

AMENDATORY SECTION (Amending WSR 02-23-089, filed 11/20/02, effective 1/1/03)

WAC 296-17-90402 Definitions. To reduce misunderstandings that can result by our use of certain words or phrases, we have developed definitions that govern what these words or phrases will mean for retro purposes.

Account: An individual employer's industrial insurance account and related subaccounts, or in the case of a retro group it means the sponsoring organization's industrial insurance account.

Account in good standing: A phrase we use when an employer and/or sponsoring organization is current with all payments due L&I and in compliance with L&I laws, rules and regulations at the time of enrollment or reenrollment. For an account to be in good standing you must:

- Have an active L&I industrial insurance account.
- Submit all reports required by L&I when they were due.
- Pay all industrial insurance premium payments, assessments, penalties and interest when due.

Note: This requirement also includes the payment of other fees, fines, penalties and assessments established by the department such as safety violations and computer access fees. An account may be deemed to be in good standing if the employer or group (sponsoring organization) is current with an L&I approved written repayment agreement.

- Not participate in the activities described in WAC 296-17-90428 concerning the direct payment of medical services.

Note: Organizations that sponsor a group must also file the safety plan when applicable (WAC 296-17-90409) and the annual safety report required in WAC 296-17-90411 to be in good standing.

Adjustment: The process of calculating retrospective premium, and any resulting refund or assessment.

Note: For the first adjustment of a coverage period, retrospective premium is compared to the standard premium due. The difference will be refunded if the retrospective premium is lower than the standard premium due. You will be assessed the difference if the retrospective premium is higher than the standard premium due. In subsequent adjustments of the coverage period, the new retrospective premium is compared to the prior net retrospective premium to determine the amount of refund or assessment.

NOTTA-REAL COMPANY INC

EG05

STATE OF WASHINGTON
DEPT OF LABOR AND INDUSTRIES
INSURANCE SERVICES
PROGRAM/SYSTEM A2522235

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SAMSONVILLE, WA 98000

COVERAGE PERIOD	RETRO ID	ADJUSTMENT NUMBER	ADJUSTMENT DATE	RETROSPECTIVE RATING PLAN	MAXIMUM PREMIUM RATIO
07/01/99 - 06/30/00	999999	2	05/09/02	B	1.45

RETROSPECTIVE PREMIUM CALCULATION

BASIC PREMIUM RATIO	.000	X	STANDARD PREMIUM DUE	204,602		
PLUS						
LOSS CONVERSION FACTOR	.983	X	TOTAL INCURRED LOSSES (DEVELOPED)	96,334	EQUALS	INDICATED RETROSPECTIVE PREMIUM 94,696
MAXIMUM PREMIUM RATIO	1.45	X	STANDARD PREMIUM DUE	204,602	EQUALS	MAXIMUM PREMIUM 296,673
e >= 301,804 DEVELOPED LOSSES						
MINIMUM PREMIUM RATIO	.000	X	STANDARD PREMIUM DUE	204,602	EQUALS	MINIMUM PREMIUM 0
e <= 0 DEVELOPED LOSSES						
BREAK-EVEN DEVELOPED LOSSES = 208,140						RETROSPECTIVE PREMIUM 94,696

ADDITIONAL PREMIUM OR REFUND CALCULATION

PRIOR RETROSPECTIVE PREMIUM PAID	135,979	-	RETROSPECTIVE PREMIUM	94,696	EQUALS	OR	ADDITIONAL PREMIUM DUE 0
							PREMIUM REFUND 41,283

PRIOR ADJUSTMENTS

ADJ NO	EMPLOYER MEMBERS	SIZE GROUP	STANDARD PREMIUM DUE	TOTAL INCURRED LOSSES (DEVELOPED)	RETRO PREMIUM	REFUND AMOUNT	ADDITIONAL PREMIUM DUE	ADDITIONAL PREMIUM PAID
1.00	2	26	204,602	138,331	135,979	68,623	0	0

Basic premium ratio (BPR): A component of the retrospective rating premium formula. The BPR represents a charge for administrative costs (except claims handling) and an insurance charge that covers the cost of having retrospective premium limited by the selected maximum premium ratio.

Case reserve: L&I's estimate of the cost associated with a specific claim.

Coverage period: A twelve-month period beginning January 1

and ending December 31, or April 1 through March 31, or July 1 through June 30, or October 1 through September 30. Only claims with a date-of-injury within the selected coverage period and the standard premium due for the same coverage period are used to calculate retrospective premium. Effective with the October 1, 2000, coverage period and all subsequent coverage periods thereafter, each coverage period will have three mandatory adjustments and no optional adjustments. The first adjustment will occur nine months after the coverage period has ended. Each subsequent valuation will take place in twelve-month intervals.

Note: The coverage period for a retro group is selected by the sponsoring organization and the coverage period of an individual enrollment is selected by the employer.

Date of enrollment or reenrollment: A phrase used by L&I to establish when participation in retro begins. The date of enrollment or reenrollment is the first day of the coverage period.

Note: A sponsoring organization can add new group members each quarter during the coverage period. We refer to this as "staggered enrollment." Employers seeking to participate in an organization's group after the coverage period has begun must meet all of the application requirements found in WAC 296-17-90413. Staggered enrollment applications must be received in our Tumwater office by the 15th calendar day of the month prior to the selected quarter (i.e., December 15 for January 1; March 15 for April 1; June 15 for July 1; or September 15 for October 1). If the due date falls on a weekend or holiday, the application will be due on the next business day. Employers that participate in a retro group on a staggered enrollment basis are required to participate for the remainder of the coverage period unless they sell or close the enrolled business or become self-insured.

Developed losses, a.k.a. total incurred losses (developed): A component of the retrospective rating premium formula determined on each valuation date. Developed losses are determined by summing up the result of multiplying the incurred losses by the applicable pure loss development factors and then by the performance adjustment factor. (~~Based on historical trends we know that the total incurred losses for claims in a coverage period tend to increase over time. This can be the result of claim reopenings, changes in time loss duration, increased medical utilization, etc. The developed losses computation anticipates and distributes these increases among all the participants in a coverage period.~~)

Note: Developed losses for pension claims are determined by multiplying their incurred losses by the applicable performance adjustment factor. For nonpension claims, developed losses are determined by multiplying their incurred losses by the applicable loss development factors.)

Freeze date: See valuation date.

Group: Employer members of an organization who have agreed to have their retrospective premium calculated using the combined applicable standard premium and related developed loss data of the participants as a whole.

Homogeneity: A word used to convey the requirement that retro groups be made up of like businesses.

Incurred losses: A cost measure of a claim. For open claims, incurred losses are the total of costs paid-to-date which have been assigned to a given employer account, or the case reserve established by the department, whichever is greater. For closed claims, incurred losses are the total of costs paid-to-date which have been assigned to a given employer account, regardless of any case reserve that may have been established.

Loss conversion factor (LCF): A component of the

retrospective premium formula, the LCF represents an expense charge for claims handling and the present value of developed losses.

Note: LCF can be found in WAC 296-17-90493 through 296-17-90497.

Loss development factor (LDF): ~~((These are actuarially determined factors that are multiplied by incurred losses of nonpension retro claims to produce developed losses. LDFs are unique to each coverage period, but are the same for every nonpension retro claim in the coverage period.~~

Note: ~~LDFs are periodically recalculated. LDFs shown on retro reports have already been adjusted by the applicable performance adjustment factor.)~~

For each coverage period and valuation date, the department calculates accident and medical aid loss development factors by type of claim. Each loss development factor is calculated by multiplying the pure loss development factor by the performance adjustment factor for the same coverage period and valuation date.

Loss ratio: The numerical result of dividing developed losses by standard premium.

Note: The retrospective premium calculation will generate a net refund if the basic premium ratio (BPR) + (Loss Ratio x the Loss conversion factor (LCF)) is less than 1. The BPR and LCF are determined by the plan selected by the individual enrollee, or in the case of a group by the sponsoring organization and the premium size of the individual enrollee or the group. Once these have been selected the retro group can only influence the loss ratio to determine the amount of refund. L&I suggests an evaluation of each claim to determine if there are trends and patterns and that the sponsoring organization implement workplace safety measures to eliminate or reduce loss regardless of the loss ratio.

Maximum premium ratio (MPR): A factor preselected by the organization (group) or individually enrolled employer. The MPR is multiplied by the standard premium (SP) to determine the maximum retrospective premium requirement for a given coverage period.

Note: MPRs can be found in WAC 296-17-90493 through 296-17-90497.

Member of a group: These are the individual employers that participate in a group plan of a sponsoring organization.

Minimum premium ratio (MnPR): An actuarially determined factor applicable to plans A1, A2 and A3. The MnPR is multiplied by the standard premium (SP) to determine the minimum retrospective premium requirement for a given coverage period.

Note: MnPRs can be found in WAC 296-17-90494 through 296-17-90496.

Pension claim: A claim designated as a fatality or total permanent disability.

Performance adjustment factor (PAF): An actuarially determined factor unique to each retro coverage period that ensures that aggregate refunds reflect the relative performance of retro versus nonretro state fund employers.

Plan: A numeric table developed by L&I used to calculate the retrospective premium requirement of a group or individually enrolled employer.

Note: A group or individually enrolled employer preselects from one of five plans (A, A1, A2, A3 or B). The selected plan (along with the MPR and standard premium volume) determines the minimum premium, basic premium and the loss conversion factor that is applied to the developed losses used in the retrospective premium calculation.

Premium: Money paid (due) from an employer for workers' compensation insurance. It does not include money paid as fees, fines, penalties or deposits.

Pure developed loss: The pure developed loss amount is determined by summing up the result of multiplying the incurred losses by the applicable pure loss development factors. This amount is used when pure developed loss amounts from a single accident are capped at a predetermined loss limitation amount.

Pure loss development factor (pure LDF): For each coverage period and valuation date, the department calculates accident and medical aid pure loss development factors by type of claim. Based on historical trends we know that the total incurred losses for claims in a coverage period tend to increase over time. This can be the result of claim reopenings and other changes in the condition of a claim. These factors anticipate and distribute these increases among all the claims in a coverage period. For enrollments during 2007 and prior, the department will only consider pension and nonpension claim types. For enrollments starting during 2008 and afterwards, the department will consider fatality, total permanent disability, permanent partial disability, time loss, miscellaneous accident fund and medical only types of claims.

Qualified employer: A phrase used by L&I to describe an employer that has an industrial insurance account and that the account is in good standing at the time of enrollment or reenrollment.

Retrospective premium: The net premium for a group or individually enrolled employer after an adjustment for a given coverage period. The retrospective premium is determined using the formulas and provisions found in WAC 296-17-90446.

Standard premium: A phrase used by L&I to denote the total accident fund and medical aid fund premiums paid (due) by a group or individually enrolled employer for a given coverage period.

Note: The supplemental pension assessment portion of total premiums due (paid) is not included. If the group includes employers subject to the staggered enrollment provision of the retro rules, the standard premium is the total accident fund and medical aid fund premiums due (paid) for the calendar months in which they have been accepted into a group.

Type of claim: The following claims are defined as follows in order of the severity of the claim:

Fatality: Any claim, which is not a total permanent disability claim, where death either results or is expected to result from the work related injury or illness.

Total permanent disability: Any claim where a total permanent disability pension has been awarded or is expected to be awarded.

Permanent partial disability: Any claim, which is not a pension claim, where a permanent partial disability award either has been awarded or is expected to be awarded.

Time loss: Any claim, which is not a pension nor a permanent partial disability claim, where time loss or loss of earning power benefits have either been awarded or are expected to be awarded.

Miscellaneous accident fund: Any claim, which is not a pension, permanent partial disability, nor time loss claim, to which other miscellaneous benefits have been awarded or are expected to be awarded from the accident fund.

Medical only: Any claim where the only insurance benefits awarded or expected to be awarded to the claim are medical aid fund

benefits.

Valuation date: The date selected by L&I in which incurred losses for applicable claims are measured and captured for the purpose of calculating retrospective premium.

Note: Changes in incurred losses that occur after the valuation date will not be considered until the next applicable valuation date. The first valuation date is nine months after the coverage period ends. All subsequent valuations will occur in twelve-month intervals.

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WAC 296-17-90445 Valuation of coverage period. Our responsibility:

● Nine months after the coverage period has ended, we will do an initial valuation of the losses for each employer and group participating in retrospective rating.

Note: Effective with the October 1, 2000, coverage period and all subsequent coverage periods thereafter, each retrospective rating plan has three mandatory valuations and no optional valuations. The first valuation takes place roughly nine months from the last day of the coverage period. Each subsequent valuation will occur at twelve-month intervals from the initial evaluation date.

Example: Assume that your coverage period began July 1, 2001, and ended June 30, 2002 (twelve calendar months). Our first valuation date would occur the end of March 2003. This is roughly nine months from the last day of the coverage period.

● On the valuation date, all claims with injury dates that fall within the coverage period are valued and the incurred losses that have been established for these claims are "captured" or "frozen."

Note: Our valuation is limited to the open or closed status of a claim on the evaluation date. We do not consider adjudicative decisions (i.e., claim allowance, case reserve, wage determination and dependent status) surrounding a claim in our valuation.

● During the adjustment process we convert the captured incurred loss of each claim into developed losses using the appropriate loss development and performance adjustment factors. Retrospective premium is then calculated using the applicable formulas and tables in the retrospective rating manual.

● Prior to the application of the performance adjustment factor, we will cap the pure developed loss value for any one claim or group of claims arising from a single accident that has collective pure developed losses in excess of five hundred thousand dollars at a maximum of five hundred thousand dollars.

● Since the standard premium used in the retro calculation is based on premiums reported but not necessarily paid, we will deduct from the standard premium calculation any unpaid member premiums.

Note: A sponsoring organization and L&I can enter into an agreement for an alternate debt recovery method.

● Approximately twenty days after the valuation date, if

entitled, we will send you your premium refund.

Note: If you participate in an individual plan or retro group, we will not issue a refund check if it is less than ten dollars. If a refund is less than ten dollars, we will credit the amount to your industrial insurance account and you can deduct the amount from your next premium payment. All retro group refunds are paid directly to the sponsoring organization. It is the responsibility of the sponsoring organization to distribute any refund to the group members. L&I does not regulate how refunds are distributed to group members. Employers that participate in retro are not required to share any of their retro refund with employees nor can they charge employees in the event of an additional assessment.

- We will send you a bill if you owe us additional premium.

Note: If you owe additional premium, it is due thirty days after we communicate the decision to you. We will charge penalties on any additional premium not paid when it is due (RCW 51.48.210). If you (employer in an individual plan or sponsoring organization of a retro group) are entitled to a refund for one coverage period and owe additional premiums for another coverage period, we will deduct the additional premiums due L&I from the refund. We will refund the difference to you. In the event that this adjustment still leaves a premium balance due, we will send you a bill for the balance. If an organization sponsors multiple retro groups and one group earns a refund and the other owes additional premium from a retro adjustment, we will deduct the additional premium from the refund due and issue a net refund to the organization for the difference or bill them for the remaining additional premium as applicable.