



Wisconsin Compensation Rating Bureau

## CIRCULAR LETTER 3072—NOVEMBER 30, 2010

TO: Members of the Bureau  
FROM: Donna Knepper  
RE: WI LRARO Endorsement Filings

### Background

Wisconsin adopted NCCI filing R-1399 – 2009 Edition – Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance effective 1-1-10. In conjunction with the revised manual, the NCCI proposed amendments to several endorsements under item filing P-1407(A) – Revised Retrospective Rating Plan Endorsements. With the exception of the Large Risk Alternative Rating Option (LRARO) Endorsement WC 00 05 16, the retrospective rating endorsements were approved effective 1-1-10. The Large Risk Alternative Rating Option (LRARO) Endorsement WC 00 05 16 was not adopted as the endorsement would be in violation of Wisconsin Statutes.

The WCRB, working in conjunction with the OCI, has developed guidelines for the mandatory filing of LRARO endorsements in WI.

### Filing Administration

OCI has agreed to allow the WCRB to file as many LRARO endorsements as necessary to meet the needs of the carriers participating in the LRARO program in WI. Every carrier currently writing LRAROs in Wisconsin, or desiring to write them in the future, is required to submit a LRARO filing to the WCRB to be submitted to OCI for approval. Contact Donna Knepper, ([donna.knepper@wcrb.org](mailto:donna.knepper@wcrb.org); 262-796-4576), at the WCRB to obtain an endorsement number to be placed at the top of the basic endorsement form prior to submitting the filing to the WCRB. The endorsements should contain no specific reference to a carrier or carrier group.

WCRB will review each filing prior to filing it with the OCI to assure it contains the components necessary to comply with the OCI's vision for the endorsement, but the WCRB will not alter the endorsement prior to filing with the OCI. Any filed endorsement may be used by any member carrier upon approval by the OCI. Approved LRARO endorsements will be listed but not published on the WCRB website. They will be provided upon request.

**Filing Content**

Each filed endorsement must consist of:

- a basic document “shell” that shows the endorsement’s fixed text and identifies (by number – such as “Insert 1”, “Insert 2”, etc.) each location where more than one version of a phrase, sentence or paragraph can appear, and
- a corresponding “schedule of variability” that lists all of the possible versions of text that can appear at each insert location. An edition date must be assigned to the schedule of variability.

If a single endorsement with its schedule of variability fully expresses the possible content of every LRARO endorsement to be used in Wisconsin by a carrier, then only one endorsement filing is required from that carrier. If, however, a carrier has multiple versions of even the basic endorsement structure, then a separate endorsement (with a separate endorsement number and its own shell and schedule of variability) must be filed for each basic structure.

Please note that these filings do not require disclosure of values or ranges of values for the LRARO rating plan factors.

The LRARO endorsement must include all endorsement provisions that address the types of plan elements in the standard NCCI Retrospective Premium Endorsements:

- description of the formula used to calculate the plan premium
- definition of the terms used in the plan formula
- timing and transaction mechanics of the plan adjustments
- treatment of mid-term cancellation
- the endorsement schedule, showing the names of the factors and values that can appear there

*Example:*

- Basic Premium Factor \_\_\_\_\_
- Loss Limitation \_\_\_\_\_
- Loss Conversion Factor \_\_\_\_\_
- Maximum Premium Factor or Rate \_\_\_\_\_
- Loss Development Factors \_\_\_\_\_

Provisions that address ancillary items - such as cash flow and collateral issues that are not generally endorsed to policies written under the standard Retrospective Rating Plan - do not need to be reflected in the filed LRARO endorsement.

**Reporting Instructions Upon Approval**

Approved endorsement numbers will be incorporated into the WCRB’s data capturing system. Only the endorsement number needs to be reported to the WCRB with the policies. Carriers do not need to include the endorsement detail when submitting the policy records.

**Deadline**

Regulation of forms is on a prior approval basis. OCI has agreed to give carriers currently writing LRARO's in Wisconsin until July 1, 2011 to have their endorsement(s) approved. After July 1, 2011, OCI may take administrative action regarding the use of any unapproved LRARO endorsement forms in Wisconsin. Prior to July 1, 2011, any LRARO endorsement forms containing language or provisions contrary to Wisconsin insurance laws or regulations unrelated to using an unapproved policy form are still subject to administrative action by OCI.

Due to limited resources at the WCRB and OCI for reviewing carriers' filings, the review and filing process could take over 90 days. Therefore, please plan ahead and allow enough time for the approval process to be completed by July 1.

**Revisions After Approval**

Revisions to the basic endorsement shell will require a change to the LRARO endorsement number. Contact the WCRB to obtain the revised endorsement number. Revisions to any text in the "schedule of variability" will change the edition date of the schedule but will not change the LRARO endorsement number. Revisions to either document will require both to be refiled. (Mark the unchanged document as "For Reference Only".)