COMPENSATION RATING AND INSPECTION BUREAU

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Executive Director

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MANUAL AMENDMENT BULLETIN #499

To: All Bureau Members and Subscribers

Re: Plan Premium Adjustment Program Change

BACKGROUND

In response to the COVID-19 pandemic, the Compensation Rating and Inspection Bureau (Bureau) filed an amendment to the New Jersey Workers Compensation Insurance Plan, which is found in Section 3:14 of the New Jersey Workers Compensation and Employers Liability Insurance Manual (Manual). The Commissioner of Banking and Insurance has processed the Bureau's filing. The change permits residual market carriers to temporarily amend the Plan Premium Adjustment Program (PPAP) factor by a 10-point reduction for qualified risks. This factor adjustment is to be assigned to risks that have been adversely impacted by the emergency order and have not otherwise realized a premium reduction under existing Manual rules. The attached change to the Manual rule is indicated in red.

This exception shall only apply to policies in-force at any time during the period of a government-declared, stay-at-home emergency order and, if appropriate, for such limited time thereafter as is necessary for the employer to return to standard business operations, which in no case shall exceed 45 days after the emergency order has been lifted.

The change to the PPAP is effective immediately.

Paul G. Witko
Executive Director

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Att:

subject to the PPAP formula is 20%. If the PPAP formula indicates an adjustment factor greater than 20%, that adjustment factor will be applicable subject to the maximum adjustment factors in 3:14-8(13E). The adjustment factor for qualifying Plan risks that are experience rated will be shown on the experience rating data.

D. PPAP Formula—

1. After the calculation of the experience modification factor (M) for the qualifying risks (risks with expected losses of $10,000 or greater in their experience modification calculation), a weighted ratio (R) is calculated.

$$R = \frac{(0.5 - 0.5W)\ An}{(M)\ (En)} + \frac{(0.5 + 0.5W)\ A}{(M)\ (E)}$$

where:

W	is the excess credibility
A	is the modified total losses
An	is the modified normal losses
E	is the total expected losses
En	is the expected normal losses
M	is the calculated experience modification
R	is the weighted ratio, limited to 2.0

All values except R are those used in the experience rating modification calculation.

2. If R is greater than 1.0, an adjustment factor (AF) will be calculated using the following formula:

$$R = \frac{(0.08)\ (E)\ (R-1)^{1.25}}{(E + 3)^{0.5}}$$

where:

E is the total expected losses of the particular insured (in thousands), limited to 40.

3. The adjustment factor will be shown on all experience rating forms (ERM-1). The adjustment factor will be applied to standard premium and will be applicable to all policies insuring a risk in the Plan.

E. Maximum Adjustment Factor (Rated Risks) - There are maximum adjustment factors for those risks that are subject to the PPAP formula in 3:14-8 (13D) of this Manual. Maximum adjustment factors are applied on the basis of expected losses in the experience rating modification calculation. The following table shows maximum adjustment factors by expected loss size.

Risk Expected Losses	Maximum Adjustments
10,000-24,999	25%
25,000-39,999	30%
40,000 and over	35%

1. **Weighted Ratio—A** comparison of the modified losses to the expected losses. A ratio greater than 1.00 is subject to the PPAP. This ratio is limited to 2.00.

2. **PPAP Adjustment Factor—**The factor is applied to the standard premium. This factor is determined by the formula in D-2 using the weighted ratio in D-1.

★ **F. PPAP Adjustment Factor During Government Emergency Order** — A 10-point reduction of the adjustment factor is permitted during a government-declared, stay-at-home emergency order, and is to be assigned to employers that have been adversely impacted by the emergency order and have not otherwise realized a premium reduction in accordance with Manual rules 3:3-25(e) and 3:3-35(e). This exception shall only apply to policies in-force at any time during the period of such emergency order and, if appropriate, for such limited time thereafter as is necessary for the employer to return to standard business operations, which in no case shall exceed 45 days after the emergency order has been lifted.

(14) If the insurance company desires to be relieved of the continuing obligation to insure the employer, it shall notify the Rating Bureau, in writing, not less than sixty days before expiration. Upon review and approval by the Rating Bureau in accordance with this rule, the Rating Bureau shall relieve the insurance company of its obligation and shall designate another insurance company to provide the renewal insurance in accordance with paragraph 3.

Individual carrier requests for relief shall not exceed 3% of the total annual residual market policy count for the carrier making such request, as determined by the Rating Bureau on January 1st of each year.

Upon receipt by the newly designated carrier of the renewal deposit premium, the carrier may provide the employer with a Coverage Request Form to be fully completed, executed and returned within thirty days. Upon receipt, the carrier shall then file a copy of the Coverage Request Form with the Rating Bureau.

Failure by the employer to comply with the provisions contained herein will result in carrier notification to the Rating Bureau. The Rating Bureau will then notify the employer and producer, if any, in writing, advising that failure to provide the required Coverage Request Form within ten days will constitute grounds for cancellation of the coverage for non-compliance. If, after the issuance of cancellation in accordance with this paragraph, the employer submits the required Coverage Request Form, the insurance company shall:

(a) Reinstate the insurance, without lapse, if the Coverage Request Form is received before the effective date of cancellation, or

(b) If the Coverage Request Form is received within thirty days after the effective date of cancellation, short term insurance shall be