



COMPENSATION RATING AND INSPECTION BUREAU

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November 16, 2011

MANUAL AMENDMENT BULLETIN #453

To All Bureau Members and Subscribers:

Re: **Experience Rating and Certain Other Manual Rules – Effective January 1, 2012**

The Commissioner of Banking and Insurance has approved the following changes for use with the new Manual of Rates issued concurrently with Circular Letter #1830. The changes are effective January 1, 2012 on a new and renewal basis unless otherwise specified. Changes to Manual rules are indicated in *italics* and **bold**.

RATES, MINIMUM PREMIUMS AND RATING VALUES

Amend classification rates, excess elements, minimum premiums, and surcharges 2:1-1 through 2:1-7 and 3:6-8 as stipulated in Circular Letter #1830.

EXPERIENCE RATING FACTORS AND TABLES

Amend 2:5-1 and 2:5-2 to reflect the attached (Exhibit I) revised tables of experience rating factors and values identified as follows:

- 2:5-1 Regular Table A:** Loss Modification Factors; Expected Loss Factor; Credibility and Loss Values.
- 2:5-2 Longshore and Harbor Workers Table A1:** Loss Modification Factors; Expected Loss Factor; Credibility and Loss Values.

These changes reflect the updating of the loss modification factors, expected loss factor, credibility values and limiting loss values used in the experience rating process.

FORMS

The “Index – Policy Forms and Endorsements” is **amended** (Exhibit II) to recognize the changes to the premium discount endorsement that is discussed and included in Manual Amendment Bulletin #454, issued concurrently with this Bulletin.

CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

Amended 3:8-1 to read:

PRESENT

1. Explanation. The New Jersey Construction Classification Premium Adjustment Program (NJCCPAP) provides for an annual credit to premium for a policy which contains one or more of the following construction classifications:

1605	5190	5475	6217
3365	5200	5479	6229
3719	5213	5480	6233
3724	5215	5491	6235
3726	5222	5500	6251
5000	5223	5538	6252
5022	5348	5551	6306
5038	5402	5606	6319
5040	5403	5610	6325
5057	5409	5645	6400
5059	5437	5701	7536
5069	5443	5703	7538
5099	5445	5705	7601
5103	5458	6003	7855
5146	5459	6005	8227
5160	5462	6017	9529
5183	5466	6039	
5184	5473	6042	
5188	5474	6204	

A credit may be applicable to policies effective on a new and renewal basis with normal anniversary rating dates on or after April 1, 1996.

AMENDED

1. Explanation. The New Jersey Construction Classification Premium Adjustment Program (NJCCPAP) provides for an annual credit to premium for a policy which contains one or more of the following construction classifications:

1605	5190	5475	6229
3365	5200	5479	6233
3719	5213	5480	6235
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A credit may be applicable to policies effective on a new and renewal basis with normal anniversary rating dates on or after April 1, 1996.

The table of classifications to which the New Jersey Construction Classification Premium Adjustment Program applies is amended to remove class code 5705, which is eliminated.

EXPERIENCE RATING PLAN

Amend 3:11-44(b) to read:

- (b) **Determination of "K" and "C" Values.** The "K" and "C" values are based on the following conditions, all on an average excess and normal premium split basis:
- (i) The maximum credit on a risk, which develops subject premium of \$5,100 and incurs no losses during the experience period shall be 3.0%.
 - (ii) The maximum charge on a risk, which develops subject premium of \$5,100 and incurs a single claim of \$4,500 indemnity and \$1,500 medical shall be **32.0%**.

- (iii) The maximum charge on a risk, which develops subject premium of \$5,100 and incurs a single maximum claim of **\$175,000** indemnity and **\$163,000** medical shall be **61.0%**.
- (iv) A total excess expected loss of **\$7,875,000** will produce an excess credibility of 1.000 and a total normal expected loss of **\$1,449,000** will produce a normal credibility of 1.000.

The values of "K" and "C" so determined are set forth in 2:5-1 and 2:5-2 of this Manual.

The changes are routine and necessary to update the various credibility criteria used in the experience rating process.

CLASSIFICATIONS

Amend 4:1 as follows:

PRESENT

AMENDED

MOTION PICTURE:

MOTION PICTURE:

FILM EXCHANGE & projection rooms, clerical 4362
Applies to film exchanges and not located at motion picture.

ELIMINATE

FILM EXCHANGE & Clerical 4362
Includes projecting rooms. Film exchanges located at motion picture studios to be separately rated as 4360 motion picture.

ELIMINATE

NONE

DEVELOPMENT OF NEGATIVES, PRINTING AND ALL SUBSEQUENT OPERATIONS 4360
Digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

AUTOMobile BODY REPAIR 8393
Applies to the repair of metal automobile bodies and light panel truck bodies. Includes upholstery and painting. NPD with 3815 automobile truck body mfg. or repair NOC or 8397 automobile garage or repair shop.

AUTOMobile BODY REPAIR 8393
Applies to the repair of metal automobile bodies and light panel truck bodies. Includes upholstery and painting. NPD with 3815 truck body mfg. or repair NOC or 8397 automobile garage or repair shop.

The primary phraseology and descriptive footnote are amended for class code 4360 to incorporate operations previously categorized under class code 4362, which is being eliminated.

The descriptive footnote for class code 8393 is amended to reflect the correct phraseology for class code 3815, which is referenced in the footnote.

Amend 4:1 to eliminate the following classifications:

3091 – Enameled Iron Ware Mfg

4362 – Motion Picture: Film Exchange & projection rooms, Clerical

5705 – Salvage Operation – No Wrecking, shoring or other structural operations

Class codes 3091 and 5705 are eliminated due to the absence of experience during the latest five-year experience period. Classification code 4362 is eliminated for underwriting reasons.



Frederick A. Huber
Executive Director

FAH:lb
Att.

Exhibit I

Part 2

SECTION 5. EXPERIENCE RATING FACTORS AND TABLES

1. Regular Table A.

Applicable January 1, 2012 as provided in the Experience Rating Plan 3:11 of this Manual.

For Longshore and Harbor Workers Table A1, see 2:5-2 of this Manual.

For treatment of Maritime or Federal Employments - Vessel, Dredging, Marine Wrecking or Railroad Operation see 3:11-32 of this Manual.

LOSS MODIFICATION FACTORS

<u>Policy Year</u>	<u>Death</u>	<u>Permanent Total</u>	<u>Other Indemnity</u>	<u>Medical</u>
2007	1.04	1.04	1.10	1.00
2007	1.03	1.03	1.07	(For Losses Occurring 1-1-08 and Thereafter)
2008	1.03	1.03	1.07	1.00
2008	1.02	1.02	1.04	(For Losses Occurring 1-1-09 and Thereafter)
2009	1.02	1.02	1.04	1.00
2009	1.01	1.01	1.02	(For Losses Occurring 1-1-10 and Thereafter)
2010	1.01	1.01	1.02	1.0
2010	1.01	1.01	1.02	(For Losses Occurring 1-1-11 and Thereafter)
2011	1.01	1.01	1.02	1.00
2011	1.00	1.00	1.00	(For Losses Occurring 1-1-12 and Thereafter)

Expected Loss Factor--(All Years).....0.449
Employers Liability Cases--Indemnity Modification Factor--(All Years).....1.120

Credibility Values $C_e = 0.882$ $K_e = 932,852$

 $C_n = 0.998$ $K_n = 2,722$

LOSS VALUES - DISTRIBUTION AND LIMITS

The following are the limiting indemnity values for all cases except catastrophes:

	<u>Normal</u>	<u>Excess</u>	<u>Total</u>
Indemnity - All Policy Years	\$4,500	\$170,500	\$175,000

The following are the limiting medical values for all cases except catastrophes:

	<u>Normal</u>	<u>Excess</u>	<u>Total</u>
Medical - All Policy Years	\$1,500	\$161,500	\$163,000

Catastrophes shall be limited in accordance with 3:11-40(c) of this Manual.

Exhibit I (Cont'd)

2. Longshore and Harbor Workers Table A1.

Applicable January 1, 2012 as provided in the Experience Rating Plan 3:11 of this Manual.

Applicable to losses incurred under the Longshore and Harbor Workers Compensation Act.

LOSS MODIFICATION FACTORS

<u>Policy Year</u>	<u>Death</u>	<u>Permanent Total</u>	<u>Other Indemnity</u>	<u>Medical</u>
2007	1.03	1.04	1.00	1.00
2007	1.03	1.03	1.00	(For Losses Occurring 10-1-07 and Thereafter)
2008	1.03	1.03	1.00	1.00
2008	1.03	1.02	1.00	(For Losses Occurring 10-1-08 and Thereafter)
2009	1.03	1.02	1.00	1.00
2009	1.02	1.01	1.00	(For Losses Occurring 10-1-09 and Thereafter)
2010	1.02	1.01	1.00	1.00
2010	1.01	1.01	1.00	(For Losses Occurring 10-1-10 and Thereafter)
2011	1.01	1.01	1.00	1.00
2011	1.00	1.00	1.00	(For Losses Occurring 10-1-11 and Thereafter)

Expected Loss Factor--(All Years).....0.449

Credibility Values	$C_e = 0.882$	$K_e = 932,852$
	$C_n = 0.998$	$K_n = 2,722$

LOSS VALUES - DISTRIBUTION AND LIMITS

The following are the limiting indemnity values for all cases except catastrophes:

	<u>Normal</u>	<u>Excess</u>	<u>Total</u>
Indemnity - All Policy Years	\$4,500	\$257,500	\$262,000

The following are the limiting medical values for all cases except catastrophes:

	<u>Normal</u>	<u>Excess</u>	<u>Total</u>
Medical - All Policy Years	\$1,500	\$161,500	\$163,000

Catastrophes shall be limited in accordance with 3:11-40(c) of this Manual.

EXHIBIT II

INDEX
POLICY FORMS AND ENDORSEMENTS
APPLICABLE IN NEW JERSEY

	<u>STANDARD IDENTIFIER</u>	<u>VERSION IDENTIFIER±</u>
Workers Compensation and Employers Liability Insurance Policy	WC 00 00 00	B
Information Page (With New Jersey Requirements)	WC 00 00 01	B
FEDERAL COVERAGES AND EXCLUSIONS		
Defense Base Act Coverage Endorsement	WC 00 01 01	A
Federal Employers' Liability Act Coverage Endorsement	WC 00 01 04	A
Longshore and Harbor Workers' Compensation Act Coverage Endorsement	WC 00 01 06	A
Outer Continental Shelf Lands Act Coverage Endorsement	WC 00 01 09	B
New Jersey Voluntary Compensation Federal Employers' Liability Act Coverage Endorsement	WC 29 01 01	
MARITIME COVERAGES AND EXCLUSIONS		
Maritime Coverage Endorsement	WC 00 02 01	A
Voluntary Compensation Maritime Coverage Endorsement	WC 00 02 03	
OTHER COVERAGE AND EXCLUSIONS		
Alternate Employer Endorsement	WC 00 03 01	A
Designated Workplaces Exclusion Endorsement	WC 00 03 02	
Insurance Company as Insured Endorsement	WC 00 03 04	
Joint Venture as Insured Endorsement	WC 00 03 05	
Rural Utilities Service Endorsement	WC 00 03 09	B
New Jersey Workers Compensation and Employers Liability Coverage for Residence Employees Endorsement	WC 29 03 02	A
New Jersey Employee Leasing Labor Contractor Endorsement	WC 29 03 03	
New Jersey Employee Leasing Client Exclusion Endorsement	WC 29 03 04	
New Jersey Employee Leasing Labor Contractor Exclusion Endorsement	WC 29 03 05	
New Jersey Part Two Employers Liability Endorsement	WC 29 03 06	B
New Jersey Sole Proprietor and Partners Coverage Endorsement	WC 29 03 07	
New Jersey Limited Other States Insurance Endorsement	WC 29 03 09	A
New Jersey Workers Compensation Insurance Plan Eligibility Endorsement	WC 29 03 10	
PREMIUM		
Anniversary Rating Date Endorsement	WC 00 04 02	
Experience Rating Modification Factor Endorsement	WC 00 04 03	
Pending Rate Change Endorsement	WC 00 04 04	
Policy Period Endorsement	WC 00 04 05	
Rate Change Endorsement	WC 00 04 07	
Premium Due Date Endorsement	WC 00 04 19	
Catastrophe (Other than Certified Acts of Terrorism) Premium Endorsement	WC 00 04 21	C
Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement	WC 00 04 22	A
New Jersey Premium Discount Endorsement: Schedule Y	++WC 29 04 06	Y★
New Jersey Premium Discount Endorsement: Schedule X	++WC 29 04 07	
New Jersey Approved Managed Care Program Endorsement	WC 29 04 09	A
New Jersey Construction Classification Premium Adjustment Endorsement	WC 29 04 10	
RETROSPECTIVE PREMIUM		
Retrospective Rating Plan Premium Endorsement - One Year Plan	WC 00 05 03	B
Retrospective Rating Plan Premium Endorsement - Three Year Plan	WC 00 05 04	B
Retrospective Rating Plan Premium Endorsement - Wrap-Up Construction Project	WC 00 05 05	B
Retrospective Premium Endorsement Aviation Exclusion	WC 00 05 08	
Retrospective Premium Endorsement Changes	WC 00 05 09	A
Retrospective Rating Plan Premium Endorsement Non-Ratable Catastrophe Element or Surcharge	WC 00 05 10	A
Retrospective Premium Endorsement Short Form	WC 00 05 11	
Retrospective Rating Plan Premium Endorsement - Large Risk Alternative Rating Option (LRARO)	WC 00 05 16	
New Jersey Retrospective Premium Endorsement Part Two Employers Liability Insurance Excess Exclusion	WC 29 05 09	C
New Jersey Retrospective Premium Endorsement - Long Term Construction Project	WC 29 05 12	A
New Jersey Large Risk - Large Deductible Endorsement	WC 29 06 01	A
New Jersey Large Risk - Large Deductible Retrospective Adjustment Endorsement	WC 29 06 02	B
New Jersey Large Risk - Large Deductible Aggregate Limit Endorsement	WC 29 06 04	
New Jersey Large Risk - Large Deductible Retrospective - Per Person Basis	WC 29 06 05	
OTHER		
Policy Information Page Endorsement	WC 89 06 00	B
New Jersey Participating Provisions Endorsement	WC 29 06 03	
NEW JERSEY NOTICES		
New Jersey Notice of Cancellation	Form 116-B	
New Jersey Notice of Reinstatement	Form 117-A	
New Jersey Posting Notice	Form 16NJ	A
New Jersey Posting Notice (Spanish)	Form 17NJ	
New Jersey Notice of Election - Proprietors and Partners Workers Compensation and Employers Liability Insurance	Form PP-1	B
New Jersey Transmittal Letter	Form TL-1	

± Absence of a version identifier denotes original printing

±± The version identifier for these endorsements will be governed by revisions in verbiage or change in the Discount Percentages/Table of Rating Values forming a part of the endorsements

★ New or revised forms