



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

July 13, 2015

Honorable David Lillard, Jr., Chair
Tennessee Advisory Council on Workers' Compensation
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 April 1, 2015 through June 30, 2015. 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 June 30, 2015

(includes filings received April 1, 2015 and later)

1. B-1429 Establishment of Audit Non-Compliance Charge

Filed: May 4, 2015

Proposed Effective Date: July 1, 2017

Status: Approved May 26, 2015

Summary of Filing

This item establishes a premium Audit Noncompliance Charge (ANC) rule, endorsement, and statistical code to allow an insurance carrier to apply an ANC to policyholders that don't allow the carrier to examine and audit its records. The following NCCI manuals will be impacted:

- ***Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)***
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
- ***Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)***
- ***Assigned Carrier Performance Standards (ACPS)***

Background

NCCI's basic policy form (WC 00 00 00 C) authorizes carriers to request records and conduct audits. Furthermore, the carrier has the right to calculate earned premium based upon investigation of original payroll documents and accounting records of the policyholder. Final earned premium for the policy must be determined based on final audited payrolls rather than those originally estimated at policy inception. When the employer fails to cooperate in allowing the carrier to examine and audit payroll records after the policy expires, the carrier is unable to properly determine the final earned premium. Currently, national rules do not address consequences for uncooperative employers.

After several states have responded by implementing various procedures to motivate uncooperative employers to open their books to premium auditors, concerns were voiced that more states could take separate action on this issue. Thus, to ensure a more uniform approach to these situations, NCCI proposed a national rule, endorsement, and statistical code to establish an ANC. This national approach, which applies to both the assigned risk plan and the voluntary market, features:

- A provision to allow, at the option of the carrier, the application of a charge when the employer doesn't allow the carrier to examine and audit its records.
- A requirement that the insurance carrier make two attempts to obtain audit information.
- The additional charge would equal up to two times the estimated annual premium based on the carrier's underwriting judgment.
- Although the ANC is considered premium, it is not a part of "standard premium". Rather, it would be applied after "standard premium", and the Tennessee algorithm would be revised to show the placement of the ANC.
- The ANC is to be reported to a specified statistical code as per the ***Statistical Plan***.
- For assigned risk policies, even though noncompliant employers pay the ANC, such employer is ineligible for assigned risk coverage until the employer provides the necessary audit documents, allowing the audit to be performed.
- In situations where the employer pays the ANC, but later permits an audit to be performed, providing the necessary records, the ANC will be refunded to the employer, or applied to any outstanding balance on the policy. In the assigned risk plan, the policyholder would then be eligible for coverage if no additional premiums are due.

Proposed

Item B-1429 proposed to:

1. Establish, revise, or eliminate premium audit noncompliance rules and procedures in the following NCCI manuals:
 - a. Basic Manual
 - b. Statistical Plan
 - c. ACPS
2. Establish a common national endorsement related to audit noncompliance in NCCI's ***Forms Manual***.
3. Make incidental spelling, grammatical, and formatting amendments.

Impact

NCCI anticipates that employers will be very motivated by this new process to provide the necessary records to complete the premium audit, as opposed to paying the ANC. However, uncooperative employers may be subject to this ANC. NCCI is not expecting the ANC to impact a large number of policyholders.

2. RM-01-TN-2015 Establishment of NCCI's Workers' Compensation Insurance Plan Documents and Rules

Filed: May 12, 2015

Proposed Effective Date: July 1, 2015

Status: Approved May 19, 2015

Summary of Filing

This filing established NCCI's Workers' Compensation Insurance Plan assigned risk documents and rules in Tennessee. These rules appear as Rule 4 – Workers' Compensation Insurance Plan Rules located in NCCI's **Basic Manual for Workers' Compensation and Employers Liability Insurance** (aka **Basic Manual**).

In addition, the following information relates to the establishment of NCCI's Plan Documents in Tennessee:

- Tennessee rule exceptions to NCCI's **Basic Manual** Rule 4
- Tennessee miscellaneous rules in the same manual
- Statistical code information (**Statistical Manual**)
- National and Tennessee state-specific endorsements in NCCI's **Forms Manual**
- National Workers' Compensation Reinsurance Association (NWCRA) bylaws

In conjunction with the change in Plan Administrators, national Rule 3-A-22 – Waiver of Right to Recover from Others (subrogation) in NCCI's **Basic Manual** will become applicable in Tennessee. This provision adds a premium charge for specific waivers (blanket waivers are not allowed in the WCIP) of 5% of the premium applicable to exposures pertaining to the waiver, with a \$250 minimum premium charge applied.

Additionally, the filing permits **voluntary carriers** to make a premium charge for waivers, upon filing their pricing structure with this department.

Background

This department recently chose NCCI as the new Plan Administrator for Tennessee's Workers' Compensation Insurance Plan (WCIP). Beginning with policies effective at 12:01 a.m. on July 1, 2015, the current assigned risk plan will be replaced with NCCI's WCIP, applicable to new and renewal assigned risk business. In conjunction with this change, NCCI filed all appropriate plans, programs, rules, rates, and forms necessary to implement NCCI's WCIP. Following are highlights of the changes in Plan Administration announced through this filing:

Aon Programs	NCCI Programs
Tennessee Only Coverage	20 Other States Coverage Potentially Available
5% FLAT Producer Fee	Up to 8% Graduated Producer Fee
Compliance Determined From Tennessee Residual Markets Only (eligibility)	Compliance Determined From Residual and Voluntary Markets
Maximum of 11 Installments for Policies Over \$10,001	Maximum of 10 Installments for Policies Over \$10,001
No Charge for Waiver of Subrogation	Charge for each Waiver of Subrogation
Plan Depopulation Initiative (PDI)	Voluntary Coverage Assistance Program
Tennessee Large Account Incurred Loss (TAIL) Plan	Loss Sensitive Rating Plan (LSRP)
Tennessee Limited Other States Endorsement	Limited Other States Insurance (more restrictive)
Cost Reduction Seminar Incentive Plan Premium Credit	Program Discontinued Due to Limited Use
Rehabilitation and Tabular Surcharge Reduction Incentive Program (discontinued)	Will Likely Be Replaced with Improved COMPCARE Program next January
No Take-Out Program	Two to One (Non-Experience Rated Risks) and One to One Take Out Credit Program

Please refer to attached Filing Memorandum for further details of the filings.

Proposed

This item filing proposed the following for Tennessee:

- (1) The establishment of:
 - a. national rule 4 – WCIP rules in the **Basic Manual**,
 - b. national rule 3-A-22 – Waiver of Right to Recover From Others in the **Basic Manual**,
 - c. or withdrawal of national and state-specific endorsements in NCCI's **Forms Manual**, and
 - d. the NWCRA Bylaws in Tennessee (available on ncci.com).
- (2) The elimination, establishment, or revision of Tennessee state rule exception and Tennessee miscellaneous rules in NCCI's **Basic Manual**.
- (3) The revisions to reporting requirements in NCCI's **Statistical Plan**.
- (4) Minor language and formatting revisions (various manuals).

Impact

With the exception of the commencement of Waiver of Subrogation charges, the extent of which is unknown, there will be no premium impact as a result of the establishment of NCCI's Plan Document. Implementation is to become effective for new and renewal assigned risk policies only (and voluntary policies for waiver charges) effective at 12:01 a.m. on and after July 1, 2015.

3. R-1410 2015 Update to the Retro Rating Plan Parameters – Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors

Filed: May 20, 2015

Proposed Effective Date: March 1, 2016

Status: Approved June 1, 2015

Summary of Filing

This filing proposed changes to the annual update to retrospective rating factors in NCCI's **Retrospective Rating Plan Manual for Workers' Compensation and Employers Liability Insurance**: Excess Loss Pure Premium Factors (ELPPFs) and Excess Loss and Allocated Expense Pure Premium Factors (ELAEPFs).

Background

A retrospective rating plan is a product that adjusts the premium based upon losses incurred during the policy period. It also contains a basic premium factor that includes company expenses and an insurance charge, including an optional loss limitation load. Finally, the developed and converted losses are added to the basic premium and multiplied by the tax multiplier to determine the retrospective rated premium. The load for limiting losses is determined by the application of an Excess Loss Factor (ELF) or an Excess Loss and Allocated Expense Factor (ELAEF). These factors vary depending upon the loss limitation selected, as well as the state and hazard group. The varying degrees of severity exposure to occupational hazards determine the ELFs and ELAEFs for each classification.

In states like Tennessee where loss costs are developed, NCCI files ELPPFs and ELAEPFFs instead of ELFs and ELAEFs. Insurance carriers in turn convert these two factors into ELFs and ELAEFs. ELPPFs and ELAEPFFs differ as described below:

- ELPPFs represent excess losses, or the expected amount of losses, or the expected amount of losses above a selected limit. ELPPFs do not take into account allocated loss adjustment expense (ALAE) as part of incurred losses. Insurance carriers convert ELPPFs (Excess Losses/Loss Cost Premium) to ELFs.
- ELAEPFFs include ALAE in the definition of loss and represents the expected amount of losses above a selected limit relative to the loss cost portion of the premium. Similar to ELPPFs, insurance carriers convert ELAEPFFs to ELAEFs.

ELPPFs and ELAEPFFs must be updated periodically for two reasons:

1. The factors are computed from excess ratios, which reflect the expected proportion of losses above a given loss limit. For any selected limit, inflation increases the percentage of losses above those limits. Thus, ELPPFs and ELAEPFFs are periodically updated to precisely reflect the impact of inflation on such losses.
2. Since overall excess ratios are computed as a weighted average of injury type excess ratios, such ratio (as a result ELPPFs and ELAEPFFs) must be updated periodically to account for changes in the injury mix types.

Proposed

This item proposed to update the ELPPFs and ELAEPFFs that were used with optional loss limits in NCCI's *Retrospective Rating Plan Manual*.

Impact

These proposed factors are required to maintain the aggregate expected balance between the retrospective rated premium and the guaranteed cost (fixed cost) premium. If such factors were not updated periodically, there would be natural erosion of rate adequacy over time triggered by inflation, acting to increase the percentage of losses over any fixed loss limit.

Filed adjustments in ELPPFs and ELAEPFFs may increase or decrease premium for an employer that chooses to purchase an individual loss limitation, depending upon the selected limit. Since retrospectively rated policies represent a negligible percentage of a state's premium, changes are expected to have a minimal impact on overall statewide premium levels.

4. R-1411 - 2015 Update to the Retro Rating Plan Hazard Group Differentials and Manual Rules

Filed: June 15, 2015

Proposed Effective Date: January 1, 2016

Status: Approved June 22, 2015

Summary of Filing

This particular item revises the Hazard Group Differentials (HGD) (aka Relativities) and several national and state-specific rules in NCCI's *Retrospective Rating Plan Manual* for Workers' Compensation and Employers' Liability Insurance (*Retrospective Rating Plan Manual*).

Background

Please see explanation of retrospective rating procedures under "background" of R-1410 above. Retrospective rating includes an insurance charge, resulting from maximum and minimum limitations on retrospective rating premiums (RRP). Net insurance charges reflect the charge to offset for the possibility that RRP will exceed the maximum premium amount. It also reflects the savings from the possibility that RRP will turn out to be less than the minimum premium amount. The net insurance charge is the combination of the charge for the maximum and the savings from the minimum.

The Table of Insurance Charges in NCCI's Retrospective Rating Plan Manual shown in Appendix B, contains excess ratios needed to determine the insurance charge and savings described above. The "entry ratio" – the ratio of the loss limit to expected losses – is used to locate the values in the Table of Insurance Charges. These charges are also impacted by the size of the employer, in that the expected variation in losses is lower for larger employers.

Hazard Group Differentials (HGD)

Variations in the loss ratios for policyholders in the lower hazard groups generally should be smaller than the variation for policyholders in the higher hazard groups. The HGD

factors adapt for this difference by placing lower hazard group employers in a higher Expected Loss Range (ELR) and higher hazard group employers in a lower ELR than would otherwise be the case. This alteration affects the column selection in the Table of Insurance Charges, which then affects the basic premium portion of the RPP. HGD are required to be updated regularly in order to reflect changes in the circumstances (e.g. state statutory benefit levels and inflation) underlying Tennessee's severity.

HGDs are determined by dividing the countrywide average cost per case by the average cost per case by the state and hazard group. The complement of credibility, which equals 1.0 – state credibility, is applied to the countrywide average cost per case for the hazard group.

Large Risk Alternative Rating Option (LRARO)

As the name implies, there are special rating rules applied to qualifying retrospective rated risks. They allow the carriers flexibility in negotiating retrospective rating plan premiums with certain employers. In order to qualify in Tennessee, the estimated annual standard premium must exceed \$250,000, while to qualify for multiline application standard premium must exceed \$500,000. This filing simply removes the existing threshold amount in Rule 1-B-1-d, and includes it under the Table in Rule 2-E.

Miscellaneous Updates

- 1-B-2, 1-B-2-e, 3- C: Minor title and/or language revisions
- 1-B-2-f – Retrospective Development Premium (RDP) clarifies that RDP stabilizes premium adjustments by anticipating upcoming changes in losses, formulate minor language revisions for uniformity with rating values pages, and removes the reference to the *User's Guide*.
- 4-B – Reports of Premium and Losses Under the Plan to spell out that reporting requirements for any additional or return premium will be found in *NCCI's Financial Call Reporting Guidebook*.

Proposed

This item proposed to amend the HGDs and several national and Tennessee specific rules in NCCI's *Retrospective Rating Plan Manual*.

Impact

Retrospective rating should produce, on average, close to the fixed or guaranteed cost premium, equitably distributed to all employers. HGD changes preserve the aggregate expected balance, although the impact varies somewhat for each employer. The impact on final premium from filed changes is expected to be minimal for a majority of employers

electing retrospective rating. Statewide impact will be negligible, while countrywide program changes are revenue-neutral.

With respects LRARO and miscellaneous updates, there will be no statewide impact.

R-1411, the 2015 Update to the Retro Rating Plan Hazard Group Differentials and Manual Rules, will become effective January 1, 2016 for new and renewal voluntary policies only.

FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

PURPOSE

This item establishes NCCI's Workers Compensation Insurance Plan documents and rules (Plan Documents) in Tennessee. NCCI's Workers Compensation Insurance Plan (WCIP or Plan) is established by state insurance regulatory authorities to make workers compensation insurance available to employers that are unable to secure such coverage in the voluntary market. The Plan rules appear as Rule 4—Workers Compensation Insurance Plan Rules in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*.

Also included in this item is the following information related to the establishment of NCCI's Plan Documents in Tennessee:

- Tennessee state rule exceptions to NCCI's *Basic Manual* Rule 4.
- Tennessee miscellaneous rules in NCCI's *Basic Manual*.
- Statistical code information for certain Tennessee premium elements in NCCI's *Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)*. Specifically, Deductible Insurance, the Cost Reduction Seminar Incentive Plan, and certain increased limits of employers liability insurance will no longer apply to assigned risk policies in Tennessee; therefore, NCCI's *Statistical Plan* must be revised to provide the discontinuation dates for the statistical codes associated with these programs or coverages.
- National and Tennessee state-specific endorsements in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*.
- Bylaws of the National Workers Compensation Reinsurance Association NFP (NWCRA or Association).

Additionally, national Rule 3-A-22—Waiver of Right to Recover From Others (Subrogation) in NCCI's *Basic Manual* will become applicable in Tennessee for both the voluntary and residual markets; therefore, the current Tennessee state rule exception to national Rule 3-A-22 must be eliminated and the Tennessee workers compensation premium algorithm must be revised. NCCI's *Statistical Plan* must also be revised to provide the effective dates for the statistical code applicable to reporting the premium charge for providing a waiver of subrogation.

BACKGROUND

The Tennessee Department of Commerce and Insurance (TDCI) has chosen NCCI as the new Plan Administrator for Tennessee's Workers Compensation Insurance Plan (WCIP). For more than 80 years, NCCI has managed residual market services across the country and looks forward to serving as the Tennessee Plan Administrator.

Beginning with policies effective at 12:01 a.m. on July 1, 2015, the current assigned risk plan will be replaced with NCCI's WCIP and is applicable for new and renewal assigned risk business only effective on or after this date. As a result of this change in the residual market mechanism, NCCI, as the Plan Administrator, is filing all appropriate plans, programs, rules, rates, and forms necessary to implement NCCI's WCIP.

A summary of NCCI's *Basic Manual* Rule 4—Workers Compensation Insurance Plan Rules and additional supporting documents and rules related to the establishment of NCCI's WCIP in Tennessee follows:

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

NCCI's *Basic Manual* Rule 4

The following rules applicable to assigned risk policies only must be established in NCCI's *Basic Manual* for use in Tennessee:

- **Rule 4-A—Workers Compensation Insurance Plan (WCIP)**—Establishes the authority for the Plan, provides for the equitable apportionment of employers who are in good faith entitled to workers compensation insurance and are unable to procure such insurance in a regular manner, and details rules related to:
 - WCIP definitions
 - Employer eligibility and assignment
 - Assigned carrier responsibilities
 - Carrier participation options
 - Plan Administrator duties and responsibilities
 - Servicing carrier eligibility requirements
 - Interstate assignments
 - Assignment formula determination
 - Dispute resolution procedures
 - Self-funded Plan
- **Rule 4-B—Professional Employer Organization (PEO) Arrangements**—Provides rules for the issuance of workers compensation insurance for employers involved in professional employer organizations (PEO) arrangements.
- **Rule 4-C—Loss Sensitive Rating Plan (LSRP)**—Provides a mandatory assigned risk retrospective rating plan for those employers that have a qualifying policy. LSRP reflects the actual experience of the employer by using the losses incurred during the term of the policy to establish the cost of insurance, including provisions for all expenses and taxes on premium.
- **Rule 4-D—Voluntary Coverage Assistance Program (VCAP[®] Service)**—Operates as a supplemental program for all employers applying for coverage through the WCIP. VCAP[®] Service is designed to provide an additional source for producers and employers to secure workers compensation coverage in the voluntary market and operates in conjunction with NCCI's RMAPS[®] Online Application Service.
- **Rule 4-F—Take-Out Credit Program**—Operates as a supplemental program by providing carriers with financial incentives for writing residual market employers on a voluntary market basis. The take-out credit is applied against the premium used to calculate the voluntary market carrier's Plan participation base.
- **Rule 4-G—Available Coverages**—Provides rules for additional coverages that are available at the employer's request. This includes increased limits of employers liability insurance, limited other states insurance, waiver of subrogation, alternate employer endorsement, federal coverages, and coverage for volunteers.
- **Rule 4-H—Producer Fees**—Provides rules for producer fee procedures and percentage scales.
- **Rule 4-I—Initial or Deposit Premium and Premium Installments**—Establishes the deposit premium amounts and provides comprehensive tables that include each state's premium installment basis and minimum deposit percentage.

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FILING MEMORANDUM

**ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION
INSURANCE PLAN DOCUMENTS AND RULES**

NCCI's *Basic Manual* Rule 4-E—Assigned Risk Adjustment Program (ARAP) will not apply in Tennessee.

Tennessee Miscellaneous Rules

The following Tennessee miscellaneous rules in NCCI's *Basic Manual* must be revised:

- **Dispute Resolution Process**—Provides a mechanism by which employers may obtain review by NCCI of the application by an insurance carrier of NCCI classifications, manual rules, and rating plans. The rule must be revised to apply to disputes involving policies written in both the Tennessee voluntary and residual markets.
- **Drug-Free Workplace Premium Credit Program**—Provides a 5% premium credit for an employer that has certified to the Division of Workers Compensation of the Tennessee Department of Labor that a qualifying drug-free workplace program has been established. The rule must be revised to remove a footnote that is no longer applicable.
- **Deductible Insurance**—Provides the deductible options available for employers. The rule must be revised to specify that deductibles must not be applied to Tennessee assigned risk policies.
- **Tennessee Workers Compensation Premium Algorithm**—Provides the framework for premium charges and credits. The rule must be revised to add a line item for the waiver of subrogation premium charge.

The above Tennessee miscellaneous rules are also being updated for minor formatting and language revisions.

The following Tennessee miscellaneous rules must be established in NCCI's *Basic Manual* to be applicable to assigned risk policies only:

- **Tennessee Small Employer Plan**—Any employer insured in the Tennessee WCIP that is not eligible for an experience rating modification is considered to be eligible for the Tennessee Small Employer Plan. Subject to meeting the requirements of the Tennessee Small Employer Plan, an employer that has no losses and is otherwise eligible at the end of its policy term will receive a 10% premium credit from the assigned carrier at the time of final audit.
- **Tennessee Special Risk Plan**—Any employer insured in the Tennessee WCIP that has an experience rating modification of 1.10 or less as of the policy effective date is considered to be in the Tennessee Special Risk Plan. Subject to meeting the requirements of the Tennessee Special Risk Plan, an employer that has no losses and is otherwise eligible at the end of the policy term will receive a 5% premium credit from the assigned carrier at the time of final audit.
- **Tennessee Tabular Surcharge**—Any employer insured in the Tennessee WCIP that has an experience rating modification of 1.11 or higher as of the policy effective date is subject to a surcharge. The surcharge amount ranges from 5% to 15% based on the experience rating modification.
- **Tennessee Assigned Risk Workers Compensation Premium Algorithm**—Provides the framework for premium charges and credits.

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

National and Tennessee State-Specific Endorsements

The following residual market national and state-specific endorsements must be established for use in Tennessee in NCCI's *Forms Manual*:

- Professional Employer Organization (PEO) Extension Endorsement (WC 00 03 20 B)
- Professional Employer Organization (PEO) Exclusion Endorsement (WC 00 03 21 A)
- Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 00 03 22 A)
- Multiple Coordinated Policy Endorsement (WC 00 03 23 A)
- Residual Market Limited Other States Insurance Endorsement (WC 00 03 26 A)
- Assigned Risk Loss Sensitive Rating Plan Notification Endorsement (WC 00 04 17 B)
- Assigned Risk Loss Sensitive Rating Plan Endorsement (WC 00 04 18 F)
- Tennessee Small Employer Plan Endorsement (WC 41 04 05)
- Tennessee Special Risk Plan Endorsement (WC 41 04 06)
- Tennessee Tabular Surcharge Endorsement (WC 41 04 07)

As a result of the establishment of the PEO endorsements and the Multiple Coordinated Policy Endorsement referenced above, the following endorsements must be withdrawn for assigned risk policies only:

- Labor Contractor Endorsement (WC 00 03 20 A)
- Labor Contractor Exclusion Endorsement (WC 00 03 21)
- Employee Leasing Client Exclusion Endorsement (WC 00 03 22)
- Multiple Coordinated Policy Endorsement (WC 00 03 23)

Bylaws of the National Workers Compensation Reinsurance Association NFP (NWCRA)

Member carriers participate in the Reinsurance Agreement(s) authorized under NCCI's Plan to provide reinsurance to the servicing carriers on employers assigned to them under the Plan. The Bylaws of the NWCRA are the agreement subscribed to by carriers selecting Option 2—Subscription to Association Bylaws as their means of satisfying their participation in the Plan. The Bylaws are attached, incorporated into, and made a part of NCCI's WCIP.

Assigned Carrier Performance Standards

NCCI's *Assigned Carrier Performance Standards (ACPS)* is included with this item for informational purposes only and is not being filed for approval. The *ACPS* provides policy issuance and service level requirements that assigned carriers must adhere to, in order to provide residual market employers with uniform quality service while containing residual market system costs. Performance Standard 8—Billing and Collection for Deductibles will not apply in Tennessee.

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

PROPOSAL

This item proposes the following for Tennessee:

1. Establishment of national Rule 4—Workers Compensation Insurance Plan Rules in NCCI's *Basic Manual*
2. Establishment of national Rule 3-A-22—Waiver of Right to Recover From Others (Subrogation) in NCCI's *Basic Manual*
3. Elimination, establishment, or revision of Tennessee state rule exceptions and Tennessee miscellaneous rules in NCCI's *Basic Manual*
4. Revisions to reporting requirements in NCCI's *Statistical Plan*
5. Establishment or withdrawal of national and state-specific endorsements in NCCI's *Forms Manual*
6. Establishment of the NWCRA Bylaws in Tennessee, which will be available on ncci.com
7. Minor formatting and language revisions in various NCCI manuals

IMPACT

There will be no premium impact as a result of the establishment of NCCI's Plan Documents. It is anticipated that NCCI's WCIP will enhance the understanding of the rules and procedures pertaining to assigned risk policies.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibit	Exhibit Comments	Implementation Summary
1-A	Displays the establishment of national Rule 4—Workers Compensation Insurance Plan Rules in NCCI's <i>Basic Manual</i> .	To become effective for new and renewal assigned risk policies only effective at 12:01 a.m. on and after July 1, 2015.
1-B	Displays the establishment of national Rule 3-A-22—Waiver of Right to Recover From Others (Subrogation) in NCCI's <i>Basic Manual</i> .	To become effective for new and renewal policies effective at 12:01 a.m. on and after July 1, 2015.

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

Exhibit	Exhibit Comments	Implementation Summary
2-A	Displays the elimination or establishment of the following Tennessee state rule exceptions in NCCI's Basic Manual : <ul style="list-style-type: none"> • Rule 4—Workers Compensation Insurance Plan Rules • Rule 4-A—Workers Compensation Insurance Plan (WCIP) <ul style="list-style-type: none"> • Rule 4-A-4-a(5) • Rule 4-A-5-a(5) • Rule 4-A-6-a • Rule 4-B—Professional Employer Organization (PEO) Arrangements <ul style="list-style-type: none"> • Rule 4-B-2-c • Rule 4-B-4-e • Rule 4-B-4-o(1) • Rule 4-C-1—Introduction to the Loss Sensitive Rating Plan • Rule 4-E—Assigned Risk Adjustment Program (ARAP) • Rule 4-H-6—Producer Fee Tables 	To become effective for new and renewal assigned risk policies only effective at 12:01 a.m. on and after July 1, 2015.
2-B	Displays the elimination of Tennessee State Rule Exception Rule 3-A-22—Waiver of Right to Recover From Others (Subrogation) in NCCI's Basic Manual .	To become effective for new and renewal policies effective at 12:01 a.m. on and after July 1, 2015.
3-A	Displays the revisions to the following Tennessee miscellaneous rules in NCCI's Basic Manual : <ul style="list-style-type: none"> • Tennessee Dispute Resolution Process • Tennessee Drug-Free Workplace Premium Credit Program 	To become effective for new and renewal policies effective at 12:01 a.m. on and after July 1, 2015.
	Displays the revisions to the following Tennessee miscellaneous rules in NCCI's Basic Manual : <ul style="list-style-type: none"> • Tennessee Deductible Insurance • Tennessee Workers Compensation Premium Algorithm 	To become effective for new and renewal voluntary policies only effective at 12:01 a.m. on and after July 1, 2015.

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

Exhibit	Exhibit Comments	Implementation Summary
3-B	<p>Displays the establishment of the following Tennessee miscellaneous rules in NCCI's <i>Basic Manual</i>:</p> <ul style="list-style-type: none"> • Tennessee Small Employer Plan • Tennessee Special Risk Plan • Tennessee Tabular Surcharge • Tennessee Assigned Risk Workers Compensation Premium Algorithm <p>Displays the establishment of the LSRP factors in the Tennessee Miscellaneous Values in NCCI's <i>Basic Manual</i>. Future updates to the LSRP factors will be provided in the Tennessee assigned risk rate filings.</p>	<p>To become effective for new and renewal assigned risk policies only effective at 12:01 a.m. on and after July 1, 2015.</p>
4	<p>Displays the revisions to the following rules in NCCI's <i>Statistical Plan</i>:</p> <ul style="list-style-type: none"> • Part 6-H-1—Premium Amount <i>Subject</i> to Experience Modification Factor • Part 6-H-2—Premium Amount <i>Not Subject</i> to Experience Modification Factor • Part Part 6-H-3—Premium Amount <i>Not Part</i> of Standard Premium 	<p>To become effective for new and renewal policies effective at 12:01 a.m. on and after July 1, 2015.</p>

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FILING MEMORANDUM

ITEM RM-01-TN-2015—ESTABLISHMENT OF NCCI'S WORKERS COMPENSATION INSURANCE PLAN DOCUMENTS AND RULES

Exhibit	Exhibit Comments	Implementation Summary
5-A	Displays the establishment of the following national and state-specific endorsements in NCCI's <i>Forms Manual</i> : <ul style="list-style-type: none"> • Professional Employer Organization (PEO) Extension Endorsement (WC 00 03 20 B) • Professional Employer Organization (PEO) Exclusion Endorsement (WC 00 03 21 A) • Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 00 03 22 A) • Multiple Coordinated Policy Endorsement (WC 00 03 23 A) • Residual Market Limited Other States Insurance Endorsement (WC 00 03 26 A) • Assigned Risk Loss Sensitive Rating Plan Notification Endorsement (WC 00 04 17 B) • Assigned Risk Loss Sensitive Rating Plan Endorsement (WC 00 04 18 F) • Tennessee Small Employer Plan Endorsement (WC 41 04 05) • Tennessee Special Risk Plan Endorsement (WC 41 04 06) • Tennessee Tabular Surcharge Endorsement (WC 41 04 07) 	To become effective for new and renewal assigned risk policies only effective at 12:01 a.m. on and after July 1, 2015.
5-B	Displays the withdrawal of the following national endorsements in NCCI's <i>Forms Manual</i> : <ul style="list-style-type: none"> • Labor Contractor Endorsement (WC 00 03 20 A) • Labor Contractor Exclusion Endorsement (WC 00 03 21) • Employee Leasing Client Exclusion Endorsement (WC 00 03 22) • Multiple Coordinated Policy Endorsement (WC 00 03 23) 	To become effective for new and renewal assigned risk policies only effective at 12:01 a.m. on and after July 1, 2015.
6	Displays the NWCRA Bylaws, which will be available on ncci.com .	

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