cost structure in Texas does not sufficiently account for these risks. The COVID-19 pandemic is the most recent catastrophic event impacting the workers compensation system. NCCI estimates that COVID-19 pandemic claims, excluding self-insureds, have the potential to ultimately result in workers compensation losses exceeding \$500 million over the entire duration of the pandemic across jurisdictions where NCCI provides ratemaking services.

This filing proposes to implement NCCI's actuarial catastrophe methodology in Texas. This methodology would treat a single event or peril that results in aggregate workers compensation losses in excess of \$50 million per occurrence as a catastrophe and thus exclude reported data from such an event from ratemaking. It would also establish the Catastrophe (other than Certified Acts of Terrorism) Provision in Texas, which includes a ***Basic Manual*** rule, endorsement, and statistical code, consistent with other NCCI states. The Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement defines "Catastrophe (Other Than Certified Acts of Terrorism)" as "A single event or peril resulting in a group of claims with aggregate

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FILING MEMORANDUM

ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

workers compensation losses in excess of \$50 million. This \$50 million threshold applies per occurrence, across all states for which claims arise from a single event or peril.” In adherence with the ASOPs, this treatment recognizes that there are multiple potentially catastrophic perils with exposure on workers compensation system costs.

Since pandemics have not previously been contemplated as a catastrophic event and the COVID-19 pandemic resulted in losses in excess of \$50 million, NCCI recently consulted with an expert catastrophe loss modeling firm to model the impact of pandemics on workers compensation system costs. No other perils were recently modeled but should still be contemplated as possible catastrophic events with exposure to workers compensation system costs.

NCCI will not be proposing a Miscellaneous Value advisory loss cost in Texas for Catastrophe (other than Certified Acts of Terrorism). At the direction of the Texas Department of Insurance (TDI), if carriers plan to apply the Catastrophe (other than Certified Acts of Terrorism) premium, they must file their Catastrophe (other than Certified Acts of Terrorism) rate with the TDI.

Pandemic Modeling

The COVID-19 pandemic has shown that pandemics have the potential to be a catastrophic peril on workers compensation system costs. To understand the risk that future pandemics could have on workers compensation system costs beyond COVID-19, NCCI recently engaged with AIR Worldwide (AIR), an expert catastrophe loss modeling firm and subsidiary of Verisk Analytics. After an extended joint project with AIR, NCCI has concluded that:

- Pandemics may have a significant impact on the workers compensation system.
- The expected average annual pandemic loss is not directly quantifiable for workers compensation insurance exposure.
- It is appropriate to define Catastrophe (other than Certified Acts of Terrorism) as a single event or peril resulting in a group of claims with aggregate workers compensation losses in excess of \$50 million. This \$50 million threshold applies per occurrence, across all states for which claims arise from a single event or peril.

AIR uses a global catastrophe pandemic model to assess the potential impact of pandemics.

This model considers a collection of risk parameters including, but not limited to, pathogen type; start location; transmission rate; virulence; local, national, and international response mechanisms; time of year; and travel patterns. The included pathogens are influenza, coronaviruses, filoviruses, cholera, Rift Valley fever, Crimean-Congo hemorrhagic fever, bubonic plague, Lassa fever, and bacterial meningitis. Using employees as the unit of exposure, the model estimates the probability of a physician visit, hospitalization, or death, along with the associated costs.

In accordance with ASOP 38, Using Models Outside the Actuary’s Area of Expertise (Property and Casualty), NCCI reviewed the appropriateness of the pandemic model for its intended use. AIR’s model produced estimates of the average medical losses per worker resulting from pandemics, regardless of whether the claim originated from the workplace or was otherwise compensable. To focus AIR’s model framework on workers compensation, NCCI applied several adjustments to the AIR-provided values: (1) converted the

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estimates to account for lifetime medical costs, (2) added expected indemnity losses, (3) applied a factor for compensability, and (4) limited all events to \$100 billion to account for insurer insolvency and to recognize preventative measures that could be taken at more severe event levels.

NCCI discovered a number of challenges in quantifying the impact of pandemics on workers compensation system costs:

- Uncertainty in quantifying the share of pandemic illnesses that were transmitted at work or are otherwise compensable
- Uncertainty of how occupation exposure risk could vary depending on the severity of the pandemic
- Uncertainty in human behavior by state that could impact the transmissibility of a future pandemic
- Possible inverse correlation of pandemic losses with nonpandemic losses

Basic Manual Rule 3-A-24-c—Terrorism

This filing proposes that the language provided in **Basic Manual** Rule 3-A-24-c “added to the Total Standard Premium” be revised to “applied after standard premium” to accurately provide direction related to the calculation of premium. This revision is consistent with the language provided in other NCCI states.

Additionally, this item proposes that the sentence related to per capita classifications be revised to be accurate and consistent with the language provided in other NCCI states.

PROPOSAL

To reflect the newly established Catastrophe (other than Certified Acts of Terrorism) Provision in Texas, this item proposes to:

1. Revise rules related to the catastrophe provisions in NCCI's **Basic Manual** to:
 - Include Catastrophe (other than Certified Acts of Terrorism)
 - Update information related to the premium calculation for Terrorism and per capita classifications
2. Revise the Texas Workers Compensation Premium Algorithm in NCCI's **Basic Manual** to include Catastrophe (other than Certified Acts of Terrorism) and revise the word “healthcare” in line 18
3. Establish an entry in the Texas Miscellaneous Values to state that if a carrier plans to apply the Catastrophe (other than Certified Acts of Terrorism) premium, it must file its Catastrophe (other than Certified Acts of Terrorism) rate with the Texas Department of Insurance

In accordance with NCCI's Catastrophe Methodology, NCCI would exclude from ratemaking all reported claims resulting from a single event or peril that results in a group of claims with aggregate workers compensation losses in excess of \$50 million per occurrence, across all states for which claims arise from a single event or peril.

4. Establish Rules 1-B-1-c and 1-B-1-f and eliminate the Texas exceptions to Rules 1-B-1-c and 1-B-1-f in NCCI's **Retrospective Rating Plan Manual**

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5. Establish Statistical Code 9741—Catastrophe Provisions for Catastrophe (Other Than Certified Acts of Terrorism) in NCCI’s **Statistical Plan** for use in Texas
6. Establish the Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 F) in NCCI’s **Forms Manual**

IMPACT

Catastrophic data would be excluded in the calculation of loss costs.

Upon carriers’ approval of their Catastrophe (other than Certified Acts of Terrorism) rate from the Texas Department of Insurance, carriers charging their Catastrophe (other than Certified Acts of Terrorism) rate per \$100 of payroll would collect additional premium to account for exposure to catastrophic risks.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibit	Exhibit Comments	Implementation Summary
1A-RULE	Details the revisions to Rules 3-A-24-b and 3-A-24-c in the currently approved 2001 edition of NCCI’s Basic Manual .	To become effective for new and renewal voluntary policies only, with effective dates on and after 12:01 a.m. on July 1, 2022.*
1B-RULE	Details the revisions to the rule, Catastrophe provisions, in the pending revisions to NCCI’s Basic Manual , as filed in Item B-1444—NCCI’s Basic Manual for Workers Compensation and Employers Liability Insurance and Item 02-TX-2021.	
2A-RULE	Details the revisions to the Texas Workers Compensation Premium Algorithm in the currently approved 2001 edition of NCCI’s Basic Manual .	
2B-RULE	Details the revisions to the Texas Workers Compensation Premium Algorithm in NCCI’s Basic Manual , as filed in Item B-1444—NCCI’s Basic Manual for Workers Compensation and Employers Liability Insurance and Item 02-TX-2021.	
3A-RULE	Details the establishment of an entry in the Texas Miscellaneous Values for Catastrophe (other than Certified Acts of Terrorism) in the currently approved 2001 Edition of NCCI’s Basic Manual .	
3B-RULE	Details the establishment of an entry in the Texas Miscellaneous Values for Catastrophe (other than Certified Acts of Terrorism) in the pending revisions to NCCI’s Basic Manual , as filed in Item B-1444—NCCI’s Basic Manual for Workers Compensation and Employers Liability Insurance.	

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Exhibit	Exhibit Comments	Implementation Summary
4-RULE	Details the establishment of national Rule 1-B-1-c and the elimination of the Texas exception to Rule 1-B-1-c in NCCI's <i>Retrospective Rating Plan Manual</i> .	
5-RULE	Details the establishment of national Rule 1-B-1-f and the elimination of the Texas exception to Rule 1-B-1-f in NCCI's <i>Retrospective Rating Plan Manual</i> .	
6-RULE	Details the establishment of Statistical Code 9741 in NCCI's <i>Statistical Plan</i> for use in Texas.	
7-FORM	Details the establishment of the Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 F) in NCCI's <i>Forms Manual</i> .	

Note: Rule and form filings must be filed separately in Texas. For filing purposes, this memorandum is being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item 02-TX-2021-RULE. The form exhibit is filed with the regulatory authority as Item 02-TX-2021-FORM.

*This lead time will provide insurance companies with ample time to incorporate the rule revisions and the new endorsement into their processes.

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current	Proposed
<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2001 EDITION TEXAS RULE EXCEPTIONS RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS A. EXPLANATION AND APPLICATION 24. Catastrophe Provisions</p>	<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2001 EDITION TEXAS RULE EXCEPTIONS RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS A. EXPLANATION AND APPLICATION 24. Catastrophe Provisions</p>
<p>b. Catastrophe (Other Than Certified Acts of Terrorism) Change Rule 3-A-24-b as follows: Rule 3-A-24-b does not apply in Texas.</p> <p>c. Terrorism</p> <p>Change Rule 3-A-24-c as follows:</p> <p>Premium for Terrorism is calculated on the basis of total payroll according to Rule 2. A risk’s total Texas payroll is divided by units of \$100 and multiplied by the Terrorism Rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as [(Payroll / 100) x Terrorism Rate = Premium]. This premium is added to the Total Standard Premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers.</p> <p>Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis will not be charged this premium.</p>	<p>b. Catastrophe (other than Certified Acts of Terrorism) Change Rule 3-A-24-b as follows: Premium for Catastrophe (other than Certified Acts of Terrorism) is calculated on the basis of total payroll according to Rule 2. A risk’s total Texas payroll is divided by units of \$100 and multiplied by the Catastrophe (other than Certified Acts of Terrorism) Rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as (Payroll/100 x Catastrophe (other than Certified Acts of Terrorism) Rate = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers.</p> <p>Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis will not be charged this premium.</p> <p>Per capita classifications are not subject to this premium charge.</p> <p>c. Terrorism</p> <p>Change Rule 3-A-24-c as follows:</p> <p>Premium for Terrorism is calculated on the basis of total payroll according to Rule 2. A risk’s total Texas payroll is divided by units of \$100 and multiplied by the Terrorism Rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as [(Payroll / 100) x Terrorism Rate = Premium]. This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers.</p>

*This Comparison is provided as a reference only in order to show the differences between the existing rule(s) or form(s), and the changes being proposed in the item filing. In the unlikely event that there is a conflict between the item filing Exhibits and this Comparison, the item filing Exhibits will control.

COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current	Proposed
<p>Per capita charges are not subject to premium under this Act.</p>	<p>Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.</p> <p>Per capita classifications are not subject to this premium charge.</p>
<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2021 EDITION Catastrophe provisions Rule ID: BM-PARC-C499F</p>	<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2021 EDITION Catastrophe provisions Rule ID: BM-PARC-C499F</p>
<p>Catastrophe provisions of the policy are (a) Terrorism, and (b) Terrorism Risk Insurance Act (TRIA) of 2002 and any amendments thereto enacted by Congress.</p> <p>Premium for Terrorism Premium for Terrorism is calculated on the basis of total payroll according to the Rules for calculating the premium and Payroll rules. Premium is calculated by dividing an employer's total payroll in Texas by units of \$100 and multiplying the result by the terrorism rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as</p> <p>Payroll/100 x Terrorism Rate = Premium.</p> <p>This premium is added to the total standard premium and is not subject to any other modifications including, but not limited to</p> <ul style="list-style-type: none"> • premium discount • experience rating • modeled rating • schedule rating • retrospective rating, or • premium incentive for small employers. <p>A policy issued on an "if any" basis is not charged this premium unless such policy develops premium during the policy term or at audit.</p> <p>Per capita classifications are not subject to this premium charge.</p>	<p>Catastrophe provisions of the policy are (a) Catastrophe (other than Certified Acts of Terrorism), (b) Terrorism, and (c) Terrorism Risk Insurance Act (TRIA) of 2002 and any amendments thereto enacted by Congress.</p> <p>Premium for Catastrophe (other than Certified Acts of Terrorism) Premium for Catastrophe (other than Certified Acts of Terrorism) is calculated on the basis of total payroll according to Rules for calculating the premium and Payroll rules. Premium is calculated by dividing an employer's total payroll in Texas by units of \$100 and multiplying the result by the catastrophe (other than Certified Acts of Terrorism) rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as</p> <p>Payroll/100 x Catastrophe (other than Certified Acts of Terrorism) Rate = Premium.</p> <p>This premium is applied after standard premium and is not subject to any other modifications including, but not limited to</p> <ul style="list-style-type: none"> • premium discount • experience rating • modeled rating • schedule rating • retrospective rating, or • premium incentive for small employers. <p>A policy issued on an "if any" basis is not charged this premium unless such policy develops premium during the policy term or at audit.</p> <p>Per capita classifications are not subject to this premium charge.</p> <p>Premium for Terrorism Premium for Terrorism is calculated on the basis of total payroll according to the Rules for calculating the premium and Payroll rules. Premium is calculated by dividing an</p>

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current	Proposed
	<p>employer's total payroll in Texas by units of \$100 and multiplying the result by the terrorism rate filed by the carrier with the Texas Department of Insurance. The calculation is expressed as</p> <p>Payroll/100 x Terrorism Rate = Premium.</p> <p>This premium is applied after standard premium and is not subject to any other modifications including, but not limited to</p> <ul style="list-style-type: none"> • premium discount • experience rating • modeled rating • schedule rating • retrospective rating, or • premium incentive for small employers. <p>A policy issued on an "if any" basis is not charged this premium unless such policy develops premium during the policy term or at audit.</p> <p>Per capita classifications are not subject to this premium charge.</p>
<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2001 EDITION TEXAS MISCELLANEOUS RULES TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM</p>	<p>BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2001 EDITION TEXAS MISCELLANEOUS RULES TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM</p>

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current			Proposed		
TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM			TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM		
The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.			The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.		
	PREMIUM ELEMENTS	EXPLANATORY NOTES		PREMIUM ELEMENTS	EXPLANATORY NOTES
1	MANUAL PREMIUM	[(PAYROLL / 100) * RATE]	1	MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
2 +	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]	2 +	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
3 +	USL&H Exposure for non-F-classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]	3 +	USL&H Exposure for non-F-classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
4 +	OW Exposure for non-OW classification codes	[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]	4 +	OW Exposure for non-OW classification codes	[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]
5	TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]	5	TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]
6 +	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]	6 +	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]
7 +	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]	7 +	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
8 +	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]	8 +	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
9 +	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]	9 +	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
10 +	Employers Liability increased limits charge (Admiralty, FELA)	[Balance to Admiralty, FELA E/L increased limits minimum premium]	10 +	Employers Liability increased limits charge (Admiralty, FELA)	[Balance to Admiralty, FELA E/L increased limits minimum premium]
11 +	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]	11 +	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
12	SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]	12	SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]
13 x	Experience Rating Modification (Exp Mod)		13 x	Experience Rating Modification (Exp Mod)	
14	TOTAL MODIFIED PREMIUM	[Row 12 x 13]	14	TOTAL MODIFIED PREMIUM	[Row 12 x 13]
15 x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]	15 x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]
16 x	Modeled Rating Factor	[Row 14 + 15 x Modeled Rating Factor]	16 x	Modeled Rating Factor	[Row 14 + 15 x Modeled Rating Factor]
17 x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[Row 14 + 15 + 16 x Schedule Rating factor]	17 x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[Row 14 + 15 + 16 x Schedule Rating factor]
18 x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[Row 14 + 15 + 16 + 17 x Healthcare Network Credit factor]	18 x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[Row 14 + 15 + 16 + 17 x Healthcare Network Credit factor]
19 –	Deductible Credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]	19 –	Deductible Credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]
20 +	Supplemental Disease Exposure (Asbestos ^{NOC}) [†]		20 +	Supplemental Disease Exposure (Asbestos ^{NOC}) [†]	
21 +	Atomic Energy Radiation Exposure ^{NOC} [†]		21 +	Atomic Energy Radiation Exposure ^{NOC} [†]	
22 +	Charge for nonratable catastrophe loading [†]		22 +	Charge for nonratable catastrophe loading [†]	
23 +	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]	23 +	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]
24 +	Balance to Minimum Premium (Admiralty, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty, FELA, USL&H)]	24 +	Balance to Minimum Premium (Admiralty, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty, FELA, USL&H)]
25	TOTAL STANDARD PREMIUM		25	TOTAL STANDARD PREMIUM	
26 –	Premium Discount [§]	[% applied to Total Standard Premium]	26 –	Premium Discount [§]	[% applied to Total Standard Premium]
27 x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]	27 x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current				Proposed			
28	+	Coal Mine Disease Charge	[Underground, surface auger]	28	+	Coal Mine Disease Charge	[Underground, surface auger]
29	+	Expense Constant		29	+	Expense Constant	
30	+	Terrorism	[(PAYROLL / 100) * TERRORISM RATE]	30	+	Terrorism	[(PAYROLL / 100) * TERRORISM RATE]
31	+	ESTIMATED ANNUAL PREMIUM		31	+	Catastrophe (other than Certified Acts of Terrorism)	[(PAYROLL / 100) * CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) RATE]
<small>NOC = Not Otherwise Classified. † Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating. § For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.</small>				<small>NOC = Not Otherwise Classified. † Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating. § For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.</small>			
BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2021 EDITION Texas Workers Compensation Premium Algorithm Rule ID: BM-BMPP-W0064				BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE—2021 EDITION Texas Workers Compensation Premium Algorithm Rule ID: BM-BMPP-W0064			

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current				Proposed			
This algorithm provides the framework for premium charges and credits. Where not specified, the premium base is the result from the prior line.				This algorithm provides the framework for premium charges and credits. Where not specified, the premium base is the result from the prior line.			
<i>Texas Workers Compensation Premium Algorithm</i>				<i>Texas Workers Compensation Premium Algorithm</i>			
		PREMIUM ELEMENTS	EXPLANATORY NOTES			PREMIUM ELEMENTS	EXPLANATORY NOTES
1		MANUAL PREMIUM	[(PAYROLL / 100) * RATE]	1		MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
2	+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]	2	+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
3	+	USL&H Exposure for non-F-classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]	3	+	USL&H Exposure for non-F-classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
4	+	OW Exposure for non-OW classification codes	[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]	4	+	OW Exposure for non-OW classification codes	[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]
5		TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]	5		TOTAL MANUAL PREMIUM	Total of all class code premium [Row 1 + 2 + 3 + 4]
6	+	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]	6	+	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]
7	+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]	7	+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
8	+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]	8	+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
9	+	Employers Liability increased limits factor (Admiralty law, FELA)	[Factor applied to the portion of Manual Premium where Admiralty law/FELA coverage is applicable]	9	+	Employers Liability increased limits factor (Admiralty law, FELA)	[Factor applied to the portion of Manual Premium where Admiralty law/FELA coverage is applicable]
10	+	Employers Liability increased limits charge (Admiralty law, FELA)	[Balance to Admiralty law, FELA E/L increased limits minimum premium]	10	+	Employers Liability increased limits charge (Admiralty law, FELA)	[Balance to Admiralty law, FELA E/L increased limits minimum premium]
11	+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]	11	+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
12		SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]	12		SUBJECT PREMIUM	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11]
13	x	Experience Rating Modification (Exp Mod)		13	x	Experience Rating Modification (Exp Mod)	
14		TOTAL MODIFIED PREMIUM	[Row 12 x 13]	14		TOTAL MODIFIED PREMIUM	[Row 12 x 13]
15	x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]	15	x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[nonexperience rated risks] [Row 12 x PISE factor]
16	x	Modeled Rating Factor	[(Row 14 + 15) x Modeled Rating Factor]	16	x	Modeled Rating Factor	[(Row 14 + 15) x Modeled Rating Factor]
17	x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[(Row 14 + 15 + 16) x Schedule Rating factor]	17	x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[(Row 14 + 15 + 16) x Schedule Rating factor]
18	x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[(Row 14 + 15 + 16 + 17) x Healthcare Network Credit Factor]	18	x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[(Row 14 + 15 + 16 + 17) x Healthcare Network Credit Factor]
19	–	Small Deductible credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]	19	–	Small Deductible credit	[Row 14 + 15 + 16 + 17 + 18 x Deductible Credit %]
20	+	Supplemental Disease Exposure (Asbestos NOC) ^{1, 2}		20	+	Supplemental Disease Exposure (Asbestos NOC) ^{1, 2}	
21	+	Atomic Energy Radiation Exposure NOC ^{1, 2}		21	+	Atomic Energy Radiation Exposure NOC ^{1, 2}	
22	+	Charge for nonratable catastrophe loading ³		22	+	Charge for nonratable catastrophe loading ³	

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current				Proposed			
		PREMIUM ELEMENTS	EXPLANATORY NOTES			PREMIUM ELEMENTS	EXPLANATORY NOTES
23	+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]	23	+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]
24	+	Balance to Minimum Premium (Admiralty law, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty law, FELA, USL&H)]	24	+	Balance to Minimum Premium (Admiralty, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty law, FELA, USL&H)]
25		TOTAL STANDARD PREMIUM		25		TOTAL STANDARD PREMIUM	
26	-	Premium Discount ¹	[% applied to Total Standard Premium]	26	-	Premium Discount ²	[% applied to Total Standard Premium]
27	x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]	27	x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 x Acquisition Expense Discount factor]
28	+	Coal Mine Disease Charge	[Underground, surface, surface auger]	28	+	Coal Mine Disease Charge	[Underground, surface, surface auger]
29	+	Expense Constant		29	+	Expense Constant	
30	+	Terrorism	[(PAYROLL / 100) * TERRORISM RATE]	30	+	Terrorism	[(Payroll / 100) * TERRORISM RATE]
31		ESTIMATED ANNUAL PREMIUM		31	+	Catastrophe (other than Certified Acts of Terrorism)	[(Payroll / 100) * CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) RATE]
				32		ESTIMATED ANNUAL PREMIUM	
<small>1 Not Otherwise Classified. 2 Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating. 3 For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.</small>				<small>1 Not Otherwise Classified. 2 Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating. 3 For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.</small>			
RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE TEXAS RULE EXCEPTIONS RULE 1—GENERAL EXPLANATION B. DEFINITIONS 1. General Definitions				RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE RULE 1—GENERAL EXPLANATION B. DEFINITIONS 1. General Definitions			

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current	Proposed
<p>c. Incurred Losses</p> <p>Change Rule 1-B-1-c as follows:</p> <p>Incurred losses for workers compensation and employers liability insurance are defined in the Statistical Plan. Incurred losses include paid and outstanding losses.</p> <p>If the ALAE Option is elected, then incurred losses will include ALAE.</p> <p><i>Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.</i></p> <p>Note: The rating formula for incurred losses will not include a loss:</p> <ul style="list-style-type: none"> • Resulting from the nonratable element codes • For the disease-related portion of losses covered under the Federal Mine Safety and Health Act • Resulting from the application of the terrorism provision as outlined in NCCI’s Basic Manual and Statistical Plan • Reported as fully fraudulent according to the Statistical Plan • Reported as noncompensable according to the Statistical Plan 	<p>c. Incurred Losses</p> <p>Incurred losses for workers compensation and employers liability insurance are defined in the Statistical Plan. Incurred losses include paid and outstanding losses.</p> <p>If the ALAE Option is elected, then incurred losses will include ALAE.</p> <p><i>Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.</i></p> <p>Note: The rating formula for incurred losses will not include a loss:</p> <ul style="list-style-type: none"> • Resulting from the nonratable element codes • For the disease-related portion of losses covered under the Federal Mine Safety and Health Act • Resulting from the application of the catastrophe provisions as outlined in NCCI’s Basic Manual and Statistical Plan • Reported as fully fraudulent according to the Statistical Plan • Reported as noncompensable according to the Statistical Plan

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COMPARISON OF RULES RELATED TO CATASTROPHE PROVISIONS AND ITEM 02-TX-2021*

Current	Proposed
<p>f. Standard Premium</p> <p>Change Rule 1-B-1-f as follows:</p> <p>For purposes of this retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:</p> <ul style="list-style-type: none"> (1) Premium discount (2) Expense constant (3) Premium resulting from nonratable element codes (4) Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act (5) Premium developed in accordance with the terrorism provision as outlined in NCCI's Basic Manual 	<p>f. Standard Premium</p> <p>For purposes of the retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:</p> <ul style="list-style-type: none"> (1) Premium discount (2) Expense constant (3) Premium resulting from nonratable element codes (4) Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act (5) Premium developed by the catastrophe provisions as outlined in NCCI's Basic Manual

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ITEM 02-TX-2021—RULES AND AN ENDORSEMENT RELATED TO THE CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PROVISION IN TEXAS

**INFORMATIONAL EXHIBIT
CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM)
VOLUNTARY LOSS COST CALCULATION**

	Countrywide Average Annual \$ Loss Per Worker (1)	Average Weekly Wage (2)	Average Annual Salary = (2) x 52 (3)	Indicated \$ Loss Per \$100 Payroll = (1)/ [(3) /100] (4)	Loss- Based Expense Provision (5)	Indicated Pandemic Loss Cost = (4) x (5) (6)	Proposed Selected Catastrophe Loss Cost (7)
Texas	8.43	1,045	54,340	0.016	1.211	0.019	0.01

Column Sources/Notes:

- (1) Modeled Countrywide Workers Compensation Pandemic losses above \$50M per occurrence
- (2) U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, NCCI weighted state average weekly wage for 2019
- (5) Exhibit II of the 7/1/2021 approved Texas Loss Cost Filing
- (7) Selection based on actuarial judgement