

Workers' Compensation Rate Filing Calculation of Company Loss Cost Multiplier or Final Rates

INSTRUCTIONS: Nevada Law allows competitive rating but NOT “open rating.” The NCCI loss costs based on the insured’s anniversary rating date must be used. The insurer’s loss cost multiplier or approved final rate based on the insured’s anniversary rating date must also be used. The only other variable allowed is schedule rating, the application of which must comply with Nevada Administrative Code (NAC) 686B.610. **Based on these criteria, an insurer must provide substantial justification to support a loss cost multiplier lower than 1.200. The rates resulting from such a filing would be declared “inadequate” absent such justification. (See NAC 686B.409)**

Subsection 1 of NRS 686B.1775 allows an insurer to file: (a) final rates or (b) a multiplier which is multiplied by the loss costs, resulting in the final rates. The company may also adopt an expense constant. Minimum premiums must also be filed and should be specified by class code.

NRS 686B.1779 Grounds for disapproval of rates.

1. The Commissioner may disapprove a rate filed by an insurer at any time.
2. The Commissioner shall disapprove a rate if:
 - (a) An insurer has failed to meet the requirements for filing a rate pursuant to this chapter or the regulations of the Commissioner;
 - (b) The rate is inadequate or unfairly discriminatory and the interaction among insurers and employers is competitive; or
 - (c) A rate is inadequate, excessive or unfairly discriminatory and the Commissioner has found and issued an order that the interaction among the insurers and employers is not competitive.

Tiered rating may be used to reflect expected differences in expenses and losses. Complete justification for each tier must be provided. Include (a) which segment(s) of business will be placed in each tier, (b) supporting data and/or rationale for loss cost modification, if any, (c) the reason(s) for any expected expense differential (such as additional loss-control expense or lower commission) and (d) an Expense Worksheet. The expected-loss portion of the rate may be adjusted on line 5. **Supporting data and/or rationale must be included to justify this loss-cost adjustment.** Failure to utilize the tiered rating as filed and approved will be considered unfair discrimination.

The expense loading consists of two parts: (a) the expense constant (optional) and (b) the loss cost multiplier. The expense loading should account for all expected expenses, excluding loss adjustment expense. The provision for profit and contingencies may include an offset for anticipated investment income.

Please complete the appropriate attached worksheet(s). **Expense Worksheet A** is for companies electing to use an expense constant. **Expense Worksheet B** is for Companies that are not using an expense constant. If your company is filing final rates, please attach the rates to the completed worksheet(s) along with all supporting information.

If you have any questions about how to complete these worksheets or otherwise file your rates or multipliers, please e-mail us at pcinsinfo@doi.nv.gov.

Nevada Division of Insurance
Adoption of NCCI Prospective Loss Costs
Expense Worksheet A – With Expense Constant

1. Company Name: _____
2. NAIC Number: _____
3. Date of Filing: _____ Effective Date of Filing: _____
4. Segment(s) of business to which this expense worksheet applies: _____

5. Loss Cost Adjustment _____
 (Attach supporting data and/or rationale for the modification.)
6. Development of Expected Loss Ratio (Attach supporting data detailing expense assumptions)

(Per NAC 686B.409)	SELECTED PROVISIONS		
	Overall	Variable	Fixed
(A) Acquisition Costs (incl. Commissions)	_____ %	_____ %	_____ %
(B) Field Supervision	_____ %	_____ %	_____ %
(C) Collection Expenses	_____ %	_____ %	_____ %
(D) General Expenses	_____ %	_____ %	_____ %
(E) Taxes, Licenses, Fees (incl. Assessments)	_____ %	_____ %	_____ %
(F) Profit and Contingencies	_____ %	_____ %	_____ %
(G) Other (Explain)	_____ %	_____ %	_____ %
(H) Total	_____ %	_____ %	_____ %

7. (A) Expected Loss Ratio = 100% - Overall 6(H) _____ %
- (B) Expected Loss Ratio in Decimal Form _____
- (C) Variable Expected Loss Ratio = 100% – Variable 6(H) _____ %
- (D) Variable Expected Loss Ratio in Decimal Form _____

8. (A) Expected Average Underlying Per-Employer Loss Cost: _____
 (May be calculated by multiplying the total expected annual premium by the expected loss ratio, then dividing the result by the total expected number of policyholders)

(B) Formula Expense Constant (Provide Supporting Documentation):
 $[(1.00 \div 7(B)) - (1.00 \div 7(D))] \times 8(A)$ _____

(C) Formula Variable Loss Cost Multiplier: $5 \div 7(D)$ _____

9. Selected Expense Constant _____

Selected Variable Loss Cost Multiplier _____

10. Explain any difference(s) between 8 and 9. Attach additional sheets if necessary.

11. Rate-level change for the exposures to which this worksheet applies: _____ %

Nevada Division of Insurance
Adoption of NCCI Prospective Loss Costs
Expense Worksheet B – Without Expense Constant

1. Company Name: _____
 2. NAIC Number: _____
 3. Date of Filing: _____ Effective Date of Filing: _____
 4. Segment(s) of business to which this expense worksheet applies: _____
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5. Loss Cost Adjustment _____
 (Attach supporting data and/or rationale for the modification.)
 6. Development of Expected Loss Ratio (Attach supporting data detailing expense assumptions.)

(A) Acquisition Costs (incl. Commissions)	_____	%
(B) Field Supervision	_____	%
(C) Collection Expenses	_____	%
(D) General Expenses	_____	%
(E) Taxes, Licenses & Fees (incl. Assessments)	_____	%
(F) Profit and Contingencies	_____	%
(G) Other (Explain)	_____	%
(H) TOTAL	_____	%
 7. (A) Expected Loss Ratio = 100% - 6(H) _____ %
 (B) Expected Loss Ratio in Decimal Form _____
 8. Formula Loss Cost Multiplier: $5 \div 7(D)$ _____
 9. Selected Loss Cost Multiplier _____
 10. Explain any difference(s) between 8 and 9. Attach additional sheets if necessary.

 11. Rate-level change for the exposures to which this worksheet applies: _____ %