

No. **2022-7156**

**Official Order  
of the  
Texas Commissioner of Insurance**

**Date: 01/05/2022**

**Subject Considered:**

**National Council on Compensation Insurance Filing  
*Item 02-TX-2021—Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas***

The subject of this order is the adoption of amendments to the National Council on Compensation Insurance (NCCI) manuals as proposed in *Item 02-TX-2021—Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas* (TDI ECase No. 27557; SERFF Tracking Nos. NCCI-132958079 and NCCI-132958411).

**Background**

NCCI filed *Item 02-TX-2021* to amend the NCCI Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual), Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual), Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual), and Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan).

*Item 02-TX-2021* establishes 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. This filing also proposes to implement NCCI's actuarial catastrophe methodology in Texas.

After considering the filing, TDI adopts the following findings of fact and conclusions of law.

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## Findings of Fact

1. NCCI filed *Item 02-TX-2021* with TDI on August 25, 2021, under the filing procedure adopted in Commissioner's Order No. 3142, dated March 21, 2014.
2. NCCI proposed this catastrophe provision and actuarial catastrophe methodology because the current loss cost structure in Texas does not have a provision to account for events that result in aggregate workers' compensation losses in excess of \$50 million, such as pandemics. The methodology would treat a single event or peril that results in aggregate workers' compensation losses in excess of \$50 million as a catastrophe. NCCI excludes this data from the calculation of loss costs, and instead uses a catastrophe provision to account for these events. This filing allows carriers the option to add a separate premium charge for this provision.
3. *Item 02-TX-2021*:
  - a. Revises rules 3-A-24-b and 3-A-24-c in NCCI's Basic Manual to include Catastrophe (Other Than Certified Acts of Terrorism);
  - b. Revises the Texas Workers Compensation Premium Algorithm in NCCI's Basic Manual to include Catastrophe (Other Than Certified Acts of Terrorism);
  - c. Establishes 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, then it must file its Catastrophe (Other Than Certified Acts of Terrorism) rate with TDI;
  - d. Establishes national rules 1-B-1-c and 1-B-1-f and eliminates the corresponding Texas exceptions in NCCI's Retrospective Rating Plan Manual;
  - e. Establishes Statistical Code 9741 - Catastrophe Provisions for Catastrophe (Other Than Certified Acts of Terrorism) in NCCI's Statistical Plan for use in Texas;
  - f. Establishes the Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 F) in NCCI's Forms Manual; and
  - g. Makes nonsubstantive style and formatting changes.
4. NCCI proposed that *Item 02-TX-2021* apply to new and renewal policies effective on or after 12:01 a.m. on July 1, 2022.
5. *Item 02-TX-2021* has been available for public inspection in SERFF and at TDI since the filing date.
6. The filing, including exhibits, is incorporated by reference into this order.

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7. On September 24, 2021, TDI published notice of the filing on the TDI website at [www.tdi.texas.gov/rules/2021/nccimanual.html](http://www.tdi.texas.gov/rules/2021/nccimanual.html) and distributed notice of the filing to electronic news subscribers.
8. TDI received one comment from the American Property Casualty Insurance Association expressing support for the filing.


## Conclusions of Law

1. TDI has jurisdiction over this matter under Insurance Code Article 5.96 and §§ 2051.002, 2051.201, 2052.002, 2053.002, 2053.011, and 2053.052.
2. TDI gave notice in compliance with Commissioner's Order No. 3142.
3. The amendments to the NCCI manuals are consistent with Insurance Code Article 5.96 and Chapters 2051, 2052, and 2053.
4. Applying the changes in *Item 02-TX-2021* to new and renewal policies that are effective on or after 12:01 a.m. on July 1, 2022, is reasonable.

## Order

It is ordered that NCCI's filing, *Item 02-TX-2021—Rules and an Endorsement Related to the Catastrophe (Other Than Certified Acts of Terrorism) Provision in Texas*, is approved. The changes in *Item 02-TX-2021* apply to new and renewal policies that are effective on or after 12:01 a.m. on July 1, 2022.

DocuSigned by:



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Cassie Brown

Commissioner of Insurance

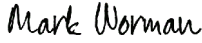
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Recommended and reviewed by:

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Mark Worman, Deputy Commissioner

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James Person, General Counsel