



October 21, 2011

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item B-1423 - Elimination of Ex-Medical Coverage

NCCI Item P-1409 - Elimination of Ex-Medical Coverage Endorsements

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved the adoption of the following changes:

Elimination of ex-medical coverage rules from the following manuals:

- NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance***
- NCCI's ***Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance***
- North Carolina ***Statistical Plan Manual***

Elimination of endorsement forms related to ex-medical coverage rules from the NCCI's ***Forms Manual of Workers Compensation and Employers Liability Insurance***.

These changes have been approved with an effective date of April 1, 2012.

The attached circular provides a more detailed explanation of the changes.

Contact the Information Center at 919-582-1056 or via email at wcinfo@ncrb.org, if you require additional information

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dms

Attachments

C-11-12

FILING MEMORANDUM

ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

PURPOSE

This item eliminates the ex-medical coverage rules in the following NCCI manuals:

- *Basic Manual for Workers Compensation and Employers Liability Insurance*
- *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*
- *Statistical Plan for Workers Compensation and Employers Liability Insurance*

BACKGROUND

In states where a policy is permitted to be written on an ex-medical coverage basis, the carrier does not provide medical payment coverage, and a reduced manual rate applies to the policy. An employer written on an ex-medical coverage basis assumes the liability for medical payments for its injured employees and holds the carrier harmless via an endorsement to the policy. Ex-medical coverage policies are usually written for hospitals or other medical facilities equipped to treat employees in case of disease or injury.

Currently, ex-medical loss costs and rates for hospital classifications are provided on the footnotes page of the loss costs and rates pages of the *Basic Manual*.

A review of NCCI's data identified only one current Indiana policy with the applicable ex-medical coverage code. No other policies have been reported to NCCI with that code for the current and past four years. Based on this research, NCCI is proposing to eliminate all ex-medical coverage rules from our manuals and discontinue ex-medical rating value calculations.

PROPOSAL

The revisions proposed in this item include:

- Elimination of ex-medical coverage in NCCI's *Basic Manual*, *Experience Rating Plan Manual*, and *Statistical Plan*
- Discontinuation of ex-medical values from the footnotes pages of the loss cost and rate pages of the *Basic Manual*
- Discontinuation of promulgation of ex-medical experience rating modifications and ex-medical ratios

This item is being filed in conjunction with Item P-1409—Withdrawal of Ex-Medical Coverage Endorsements WC 00 03 06 and WC 00 03 07. Item P-1409 proposes that the ex-medical endorsements located in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance* be withdrawn from use. Item B-1423 and P-1409 should be adopted concurrently.

State-Specific Proposal for Florida:

It is proposed that the references to ex-medical coverage in Part One-I.A.12 and Part Four-H, Table of Loss Limitations for Ex-Medical Policies in the *Retrospective Rating Plan for Workers Compensation and Employers Liability Insurance—1984 Edition*, be eliminated.

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ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

State-Specific Proposal for Indiana:

In Indiana, ex-medical coverage is currently being utilized. As a result, any Indiana workers compensation ex-medical policy with an effective date prior to the effective date of this item filing will continue to be included in the calculation of a risk's experience rating modification(s), where applicable, subject to the **Experience Rating Plan Manual** Indiana state exception to Rule 2-D being filed as part of this item. This rule will remain in effect until there are no longer any Indiana ex-medical coverage policies eligible for inclusion in an experience rating modification. After that date, the **Experience Rating Plan Manual** Indiana state exception to Rule 2-D will be removed from the manual.

IMPACT

There will be no statewide premium impact as a result of the elimination of ex-medical coverage.

IMPLEMENTATION

The following is a summary of exhibits included in this item:

- **Exhibit 1** displays elimination of ex-medical coverage in NCCI's **Basic Manual** Rule 3-A-10
- **Exhibit 2** displays elimination of ex-medical coverage in NCCI's **Experience Rating Plan Manual** Rule 5-B
- **Exhibit 3** displays changes to NCCI's **Statistical Plan** Part 6-G
- **Exhibit 4** displays state-specific exception changes that are needed to eliminate ex-medical coverage
- **Exhibit 5** displays state rule exception for Indiana in NCCI's **Experience Rating Plan Manual** as Rule 2-D-4

In applicable NCCI Plan Administered states, references to Ex-Medical Coverage are being discontinued with Item RM-W-8038 – Establishment of Basic Manual Rule 4-G – Available Coverages.

This item is applicable to new and renewal, voluntary and assigned risk, policies. It will become effective concurrently with each state's approved rate/loss cost filing for the 2012¹ filing cycle. For example, this item will be effective January 1, 2012 for approved rate/loss cost filings that have a January 1, 2012 effective date. Similarly, this item will be effective July 1, 2012 for approved rate/loss cost filings that have a July 1, 2012 effective date. If there is no rate/loss cost filing for a state in a given year, this item will take effect on that state's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the state's previous year's rate effective date.)

The following chart shows the proposed effective dates for each state:

¹ Unless otherwise noted.

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ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

State	Proposed* Effective Date
Alabama	March 1, 2012
Alaska	January 1, 2012
Arizona	January 1, 2012
Arkansas	July 1, 2012
Colorado	January 1, 2012
Connecticut	January 1, 2012
District of Columbia	November 1, 2012
Florida	January 1, 2012
Georgia	March 1, 2012
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective January 1, 2012. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2012
Illinois	January 1, 2012
Indiana	January 1, 2012
Iowa	January 1, 2012
Kansas	January 1, 2012
Kentucky	October 1, 2012
Louisiana	May 1, 2012
Maine	January 1, 2012
Maryland	January 1, 2012
Massachusetts	Effective with this state's rate effective date
Mississippi	March 1, 2012
Missouri	All rate changes related to this filing are proposed to be effective January 1, 2012 for the voluntary and assigned risk market.
Montana	July 1, 2012
Nebraska	February 1, 2012

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ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

State	Proposed* Effective Date
Nevada	March 1, 2012
New Hampshire	January 1, 2012
New Mexico	January 1, 2012
North Carolina	April 1, 2012
Oklahoma	January 1, 2012
Oregon	January 1, 2012
Rhode Island	June 1, 2012
South Carolina	July 1, 2012
South Dakota	July 1, 2012
Tennessee	March 1, 2012
Utah	December 1, 2012
Vermont	April 1, 2012
Virginia	April 1, 2012
West Virginia	November 1, 2012

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ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

EXHIBIT 1
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION
(Applies in: AL, CO, CT, FL, HI, IA, ID, IL, IN, KY, LA, MD, MO, MT, NV, NM, NC, RI, SC, SD, VT)

~~10. Exclusion of Statutory Medical Benefits—Ex Medical Coverage (RESERVED FOR FUTURE USE)~~

~~Ex medical rating is the rating of workers compensation policies that excludes medical coverage. In states where ex medical coverage is permitted, the carrier does not provide medical payment coverage, and a reduced manual rate applies.~~

- ~~• For any location insured on an ex medical basis, use the ex medical rates to calculate premium for the applicable classifications.~~
- ~~• Ex medical loss costs and rates are printed on the state pages of this manual for hospital classifications.~~
- ~~• Ex medical rates for hospital and other classifications may be obtained from the carrier in competitive rating jurisdictions. Otherwise, such rates may be obtained from NCCL or other licensed rating organization.~~

ITEM B-1423—ELIMINATION OF EX-MEDICAL COVERAGE

EXHIBIT 2
EXPERIENCE RATING PLAN MANUAL—2003 EDITION
RULE 5—SPECIAL RATING CONDITIONS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

B. EX-MEDICAL EXPERIENCE (RESERVED FOR FUTURE USE)

~~If coverage is provided on an ex-medical basis as permitted by the *Basic Manual* rules, the experience-rating modification is calculated using the formula described in Rule 2-D of this Plan, with the following exception:~~

~~Apply the ex-med multiplier to convert the total expected losses for each classification to an ex-medical basis. The ex-med multiplier is determined by the following formula:~~

$$\del{1.00 - (1.30 \times \text{Classification Ex Medical Ratio})}$$

~~Refer to the rating organization for state ex-medical ratios.~~

FILING MEMORANDUM

ITEM P-1409—WITHDRAWAL OF EX-MEDICAL COVERAGE ENDORSEMENTS WC 00 03 06 & WC 00 03 07

PURPOSE

This item withdraws from use WC 00 03 06—Medical Benefits Exclusion Endorsement and WC 00 03 07—Medical Benefits Reimbursement Endorsement from NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*.

BACKGROUND

In states where a policy is permitted to be written on an ex-medical coverage basis, the carrier does not provide medical payment coverage, and a reduced manual rate applies to the policy. An employer written on an ex-medical coverage basis assumes the liability for medical payments for its injured employees and holds the carrier harmless via an endorsement to the policy. Ex-medical coverage policies are usually written for hospitals or other medical facilities equipped to treat employees in case of disease or injury.

Currently, ex-medical loss costs and rates for hospital classifications are provided on the footnotes page of the loss costs and rates pages of the *Basic Manual for Workers Compensation and Employers Liability Insurance*.

A review of NCCI's data identified only one current Indiana policy with the applicable ex-medical coverage code. No other policies have been reported to NCCI with that code for the current and past four years. Based on this research, NCCI is proposing to eliminate all ex-medical coverage rules from our manuals and discontinue ex-medical rating value calculations.

PROPOSAL

This item proposes to withdraw the following endorsements due to the elimination of ex-medical coverage rules:

- WC 00 03 06—Medical Benefits Exclusion Endorsement
- WC 00 03 07—Medical Benefits Reimbursement Endorsement

This item is being filed in conjunction with Item B-1423—Elimination of Ex-Medical Coverage. Item B-1423 proposes to eliminate all ex-medical coverage rules from the *Basic Manual, Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* and *Statistical Plan for Workers Compensation and Employers Liability Insurance*. Items B-1423 and P-1409 should be adopted concurrently.

IMPACT

There will be no statewide premium impact as a result of the elimination of ex-medical coverage endorsements.

IMPLEMENTATION

The attached exhibits illustrate the endorsements proposed to be withdrawn from NCCI's *Forms Manual*:

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**ITEM P-1409—WITHDRAWAL OF EX-MEDICAL COVERAGE ENDORSEMENTS WC 00 03 06
 & WC 00 03 07**

- **Exhibit 1** withdraws form WC 00 03 06
- **Exhibit 2** withdraws form WC 00 03 07

This item is applicable to new and renewal, voluntary and assigned risk, policies. It will become effective concurrently with each state's approved rate/loss cost filing for the 2012¹ filing cycle. For example, this item will be effective January 1, 2012 for approved rate/loss cost filings that have a January 1, 2012 effective date. Similarly, this item will be effective July 1, 2012 for approved rate/loss cost filings that have a July 1, 2012 effective date. If there is no rate/loss cost filing for a state in a given year, this item will take effect on that state's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the state's previous years rate effective date.)

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Illinois	January 1, 2012
Indiana	January 1, 2012
Iowa	January 1, 2012
Kentucky	October 1, 2012
Louisiana	May 1, 2012
Maine	January 1, 2012
Maryland	January 1, 2012

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ITEM P-1409—WITHDRAWAL OF EX-MEDICAL COVERAGE ENDORSEMENTS WC 00 03 06
& WC 00 03 07

State	Proposed* Effective Date
Mississippi	March 1, 2012
Missouri	All rate changes related to this filing are proposed to be effective January 1, 2012 for the voluntary and assigned risk market.
Montana	July 1, 2012
Nebraska	February 1, 2012
New Hampshire	January 1, 2012
New Mexico	January 1, 2012
North Carolina	April 1, 2012
Oklahoma	January 1, 2012
Rhode Island	June 1, 2012
South Carolina	July 1, 2012
South Dakota	July 1, 2012
Tennessee	March 1, 2012
Vermont	April 1, 2012
Virginia	April 1, 2012

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EXHIBIT 1

FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
MEDICAL BENEFITS EXCLUSION ENDORSEMENT

(WC 00 03 06)

(Applies in: AL, AR, CO, CT, DC, FL, HI, IA, ID, IL, IN, KY, LA, MD, ME, MO, MS, MT, NV, NC,
NH, NM, OK, RI, SC, SD, TN, VT, VA)

~~MEDICAL BENEFITS EXCLUSION ENDORSEMENT (WC 00 03 06)~~

~~Part One (Workers Compensation Insurance) does not cover any medical benefits required by the workers compensation law of a state named in the Schedule. You will provide medical benefits to the full extent required by that workers compensation law and to our satisfaction.~~

~~Schedule~~

~~State~~