

SERFF Tracking Number: NCCI-125662672 State: Arkansas
Filing Company: NCCI State Tracking Number: EFT \$100
Company Tracking Number: B-1407
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: B-1407 - CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES
Project Name/Number: /

Filing at a Glance

Company: NCCI

Product Name: B-1407 - CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES SERFF Tr Num: NCCI-125662672 State: Arkansas

TOI: 16.0 Workers Compensation

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 16.0004 Standard WC

Co Tr Num: B-1407

State Status: Fees verified and received

Filing Type: Rule

Co Status:

Reviewer(s): Betty Montesi, Carol Stiffler, Brittany Yielding

Authors: Lesley O'Brien, Alison Herwig, Frank Gnolfo, Terri Robinson

Disposition Date: 05/29/2008

Date Submitted: 05/22/2008

Disposition Status: Approved

Effective Date Requested (New): 09/01/2008

Effective Date (New): 09/01/2008

Effective Date Requested (Renewal): 09/01/2008

Effective Date (Renewal):

State Filing Description:

General Information

Project Name:

Status of Filing in Domicile:

Project Number:

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 05/29/2008

State Status Changed: 05/22/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

As a result of the recent passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") by the United States Congress (Congress), this item eliminates the distinction between foreign and domestic terrorism by:

- Producing separate miscellaneous values by state to address losses resulting from "Terrorism" and "Catastrophe (other than Certified Acts of Terrorism)"

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- Replacing the references of “Foreign Terrorism” and “Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC)” in NCCI manuals with the terms “Terrorism” and “Catastrophe (other than Certified Acts of Terrorism)”
- Providing new descriptions for Statistical Codes 9740 and 9741

Company and Contact

Filing Contact Information

Terri Robinson, State Relations Executive terri_robinson@ncci.com
 46714 Highway 10 (501) 753-5180 [Phone]
 Perryville, AR 72126 (561) 893-5655[FAX]

Filing Company Information

NCCI	CoCode:	State of Domicile: Florida
901 Peninsula Corporate Circle	Group Code:	Company Type:
Boca Raton, FL 33487	Group Name:	State ID Number:
(561) 893-3186 ext. [Phone]	FEIN Number: 65-0439698	

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
NCCI	\$100.00	05/22/2008	20461705

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	05/29/2008	05/29/2008

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
B-1407 - Note to Filer Response	Note To Reviewer	Lesley O'Brien	05/29/2008	05/29/2008
Terrorism and Catastrophe rate for assigned risk	Note To Filer	Carol Stiffler	05/27/2008	05/27/2008

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Disposition

Disposition Date: 05/29/2008

Effective Date (New): 09/01/2008

Effective Date (Renewal):

Status: Approved

Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	FILING MEMORANDUM	Approved	Yes
Supporting Document	Table of Contents	Approved	Yes
Supporting Document	Appendix	Approved	Yes
Rate	1 - BASIC MANUAL	Approved	Yes
Rate	2- BASIC MANUAL	Approved	Yes
Rate	3	Approved	Yes
Rate	4	Approved	Yes
Rate	5	Approved	Yes
Rate	6	Approved	Yes
Rate	7	Approved	Yes
Rate	8	Approved	Yes
Rate	9	Approved	Yes
Rate	10	Approved	Yes
Rate	11	Approved	Yes
Rate	12 - BASIC MANUAL	Approved	Yes
Rate	13 - BASIC MANUAL	Approved	Yes
Rate	14 - BASIC MANUAL	Approved	Yes
Rate	15 - BASIC MANUAL	Approved	Yes
Rate	16 - URE STATISTICAL PLAN	Approved	Yes
Rate	17 - URE STATISTICAL PLAN	Approved	Yes
Rate	18 - STATISTICAL PLAN--2008 EDITION	Approved	Yes
Rate	19 - BASIC MANUAL	Approved	Yes



Terri Robinson
State Relations Executive
Regulatory Service Division

May 29, 2008

Carol Stiffler
 Certified Rate and Forms Analyst, Property and Casualty Division
 Arkansas Insurance Department
 1200 West Third Street
 Little Rock, Arkansas 72201

**Re: Item B-1407—Catastrophe Provisions Miscellaneous Values, Rules and Statistical Codes
 SERFF Tracking Number: NCCI-125662672**

Dear Ms. Stiffler:

Thank you for your May 27, 2008 comment regarding the above-referenced item filing. After review and consideration, we offer the following response to your question:

Question:

It appears that the advisory loss costs for catastrophe and terrorism combined are .03 which is the same amount combined in the previous terrorism filing. It appears that the assigned risk rates will be .03 combined also. That is a .01 decrease. Am I reading this correctly or am I missing something?

Response:

Both the Voluntary and Assigned Risk Terrorism provisions are decreasing by .01. Since the Catastrophe (other than Certified Acts of Terrorism) portion is staying the same that means the total provision is also decreasing by .01 for Voluntary and Assigned Risk. This is shown in the table below.

Current Terrorism Voluntary <u>Loss Cost</u> 0.02	Current Other Cat Voluntary <u>Loss Cost</u> 0.01	Current Total Cat Voluntary <u>Loss Cost</u> 0.03	Current Terrorism Assigned <u>Risk Rate</u> 0.03	Current Other Cat Assigned <u>Risk Rate</u> 0.02	Current Total Cat Assigned <u>Risk Rate</u> 0.05
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Proposed Terrorism Voluntary <u>Loss Cost</u> 0.01	Proposed Other Cat Voluntary <u>Loss Cost</u> 0.01	Proposed Total Cat Voluntary <u>Loss Cost</u> 0.02	Proposed Terrorism Assigned <u>Risk Rate</u> 0.02	Proposed Other Cat Assigned <u>Risk Rate</u> 0.02	Proposed Total Cat Assigned <u>Risk Rate</u> 0.04
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Proposed Change in Terrorism Voluntary <u>Loss Cost</u> -0.01	Proposed Change in Other Cat Voluntary <u>Loss Cost</u> 0.00	Proposed Change in Total Cat Voluntary <u>Loss Cost</u> -0.01	Proposed Change in Terrorism Assigned <u>Risk Rate</u> -0.01	Proposed Change in Other Cat Assigned <u>Risk Rate</u> 0.00	Proposed Change in Total Cat Assigned <u>Risk Rate</u> -0.01
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Respectfully submitted, _

Terri Robinson
 State Relations Executive

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	1 - BASIC MANUAL	MISCELLANEOUS VALUES PAGES - TERRORISM	New	B-1407 Ex 1A&B - Terrorism Misc Values.pdf
Approved	2- BASIC MANUAL	MISCELLANEOUS VALUES PAGES - CATASTROPHE	New	B-1407 Ex 2- A&B.pdf
Approved	3	TERRORISM LOSS COSTS FOR STATES MODELED BY EQECAT	New	B-1407 Ex 3.pdf
Approved	4	TERRORISM LOSS COSTS INCLUDING LAE BY STATE	New	B-1407 Ex 4.pdf
Approved	5	TERRORISM VOLUNTARY AND ASSIGNED RISK RATES BY STATE	New	B-1407 Ex 5.pdf
Approved	6	ESTIMATED	New	B-1407 Ex 6.pdf

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IMPACT OF
CHANGES IN
TERRORISM
PROVISIONS
BY STATE

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 Filing Company: NCCI State Tracking Number: EFT \$100
 Company Tracking Number: B-1407
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
 Product Name: B-1407 - CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES
 Project Name/Number: /

Approved	7	CATASTROPHI New C INDUSTRIAL ACCIDENT LOSS COSTS FOR STATES MODELED BY EQECAT	B-1407 Ex 7.pdf
Approved	8	EARTHQUAKE New LOSS COSTS FOR STATES MODELED BY EQECAT	B-1407 Ex 8.pdf
Approved	9	CATASTROPHE New (OTHER THAN CERTIFIED ACTS OF TERRORISM)	B-1407 Ex 9.pdf
Approved	10	CATASTROPHE New (OTHER THAN CERTIFIED ACTS OF TERRORISM) VOLUNTARY AND	B-1407 Ex 10.pdf
Approved	11	ESTIMATED New IMPACT OF CHANGES IN CATASTROPHE PROVISIONS	B-1407 Ex 11.pdf

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Approved	12 - BASIC MANUAL	MISCELLANEO US VALUES PAGES - TERRORISM	New			B-1407 Ex 12.pdf
Approved	13 - BASIC MANUAL	MISCELLANEO US VALUES PAGES	New			B-1407 Ex 13.pdf
Approved	14 - BASIC MANUAL	A. EXPLANATION AND APPLICATION	Replacement	B-1405		B-1407 Ex 14.pdf
Approved	15 - BASIC MANUAL	C. LOSS SENSITIVE RATING PLAN	Replacement	RM-W-8028		B-1407 Ex 15.pdf
Approved	16 - URE STATISTICAL PLAN	PART 7-CODING SPECIFICATIO NS	Replacement	B-1398		B-1407 Ex 16.pdf
Approved	17 - URE STATISTICAL PLAN	PART 3-EXPOSURE INFORMATION	Replacement	B-1398		B-1407 Ex 17.pdf
Approved	18 - STATISTICAL PLAN--2008 EDITION	PART 6-CODING VALUES	Replacement	U-1397		B-1407 Ex 18.pdf
Approved	19 - BASIC MANUAL	MISCELLANEO	Replacement	B-1398		AR Only - B-1407.pdf

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 1-A
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
APPLICABLE TO VOLUNTARY POLICIES**

Terrorism See below:

State	Current Loss Cost	Proposed Loss Cost	Current Rate	Proposed Rate
Alabama	0.02	0.01	N/A	N/A
Arizona	N/A	N/A	0.03	0.01
Arkansas	0.02	0.01	N/A	N/A
Colorado	0.02	0.01	N/A	N/A
Connecticut	0.02	0.01	N/A	N/A
DC	0.05	0.05	N/A	N/A
Georgia	0.02	0.01	N/A	N/A
Idaho	N/A	N/A	0.03	0.02
Illinois	0.03	0.03	0.05	0.05
Indiana	0.04	0.01	0.02	0.02
Iowa	N/A	N/A	0.03	0.02
Kansas	0.02	0.01	N/A	N/A
Kentucky	0.02	0.01	N/A	N/A
Louisiana	0.02	0.01	N/A	N/A
Maine	0.02	0.01	N/A	N/A
Maryland	0.03	0.03	N/A	N/A
Mississippi	0.02	0.01	N/A	N/A
Montana	0.02	0.01	N/A	N/A
Nebraska	0.02	0.01	N/A	N/A
Nevada	0.02	0.01	N/A	N/A
New Hampshire	0.02	0.01	N/A	N/A
North Carolina	0.02	0.01	N/A	N/A
Oklahoma	0.02	0.01	N/A	N/A
Oregon	0.02	0.01	N/A	N/A
Rhode Island	0.02	0.01	N/A	N/A
South Carolina	0.02	0.01	N/A	N/A
South Dakota	0.02	0.01	N/A	N/A
Utah	0.02	0.01	N/A	N/A
Vermont	0.02	0.01	N/A	N/A
West Virginia	0.04	0.01	N/A	N/A

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 1-B
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
APPLICABLE TO ASSIGNED RISK POLICIES

Terrorism See below:

State	Current Assigned Risk Rate	Proposed Assigned Risk Rate
Alabama	0.03	0.02
Arizona	0.03	0.01
Arkansas	0.03	0.02
Connecticut	0.04	0.02
DC	0.07	0.07
Georgia	0.03	0.02
Idaho	0.03	0.02
Illinois	0.05	0.05
Indiana	0.02	0.02
Iowa	0.03	0.02
Kansas	0.03	0.02
Mississippi	0.03	0.01
Nevada	0.03	0.01
New Hampshire	0.03	0.02
North Carolina	0.03	0.02
Oregon	0.03	0.01
South Carolina	0.03	0.02
South Dakota	0.03	0.02
Vermont	0.03	0.01

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 2-A
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
APPLICABLE TO VOLUNTARY POLICIES**

Catastrophe (other than Certified Acts of Terrorism) See below:

State	Loss Cost	Rate
Alabama	0.01	N/A
Arizona	N/A	0.01
Arkansas	0.01	N/A
Colorado	0.01	N/A
Connecticut	0.01	N/A
DC	0.01	N/A
Georgia	0.01	N/A
Idaho	N/A	0.01
Illinois	0.01	0.01
Indiana	0.01	0.01
Iowa	N/A	0.01
Kansas	0.01	N/A
Kentucky	0.01	N/A
Louisiana	0.01	N/A
Maine	0.01	N/A
Maryland	0.01	N/A
Mississippi	0.01	N/A
Montana	0.01	N/A
Nebraska	0.01	N/A
Nevada	0.01	N/A
New Hampshire	0.01	N/A
North Carolina	0.01	N/A
Oklahoma	0.01	N/A
Oregon	0.01	N/A
Rhode Island	0.01	N/A
South Carolina	0.01	N/A
South Dakota	0.01	N/A
Utah	0.01	N/A
Vermont	0.01	N/A
West Virginia	0.01	N/A

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 2-B
BASIC MANUAL
APPLICABLE TO ASSIGNED RISK POLICIES
MISCELLANEOUS VALUES**

Catastrophe (other than Certified Acts of Terrorism) See below:

State	Assigned Risk Rate
Alabama	0.01
Arizona	0.01
Arkansas	0.02
Connecticut	0.01
DC	0.01
Georgia	0.01
Idaho	0.01
Illinois	0.01
Indiana	0.01
Iowa	0.01
Kansas	0.01
Mississippi	0.01
Nevada	0.01
New Hampshire	0.01
North Carolina	0.01
Oregon	0.01
South Carolina	0.01
South Dakota	0.01
Vermont	0.01

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 3
TERRORISM LOSS COSTS FOR STATES MODELED BY EQECAT

State	Loss Cost per Employee (exc. LAE) Lower Range*	Loss Cost per Employee (exc. LAE) Upper Range*	Estimated Impact of TRIPRA**	State Average Weekly Wage***	Loss Cost per \$100 of payroll (exc. LAE) Lower Range ¹	Loss Cost per \$100 of payroll (exc. LAE) Upper Range ²	Selected Terrorism Loss Cost (exc. LAE)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Arizona	1.19	14.30	55%	731.68	0.002	0.021	0.01
DC	45.80	549.57	60%	951.91	0.056	0.666	0.04
Florida	0.59	7.12	85%	723.52	0.001	0.016	0.01
Georgia	0.79	9.50	80%	750.27	0.002	0.019	0.01
Illinois	4.29	51.46	45%	772.23	0.005	0.058	0.03
Indiana	0.31	3.75	95%	707.18	0.001	0.010	0.01
Iowa	0.63	7.57	90%	667.50	0.002	0.020	0.01

* Source: Loss cost information developed by EQECAT for terrorism events

** This adjustment reflects the impact of TRIPRA relative to terrorism events

*** 2007 US Bureau of Labor Statistics, Current Population Survey

¹ (6) = (2) x (4) / ((5) x 52 / 100)

² (7) = (3) x (4) / ((5) x 52 / 100)

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 4
TERRORISM LOSS COSTS INCLUDING LAE BY STATE

State (1)	Proxy State (2)	Selected Terrorism Loss Cost (exc. LAE) (3)	Loss-Based Expense Factor (4)	Terrorism Loss Cost (inc. LAE) (5)=(3)x(4)
Alabama	Iowa	0.01	1.194	0.01
Arizona	Arizona	0.01	1.129	0.01
Arkansas	Iowa	0.01	1.193	0.01
Colorado	Arizona	0.01	1.182	0.01
Connecticut	Iowa	0.01	1.169	0.01
DC	DC	0.04	1.167	0.05
Georgia	Georgia	0.01	1.000	0.01
Idaho	Arizona	0.01	1.151	0.01
Illinois	Illinois	0.03	1.000	0.03
Indiana	Indiana	0.01	1.168	0.01
Iowa	Iowa	0.01	1.165	0.01
Kansas	Iowa	0.01	1.191	0.01
Kentucky	Iowa	0.01	1.000	0.01
Louisiana	Arizona	0.01	1.076	0.01
Maine	Iowa	0.01	1.143	0.01
Maryland	Illinois	0.03	1.000	0.03
Mississippi	Iowa	0.01	1.208	0.01
Montana	Arizona	0.01	1.134	0.01
Nebraska	Iowa	0.01	1.159	0.01
Nevada	Arizona	0.01	1.157	0.01
New Hampshire	Iowa	0.01	1.196	0.01
North Carolina	Florida	0.01	1.145	0.01
Oklahoma	Iowa	0.01	1.203	0.01
Oregon	Arizona	0.01	1.000	0.01
Rhode Island	Arizona	0.01	1.179	0.01
South Carolina	Iowa	0.01	1.178	0.01
South Dakota	Iowa	0.01	1.000	0.01
Utah	Arizona	0.01	1.150	0.01
Vermont	Iowa	0.01	1.149	0.01
West Virginia	Iowa	0.01	1.173	0.01

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 5
TERRORISM VOLUNTARY AND ASSIGNED RISK RATES BY STATE

State	Selected Terrorism Voluntary Loss Cost (exc. LAE)	Voluntary PLR	Selected Terrorism Voluntary Rate	Assigned Risk PLR	Selected Terrorism Assigned Risk Rate
(1)	(2)	(3)	(4)=(2)/(3)	(5)	(6)=(2)/(5)
Alabama	0.01	N/A	N/A	0.6590	0.02
Arizona	0.01	0.7160	0.01	0.7160	0.01
Arkansas	0.01	N/A	N/A	0.5748	0.02
Colorado	0.01	N/A	N/A	N/A	N/A
Connecticut	0.01	N/A	N/A	0.6490	0.02
DC	0.04	N/A	N/A	0.5546	0.07
Georgia	0.01	N/A	N/A	0.5860	0.02
Idaho	0.01	0.6260	0.02	0.6260	0.02
Illinois	0.03	0.6380	0.05	0.6630	0.05
Indiana	0.01	0.6240	0.02	0.6240	0.02
Iowa	0.01	0.6430	0.02	0.6430	0.02
Kansas	0.01	N/A	N/A	0.5978	0.02
Kentucky	0.01	N/A	N/A	N/A	N/A
Louisiana	0.01	N/A	N/A	N/A	N/A
Maine	0.01	N/A	N/A	N/A	N/A
Maryland	0.03	N/A	N/A	N/A	N/A
Mississippi	0.01	N/A	N/A	0.6940	0.01
Montana	0.01	N/A	N/A	N/A	N/A
Nebraska	0.01	N/A	N/A	N/A	N/A
Nevada	0.01	N/A	N/A	0.6880	0.01
New Hampshire	0.01	N/A	N/A	0.6262	0.02
North Carolina	0.01	N/A	N/A	0.5865	0.02
Oklahoma	0.01	N/A	N/A	N/A	N/A
Oregon	0.01	N/A	N/A	0.6734	0.01
Rhode Island	0.01	N/A	N/A	N/A	N/A
South Carolina	0.01	N/A	N/A	0.5500	0.02
South Dakota	0.01	N/A	N/A	0.6222	0.02
Utah	0.01	N/A	N/A	N/A	N/A
Vermont	0.01	N/A	N/A	0.6875	0.01
West Virginia	0.01	N/A	N/A	N/A	N/A

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 6
ESTIMATED IMPACT OF CHANGES IN TERRORISM PROVISIONS BY STATE

State	Current Terrorism Loss Cost (exc. LAE)	Proposed Terrorism Loss Cost (exc. LAE)	Proposed Change in Terrorism Loss Cost (exc. LAE)	Avg. Non- Terrorism Loss Cost (exc. LAE)	Percentage Impact of Terrorism Loss Cost	CY 2006 WC Written Premium (\$ 000)	Estimated Premium Impact (\$ 000)
(1)	(2)	(3)	(4)	(5)	(6)=(4)/(5)	(7)	(8)=(6)x(7)
Alabama	0.02	0.01	-0.01	1.82	-0.5%	382,194	(2,100)
Arizona	0.02	0.01	-0.01	1.15	-0.9%	773,063	(6,722)
Arkansas	0.02	0.01	-0.01	1.03	-1.0%	303,880	(2,950)
Colorado	0.02	0.01	-0.01	1.27	-0.8%	966,522	(7,610)
Connecticut	0.02	0.01	-0.01	1.24	-0.8%	731,741	(5,901)
DC	0.04	0.04	0.00	0.39	0.0%	171,752	-
Georgia	0.02	0.01	-0.01	1.41	-0.7%	1,344,961	(9,539)
Idaho	0.02	0.01	-0.01	1.67	-0.6%	366,926	(2,197)
Illinois	0.03	0.03	0.00	1.71	0.0%	2,596,732	-
Indiana	0.01	0.01	0.00	0.92	0.0%	817,877	-
Iowa	0.02	0.01	-0.01	1.49	-0.7%	531,152	(3,565)
Kansas	0.02	0.01	-0.01	1.21	-0.8%	415,270	(3,432)
Kentucky	0.02	0.01	-0.01	1.74	-0.6%	681,732	(3,918)
Louisiana	0.02	0.01	-0.01	1.74	-0.6%	860,759	(4,947)
Maine	0.02	0.01	-0.01	1.93	-0.5%	242,088	(1,254)
Maryland	0.03	0.03	0.00	0.97	0.0%	995,082	-
Mississippi	0.02	0.01	-0.01	1.74	-0.6%	338,125	(1,943)
Montana	0.02	0.01	-0.01	4.15	-0.2%	342,635	(826)
Nebraska	0.02	0.01	-0.01	1.50	-0.7%	351,101	(2,341)
Nevada	0.02	0.01	-0.01	1.96	-0.5%	497,714	(2,539)
New Hampshire	0.02	0.01	-0.01	1.45	-0.7%	304,720	(2,102)
North Carolina	0.02	0.01	-0.01	1.70	-0.6%	1,385,661	(8,151)
Oklahoma	0.02	0.01	-0.01	1.89	-0.5%	712,283	(3,769)
Oregon	0.02	0.01	-0.01	1.65	-0.6%	766,705	(4,647)
Rhode Island	0.02	0.01	-0.01	1.17	-0.9%	201,150	(1,719)
South Carolina	0.02	0.01	-0.01	1.94	-0.5%	748,964	(3,861)
South Dakota	0.02	0.01	-0.01	1.47	-0.7%	130,980	(891)
Utah	0.02	0.01	-0.01	1.10	-0.9%	488,114	(4,437)
Vermont	0.02	0.01	-0.01	2.00	-0.5%	205,403	(1,027)
West Virginia	0.01	0.01	0.00	2.07	0.0%	545,752	-

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 7
CATASTROPHIC INDUSTRIAL ACCIDENT LOSS COSTS FOR STATES MODELED BY EQECAT**

State	Catastrophic Industrial Accident Loss Cost per \$100 of payroll (exc. LAE)	Payroll (00)
(1)	(2)	(3)
Florida	0.005	1,791,593,039
Illinois	0.007	1,551,847,685
Kansas	0.003	307,463,587
Kentucky	0.019	298,315,385
Louisiana	0.018	343,231,299
North Carolina	0.004	834,624,171
All States	0.007	5,127,075,166

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 8
EARTHQUAKE LOSS COSTS FOR STATES MODELED BY EQECAT

State (1)	Earthquake Loss Cost per \$100 of Payroll (exc. LAE) (2)
Alaska	0.024
Arkansas	0.007
Hawaii	0.014
Missouri	0.008
Nevada	0.003
Oregon	0.005
South Carolina	0.003
Tennessee	0.009
Utah	0.005

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 9
CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM)
LOSS COSTS INCLUDING LAE BY STATE

State (1)	Selected Industrial Accident Loss Cost (exc. LAE) (2)	Indicated Earthquake Loss Cost (exc. LAE) (3)	Loss-Based Expense Factor (4)	Catastrophe Loss Cost (inc. LAE) (5)=[(2)+(3)]x(4)
Alabama	0.005	0.000	1.194	0.01
Arizona	0.005	0.000	1.129	0.01
Arkansas	0.005	0.007	1.193	0.01
Colorado	0.005	0.000	1.182	0.01
Connecticut	0.005	0.000	1.169	0.01
DC	0.005	0.000	1.167	0.01
Georgia	0.005	0.000	1.000	0.01
Idaho	0.005	0.000	1.151	0.01
Illinois	0.005	0.000	1.000	0.01
Indiana	0.005	0.000	1.168	0.01
Iowa	0.005	0.000	1.165	0.01
Kansas	0.005	0.000	1.191	0.01
Kentucky	0.005	0.000	1.000	0.01
Louisiana	0.005	0.000	1.076	0.01
Maine	0.005	0.000	1.143	0.01
Maryland	0.005	0.000	1.000	0.01
Mississippi	0.005	0.000	1.208	0.01
Montana	0.005	0.000	1.134	0.01
Nebraska	0.005	0.000	1.159	0.01
Nevada	0.005	0.003	1.157	0.01
New Hampshire	0.005	0.000	1.196	0.01
North Carolina	0.005	0.000	1.145	0.01
Oklahoma	0.005	0.000	1.203	0.01
Oregon	0.005	0.005	1.000	0.01
Rhode Island	0.005	0.000	1.179	0.01
South Carolina	0.005	0.003	1.178	0.01
South Dakota	0.005	0.000	1.000	0.01
Utah	0.005	0.005	1.150	0.01
Vermont	0.005	0.000	1.149	0.01
West Virginia	0.005	0.000	1.173	0.01

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 10
CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) VOLUNTARY AND ASSIGNED RISK RATES BY STATE

State (1)	Selected Catastrophe Voluntary Loss Cost (exc. LAE) (2)	Voluntary PLR (3)	Selected Catastrophe Voluntary Rate (4)=(2)/(3)	Assigned Risk PLR (5)	Selected Assigned Risk Rate (6)=(2)/(5)
Alabama	0.005	N/A	N/A	0.6590	0.01
Arizona	0.005	0.716	0.01	0.7160	0.01
Arkansas	0.012	N/A	N/A	0.5748	0.02
Colorado	0.005	N/A	N/A	N/A	N/A
Connecticut	0.005	N/A	N/A	0.6490	0.01
DC	0.005	N/A	N/A	0.5546	0.01
Georgia	0.005	N/A	N/A	0.5860	0.01
Idaho	0.005	0.626	0.01	0.6260	0.01
Illinois	0.005	0.638	0.01	0.6630	0.01
Indiana	0.005	0.624	0.01	0.6240	0.01
Iowa	0.005	0.643	0.01	0.6430	0.01
Kansas	0.005	N/A	N/A	0.5978	0.01
Kentucky	0.005	N/A	N/A	N/A	N/A
Louisiana	0.005	N/A	N/A	N/A	N/A
Maine	0.005	N/A	N/A	N/A	N/A
Maryland	0.005	N/A	N/A	N/A	N/A
Mississippi	0.005	N/A	N/A	0.6940	0.01
Montana	0.005	N/A	N/A	N/A	N/A
Nebraska	0.005	N/A	N/A	N/A	N/A
Nevada	0.008	N/A	N/A	0.6880	0.01
New Hampshire	0.005	N/A	N/A	0.6262	0.01
North Carolina	0.005	N/A	N/A	0.5865	0.01
Oklahoma	0.005	N/A	N/A	N/A	N/A
Oregon	0.010	N/A	N/A	0.6734	0.01
Rhode Island	0.005	N/A	N/A	N/A	N/A
South Carolina	0.008	N/A	N/A	0.5500	0.01
South Dakota	0.005	N/A	N/A	0.6222	0.01
Utah	0.010	N/A	N/A	N/A	N/A
Vermont	0.005	N/A	N/A	0.6875	0.01
West Virginia	0.005	N/A	N/A	N/A	N/A

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODESEXHIBIT 11
ESTIMATED IMPACT OF CHANGES IN CATASTROPHE PROVISIONS BY STATE

State	Current DTEC Loss Cost (inc.) LAE	Proposed Catastrophe Loss Cost (inc.) LAE	Proposed Change in Catastrophe Loss Cost (inc.) LAE	Avg. Non- Terrorism Loss Cost (inc.) LAE	Percentage Impact of Terrorism Loss Cost	CY 2006 WC Written Premium (\$ 000)	Estimated Premium Impact (\$ 000)
(1)	(2)	(3)	(4)	(5)	(6)=(4)/(5)	(7)	(8)=(6)x(7)
Alabama	0.01	0.01	0.00	2.17	0.0%	382,194	-
Arizona	0.01	0.01	0.00	1.30	0.0%	773,063	-
Arkansas	0.01	0.01	0.00	1.23	0.0%	303,880	-
Colorado	0.01	0.01	0.00	1.50	0.0%	966,522	-
Connecticut	0.01	0.01	0.00	1.45	0.0%	731,741	-
DC	0.01	0.01	0.00	0.46	0.0%	171,752	-
Georgia	0.01	0.01	0.00	1.41	0.0%	1,344,961	-
Idaho	0.01	0.01	0.00	1.92	0.0%	366,926	-
Illinois	0.01	0.01	0.00	1.71	0.0%	2,596,732	-
Indiana	0.01	0.01	0.00	1.07	0.0%	817,877	-
Iowa	0.01	0.01	0.00	1.74	0.0%	531,152	-
Kansas	0.01	0.01	0.00	1.44	0.0%	415,270	-
Kentucky	0.01	0.01	0.00	1.74	0.0%	681,732	-
Louisiana	0.01	0.01	0.00	1.87	0.0%	860,759	-
Maine	0.01	0.01	0.00	2.21	0.0%	242,088	-
Maryland	0.01	0.01	0.00	0.97	0.0%	995,082	-
Mississippi	0.01	0.01	0.00	2.10	0.0%	338,125	-
Montana	0.01	0.01	0.00	4.71	0.0%	342,635	-
Nebraska	0.01	0.01	0.00	1.74	0.0%	351,101	-
Nevada	0.01	0.01	0.00	2.27	0.0%	497,714	-
New Hampshire	0.01	0.01	0.00	1.73	0.0%	304,720	-
North Carolina	0.01	0.01	0.00	1.95	0.0%	1,385,661	-
Oklahoma	0.01	0.01	0.00	2.27	0.0%	712,283	-
Oregon	0.01	0.01	0.00	1.65	0.0%	766,705	-
Rhode Island	0.01	0.01	0.00	1.38	0.0%	201,150	-
South Carolina	0.01	0.01	0.00	2.29	0.0%	748,964	-
South Dakota	0.01	0.01	0.00	1.47	0.0%	130,980	-
Utah	0.01	0.01	0.00	1.27	0.0%	488,114	-
Vermont	0.01	0.01	0.00	2.30	0.0%	205,403	-
West Virginia	0.01	0.01	0.00	2.43	0.0%	545,752	-

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES

EXHIBIT 12-A
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
ADVISORY LOSS COST PAGES

(APPLIES IN: AL, AR, AZ, CO, CT, DC, GA, IA, ID, IL, IN, KS, KY, LA, MD, ME, MS, MT, NC, NE,
NH, NV, OK, OR, RI, SC, SD, UT, VT, WV)

~~Foreign-Terrorism~~ (Advisory Loss Cost)..... X.XX

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES

EXHIBIT 12- B
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
ASSIGNED RISK RATE PAGES
(APPLIES IN: AL, AR, AZ, CT, DC, GA, IA, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, VT)

~~Foreign-Terrorism~~ (Assigned Risk)..... X.XX

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES

EXHIBIT 13-A
BASIC MANUAL

MISCELLANEOUS VALUES PAGES

ADVISORY LOSS COST PAGES

(APPLIES IN: AL, AR, AZ, CO, CT, DC, GA, IA, ID, IL, IN, KS, KY, LA, MD, ME, MS, MT, NC, NE,
NH, NV, OK, OR, RI, SC, SD, UT, VT, WV)

~~Domestic Terrorism, Earthquakes and catastrophic Industrial Accidents~~ Catastrophe (other than
~~Certified Acts of Terrorism~~) (Advisory Loss Cost)... X.XX

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES

EXHIBIT 13-B
BASIC MANUAL
MISCELLANEOUS VALUES PAGES
ASSIGNED RISK RATE PAGES
(APPLIES IN: AL, AR, AZ, CT, DC, GA, IA, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, VT)

~~Domestic Terrorism, Earthquakes and catastrophic Industrial Accidents~~ Catastrophe (other than
~~Certified Acts of Terrorism~~ (Assigned Risk)... X.XX

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES

EXHIBIT 14
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION

24. Catastrophe Provisions

- a. **Terrorism Risk Insurance Act (TRIA) of 2002** [___] and any amendments thereto enacted by Congress.

- b. ~~Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC) Catastrophe~~ **(other than Certified Acts of Terrorism)**

Premium for ~~Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents~~ Catastrophe (other than Certified Acts of Terrorism) is calculated on the basis of total payroll according to Rule 2. A risk's total payroll in each state is divided by units of \$100 and multiplied by the appropriate value found in the state pages. The calculation is expressed as $(\text{Payroll}/100 \times \text{DTEC Catastrophe (other than Certified Acts of Terrorism) Value} = \text{Premium})$. This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, or retrospective rating.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.

Per capita charges are not subject to premium under this Act.

- c. ~~Foreign Terrorism~~ **Foreign Terrorism**

Premium for ~~Foreign~~ Foreign Terrorism is calculated on the basis of total payroll according to Rule 2. A risk's total payroll in each state is divided by units of \$100 and multiplied by the appropriate value found in the state pages. The calculation is expressed as $(\text{Payroll}/100 \times \text{Foreign Terrorism Value} = \text{Premium})$. This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, or retrospective rating.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.

Per capita charges are not subject to premium under this Act.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 15
BASIC MANUAL—2001 EDITION
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES
C. LOSS SENSITIVE RATING PLAN
(Applies in: AL, CT, DC, GA, ID, IL, IN, MS, NC, NH, NV, SC, SD, VT)

5. WCIP Policy Premium Elements /Programs

- a. Any applicable WCIP premium pricing program approved by the state, and included in the calculation of standard premium, is included when determining an employer’s eligibility for the LSRP. See the *Basic Manual User’s Guide* for a listing of states’ WCIP pricing programs.
- b. Below is a list of premium elements/programs in the order they appear on the states’ WCIP premium algorithm and how they relate to the LSRP policy. *Refer to the individual state Assigned Risk Workers Compensation Premium Algorithms for information on the application of additional premium elements.*

Premium Elements / Programs	Application
Increased Limits	If the policy includes increased limits for employers liability, such premium and incurred losses are subject to the LSRP.
Aircraft Classification	If the policy includes any of the aircraft classifications, the premium and losses for such classifications, including passenger seat surcharge, under Code 7421—Aircraft Operations—Flying Crew, must be excluded in the determination of the LSRP.
Deductible Program	If available, deductible credits may be applied to the LSRP policy. However, the applicable credit, if applied, is excluded when determining LSRP eligibility.
Premium Discount	In those states with a premium discount program, the premium discount will not be applied to the LSRP policy.
Exclusion of Statutory Medical Benefits (Ex-Medical Coverage)	Policies written on an ex-medical basis are subject to the LSRP where the LSRP has been approved.
Wrap-Up Construction Projects	Wrap-up construction projects are subject to the LSRP.
Foreign Terrorism	The application of foreign Terrorism premium is mandatory for all WCIP policies. It is excluded when determining an employer’s eligibility for the LSRP. Additionally, any related losses are not included in any of the LSRP valuations.
Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC) Catastrophe (other than Certified Acts of Terrorism)	The application of DTEC Catastrophe (other than Certified Acts of Terrorism) premium is mandatory for all WCIP policies. The DTEC Catastrophe (other than Certified Acts of Terrorism) premium is excluded when determining an employer’s eligibility for the LSRP. Additionally, any related losses are not included in any of the LSRP valuations.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 16-A
URE WORKERS COMPENSATION STATISTICAL PLAN
PART 7—CODING SPECIFICATIONS

9. STATISTICAL CODES—PREMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION FACTOR

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Catastrophe Provisions for Foreign Terrorism—Not Subject to Experience Rating	9740	+	All States Except AK, FL, HI, MO, NM	01/06	08/31/08
			FL, HI, MO, NM	01/06	12/31/07
			AK	01/06	01/06/08
Catastrophe Provisions for Terrorism—Not Part of Standard Premium	9740	+	All States	09/01/08	

(1) Premium programs apply to all states listed unless otherwise noted.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 16-B
URE WORKERS COMPENSATION STATISTICAL PLAN
PART 7—CODING SPECIFICATIONS**

9. STATISTICAL CODES—PREMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION FACTOR

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Catastrophe Provisions for Domestic Terrorism, Earthquakes, and Industrial Accidents	9741	+	All States Except AK, FL, HI, MO, NM	01/01/05	08/31/08
			AR, TN	07/01/05	08/31/08
Catastrophe Provisions for Catastrophe (other than Certified Acts of Terrorism)	9741	+	All States Except AK, FL, MO, NM	09/01/08	

(1) Premium programs apply to all states listed unless otherwise noted.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 17
URE WORKERS COMPENSATION STATISTICAL PLAN
PART 3—EXPOSURE INFORMATION**

14. STATISTICAL CODES—PREMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION FACTOR

Report the premium credit or debit amount not subject to experience modifications. These premiums should be reported separately from class code exposures and premiums under the designated class code or statistical code. These premiums are generated from the following premium programs or coverages:

- Catastrophe Provisions for ~~Domestic Terrorism, Earthquakes, and Industrial Accidents~~ Catastrophe (other than Certified Acts of Terrorism)
- Catastrophe Provisions for Foreign Terrorism

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 18-A
STATISTICAL PLAN--2008 EDITION
PART 6--CODING VALUES
H. STATISTICAL CODES**

(Applies in: AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, KY, LA, MD, ME, MS, MT, NE, NH, NV, OK, RI, SD, UT, VT, WV)

3. PREMIUM AMOUNT NOT PART OF STANDARD PREMIUM*, **

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Catastrophe Provisions for Foreign Terrorism—Not Subject to Experience Rating	9740	+	All States Except WV	01/06	08/31/08
			AK	01/06	01/06/08
			FL	01/06	12/31/07
			HI	01/06	12/31/07
			MO	01/06	12/31/07
			NM	01/06	12/31/07
			WV	07/06	08/31/08
Catastrophe Provisions for Terrorism—Not Part of Standard Premium	9740	+	All States	09/01/08	

* Will apply in CO, NC, and SC upon approval of Item U-1397

** This exhibit does not apply in OR

(1) Premium programs apply to all states listed unless otherwise noted.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 18-B
STATISTICAL PLAN-- 2008 EDITION
PART 6—CODING VALUES
H. STATISTICAL CODES

(Applies in: AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, KY, LA, MD, ME, MS, MT, NE, NH, NV, OK, RI, SD, UT, VT, WV)

3. PREMIUM AMOUNT NOT PART OF STANDARD PREMIUM*, **

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Catastrophe Provisions for Domestic Terrorism, Earthquakes, and Industrial Accidents	9741	+	All States Except AK, AR, FL, HI, MO, NM, TN, WV	01/05	08/31/08
			AR	07/05	08/31/08
			TN	07/05	08/31/08
			WV	07/06	08/31/08
Catastrophe Provisions for Catastrophe (other than Certified Acts of Terrorism)	9741	+	All States Except AK, FL, MO, NM	09/01/08	
* Will apply in CO, NC, and SC upon approval of Item U-1397					
** This exhibit does not apply in OR					

(1) Premium programs apply to all states listed unless otherwise noted.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 19-A
BASIC MANUAL—2001 EDITION
ARKANSAS MISCELLANEOUS RULES**

ARKANSAS WORKERS COMPENSATION PREMIUM ALGORITHM

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.*

PREMIUM ELEMENTS	EXPLANATORY NOTES
MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
+ Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
+ USL&H Exposure for non-F classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
TOTAL MANUAL PREMIUM	
+ Waiver of Subrogation factor**	[% applied to the portion of Total Manual Premium where waiver is applicable]
+ Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+ Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+ Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applied]
+ Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
SUBJECT PREMIUM	
+ Alcohol and Drug Free Workplace factor (1 – ADFW credit %)	
+ Managed Care factor (1 – M/C credit %)	
TOTAL SUBJECT PREMIUM	
+ Experience Modification (Exp Mod)	
TOTAL MODIFIED PREMIUM	
x Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	
x Small Deductible factor (1 – Deductible credit %)	
+ Supplemental Disease Exposure (Asbestos, ^{NOC}) [†]	
+ Atomic Energy Radiation Exposure ^{NOC †}	
+ Charge for nonratable catastrophe loading [†]	
+ Aircraft Seat Surcharge	
+ Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+ Balance to Minimum Premium (Admiralty, FELA)	
TOTAL STANDARD PREMIUM[‡]	

* The above rating method would be used in absence of independent carrier filings.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 19-A (CONT'D)
BASIC MANUAL—2001 EDITION
ARKANSAS MISCELLANEOUS RULES

PREMIUM ELEMENTS	EXPLANATORY NOTES
- Premium Discount [§]	[% applied to Standard Premium]
+ Coal Mine Disease Charge	[Underground, surface, surface auger]
+ Expense Constant	
+ Foreign Terrorism	[(PAYROLL / 100) * FOREIGN TERRORISM VALUE]
+ Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accident (DTEC)- Catastrophe (other than Certified Acts of Terrorism)	[(PAYROLL / 100) * DTEC CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) VALUE]
ESTIMATED ANNUAL PREMIUM	

** Premium charges established for Waiver of Subrogation are not filed by NCCI for the voluntary market.

NOC= Not Otherwise Classified.

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to *Reporting Guidebook for the Annual Calls for Experience*.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.

Note: For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

**EXHIBIT 19-B
BASIC MANUAL—2001 EDITION
ARKANSAS MISCELLANEOUS RULES—APPLICABLE TO ASSIGNED RISK POLICIES ONLY**

ARKANSAS ASSIGNED RISK WORKERS COMPENSATION PREMIUM ALGORITHM

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

	PREMIUM ELEMENTS	EXPLANATORY NOTES
	MANUAL PREMIUM	[(PAYROLL / 100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL / 100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[(SUBJECT PAYROLL / 100) * (RATE * USL&H FACTOR)]
	TOTAL MANUAL PREMIUM	
+	Waiver of Subrogation factor	[% applied to the portion of Total Manual Premium where waiver is applicable]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
	SUBJECT PREMIUM	
x	Alcohol and Drug Free Workplace factor (1 – ADFW credit %)	
x	Alternate Preferred Plan factor (1 – APP Credit %)	
x	Managed Care factor (1 – M/C Credit %)	
	TOTAL SUBJECT PREMIUM	
x	Experience Modification (Exp Mod)	
	TOTAL MODIFIED PREMIUM	
x	Merit Rating factor (1 – MR Credit %) or (1 + MR Debit %)	[Nonrated risks]
x	Small Deductible factor (1 – Deductible credit %)	
x	Tabular Adjustment Program (1 – TAP credit %) or (1 + TAP debit %)	[Rated risks]
+	Supplemental Disease Exposure (Asbestos, NOC) [†]	
+	Atomic Energy Radiation Exposure ^{NOC †}	
+	Charge for nonratable catastrophe loading [†]	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

EXHIBIT 19-B (CONT'D)
BASIC MANUAL—2001 EDITION
ARKANSAS MISCELLANEOUS RULES—APPLICABLE TO ASSIGNED RISK POLICIES ONLY

	PREMIUM ELEMENTS	EXPLANATORY NOTES
+	Balance to Minimum Premium (Admiralty, FELA)	
	TOTAL STANDARD PREMIUM †	
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	Foreign Terrorism	[(PAYROLL / 100) * FOREIGN TERRORISM VALUE]
+	Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accident (DTEC)- Catastrophe (other than Certified Acts of Terrorism)	[(PAYROLL / 100) * DTEC CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) VALUE]
	ESTIMATED ANNUAL PREMIUM	

NOC= Not Otherwise Classified.

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to *Reporting Guidebook for the Annual Calls for Experience*.

Note: For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.

SERFF Tracking Number: NCCI-125662672 State: Arkansas
 Filing Company: NCCI State Tracking Number: EFT \$100
 Company Tracking Number: B-1407
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
 Product Name: B-1407 - CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES
 Project Name/Number: /

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty
Review Status: Approved 05/29/2008

Comments:

Attachment:

AR NAIC P&C Transmittal.pdf

Bypassed -Name: NAIC Loss Cost Filing Document for Workers' Compensation
Review Status: Approved 05/29/2008

Bypass Reason: Not applicable

Comments:

Bypassed -Name: NAIC loss cost data entry document
Review Status: Approved 05/29/2008

Bypass Reason: Not applicable.

Comments:

Satisfied -Name: FILING MEMORANDUM
Review Status: Approved 05/29/2008

Comments:

Please note that Exhibit 15 has been included in this filing, but is not applicable in Arkansas.

Attachment:

Filing Memorandum - B-1407.pdf

Satisfied -Name: Table of Contents
Review Status: Approved 05/29/2008

Comments:

Attachment:

B-1407 Table of Contents.pdf

Review Status:

SERFF Tracking Number: NCCI-125662672 State: Arkansas
Filing Company: NCCI State Tracking Number: EFT \$100
Company Tracking Number: B-1407
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: B-1407 - CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES
Project Name/Number: /

Satisfied -Name: Appendix Approved 05/29/2008

Comments:

Attachment:

B-1407 Appendix.pdf

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: New Business Renewal Business f. State Filing #: g. SERFF Filing #: h. Subject Codes
---	---

3. Group Name	Group NAIC #

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #

5. Company Tracking Number	
-----------------------------------	--

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail

7. Signature of authorized filer	
8. Please print name of authorized filer	

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	
10. Sub-Type of Insurance (Sub-TOI)	
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: _____ Renewal: _____
15. Reference Filing?	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking #

21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

22. Filing Fees (Filer must provide check # and fee amount if applicable)
[If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #:
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

PC TD-1 pg 2 of 2

FORM FILING SCHEDULE

(This form must be provided **ONLY** when making a filing that includes forms)
 (Do **not** refer to the body of the filing for the forms listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	
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2.	This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)	
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3.	Form Name /Description/Synopsis	Form # Include edition date	Replacement Or withdrawn?	If replacement, give form # it replaces	Previous state filing number, if required by state
01			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
02			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
03			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
04			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
05			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
06			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
07			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
08			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
09			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
10			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		

PC FFS-1

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	
-----------	--	--

2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
-----------	--	--

4a.	Rate Change by Company (As Proposed)
------------	---

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

4b.	Rate Change by Company (As Accepted) For State Use Only
------------	--

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5.	Overall Rate Information (Complete for Multiple Company Filings only)
-----------	--

		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
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7.	Effective Date of last rate revision	
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	
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9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

FILING MEMORANDUM

**ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND
STATISTICAL CODES**

(To be effective 12:01 a.m. on September 1, 2008, applicable to new and renewal policies.)

PURPOSE

As a result of the recent passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") by the United States Congress (Congress), this item eliminates the distinction between foreign and domestic terrorism by:

- Producing separate miscellaneous values by state to address losses resulting from "Terrorism" and "Catastrophe (other than Certified Acts of Terrorism)"
- Replacing the references of "Foreign Terrorism" and "Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC)" in NCCI manuals with the terms "Terrorism" and "Catastrophe (other than Certified Acts of Terrorism)"
- Providing new descriptions for Statistical Codes 9740 and 9741

BACKGROUND

In response to the Terrorism Risk Insurance Act of 2002 ("TRIA" or the "Act") and the Terrorism Risk Insurance Extension Act of 2005 ("TRIEA"), NCCI filed Items B-1383, B-1393, B-1398, P-1392, and P-1404, which implemented the Terrorism Risk Insurance Act of 2002 and then provided miscellaneous values for foreign terrorism. As a result of the passage of TRIA, NCCI filed catastrophe provisions for certified foreign terrorism losses in all NCCI states at the end of 2002. These catastrophe provisions were filed so that NCCI could exclude foreign terrorism losses from ratemaking.

In addition to terrorism, earthquakes and catastrophic industrial accidents can result in losses of extraordinary magnitude for workers compensation. While the exposure is real, the absence of a large event in recent history means that the current loss costs and rates do not account for it. For this reason, NCCI filed catastrophe provisions for domestic terrorism, earthquakes, and catastrophic industrial accidents ("DTEC") in 2004. As with foreign terrorism, NCCI would be excluding all DTEC losses resulting from these major catastrophes from ratemaking. The threshold for each of these exposures is \$50 million. This means that the modeling results assumed that all events exceeding \$50 million of loss for workers compensation would be removed from ratemaking.

On December 26, 2007, Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"), which amends the definition of "act of terrorism" to include domestic terrorism. Due to the short time frame for compliance, NCCI filed items B-1405 and P-1405 in response to TRIPRA to update the rule reference and disclosure requirements in the TRIA Disclosure Endorsement and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement.

It is now proposed, by way of this filing, that the terrorism miscellaneous value include both domestic and foreign terrorism. This will enable carriers to use one TRIA premium as opposed to separate premiums for foreign and domestic terrorism.

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FILING MEMORANDUM

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

Therefore, this item removes domestic terrorism from the DTEC miscellaneous value and includes it in the terrorism miscellaneous value (formerly the foreign terrorism miscellaneous value). Additionally, rule references to these catastrophe provisions will be changed and statistical codes will be relabeled accordingly.

For purposes of this item, the following definitions apply:

- **Catastrophe (other than Certified Acts of Terrorism):** Any single event, resulting from an Earthquake, Non-certified Act of Terrorism, or Catastrophic Industrial Accident, which results in aggregate workers compensation losses in excess of \$50 million.
- **Earthquake:** The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity.
- **Non-certified Act of Terrorism:** An event that is not certified as an Act of Terrorism by the Secretary of Treasury pursuant to the Terrorism Risk Insurance Act of 2002 (as amended), but that meets all of the following criteria:
 - a. is an act that is violent or dangerous to human life, property or infrastructure;
 - b. the act results in damage within the United States, or outside of the United States in the case of the premises of United States missions or air carriers or vessels as those terms are defined in the Terrorism Risk Insurance Act of 2002 (as amended); and
 - c. an act that has been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- **Catastrophic Industrial Accident:** A chemical release, large explosion, or small blast that is localized in nature and affects workers in a small perimeter the size of a building.

Catastrophe Modeling

Since there is a lack of historical data to support catastrophic loss estimates, NCCI has relied on catastrophe modeling for evaluating and estimating the risk associated with these exposures. In order to complete the modeling, NCCI contracted with EQECAT. Serving the global property and casualty industry, EQECAT is known as a technical leader and innovator in the development of analysis tools and methodologies to quantify insured exposure to natural and man-made catastrophic risk.

For this filing, EQECAT developed three models for NCCI. These three models address the potential exposure to workers compensation for terrorism, earthquake, and catastrophic industrial accidents. The models are described in detail in the Appendix.

Terrorism

Exhibit 3 shows the selected terrorism loss costs excluding loss adjustment expenses (LAE) for states modeled by EQECAT. The modeling exercise produces a range of loss costs per employee for the modeled states shown in Columns (2) and (3). The loss costs exclude loss adjustment expense. The indicated loss costs per employee for modeled states are based on the modeling approach described in the Appendix assuming a frequency of one terrorist event per year as the default. The results are scalable based on a

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FILING MEMORANDUM

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

different frequency assumption. A range of .25 to 3 terrorism events per year countrywide was used based on input from EQECAT.

Two adjustments are necessary to convert this information to a loss cost per \$100 of payroll. First, an adjustment is made to recognize the impact of TRIPRA. This adjustment recognizes that individual company exposure to a certified event is limited. Depending on the state, NCCI's analysis has led to an indicated adjustment factor of 45% to 95% for this component. This adjustment factor is shown in Column (4). The analysis is based on the provisions of the Act which allow for a recovery of 85% of the insurer's losses above an individual company retention of 20% of the prior year's direct earned premium for that company. The program trigger is \$100 million and there is an annual program cap of \$100 billion in combined federal and industry-shared insured losses. For modeled states, NCCI looked at individual state loss distributions for terrorism and assessed the impact of the Act on a variety of attachment point and aggregate loss combinations. States whose aggregate expected losses are higher will expect a larger reduction in gross loss due to the Act. The second adjustment uses the state average weekly wage (Column (5)) to adjust the loss costs from a per-employee basis to a per-\$100 of payroll basis. The range of indicated loss costs are shown in Columns (6) and (7). Column (8) shows the selected loss costs for the modeled states.

Exhibit 4 shows the selected terrorism loss costs including LAE by state. NCCI uses a proxy state approach to apply the terrorism provisions to the remaining nonmodeled NCCI states.

The table of proxy states is shown below:

Modeled States	Proxy States
Arizona	Colorado, Idaho, Louisiana, Montana, Nevada, Oregon, Rhode Island, Utah
Illinois	Maryland, Virginia
Iowa	Alabama, Alaska, Arkansas, Connecticut, Hawaii, Kansas, Kentucky, Maine, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, Oklahoma, South Carolina, South Dakota, Tennessee, Vermont, West Virginia
District of Columbia, Florida, Georgia, Indiana	None

Loss-based expenses by state are shown in Column (4). The final terrorism loss costs including LAE by state are shown in Column (5).

Exhibit 5 shows the final voluntary rates and assigned risk rates by state. Where applicable, the terrorism loss costs excluding loss adjustment expense by state have been divided by the permissible loss ratio (PLR) in order to reflect expenses, including loss adjustment expense.

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FILING MEMORANDUM

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

Exhibit 6 shows the estimated impact of the proposed changes in terrorism provisions by state on both a percentage and a dollar amount basis.

Catastrophe (other than Certified Acts of Terrorism)

Catastrophic Industrial Accidents

EQECAT developed a model to quantify the potential exposure to catastrophic industrial accidents. These are accidents that would produce workers compensation losses in excess of \$50 million. A detailed description of the model is contained in the appendix. The modeling was performed for Florida, Illinois, Kansas, Kentucky, Louisiana, and North Carolina.

Based on the modeling results, an industrial accident loss cost of .005 was selected in each state, excluding loss adjustment expense. This information is shown in Exhibit 7.

Earthquake

EQECAT produced an earthquake model for each state with significant earthquake exposure. In addition, because of its unique nature, a tsunami model was also included for Alaska. The modeling was performed for Alaska, Arkansas, Hawaii, Missouri, Nevada, Oregon, South Carolina, Tennessee, and Utah. The indicated earthquake loss costs excluding loss adjustment expense are shown in Exhibit 8.

Catastrophe (other than Certified Acts of Terrorism) Loss Costs by State Including Loss Adjustment Expense

Exhibit 9 shows the total catastrophe (other than certified acts of terrorism) loss cost by state including loss adjustment expense in Column (5). The loss-based expense factor shown in Column (4) is multiplied by sum of Columns (1) and (2) to include loss adjustment expense and other loss-based expenses by state.

Exhibit 10 shows the final voluntary rates and assigned risk rates by state. Where applicable, the catastrophe (other than certified acts of terrorism) loss costs excluding loss adjustment expense by state have been divided by the permissible loss ratio (PLR) in order to reflect expenses, including loss adjustment expense.

Exhibit 11 shows the estimated impact of the proposed catastrophe (other than certified acts of terrorism) provisions by state on both a percentage and a dollar amount basis.

Carrier Use of Loss Cost Information

- Exhibits 12-A, 12-B, 13-A, and 13-B propose changes to NCCI's **Basic Manual** miscellaneous values pages
- Exhibits 14 and 15 propose changes to NCCI's **Basic Manual** rules
- Exhibits 16-A, 16-B, 17, 18-A, and 18-B propose changes to the existing statistical reporting codes to be used for reporting these charges
- Exhibits 19-A and 19-B (where applicable) propose revised premium algorithms by state to illustrate how these items are to be used in the calculation of premium

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FILING MEMORANDUM

ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

- Exhibits 20-A, 20-B, and 20-C propose state rule exceptions where applicable

PROPOSAL

It is proposed that the catastrophe provisions shown in Exhibits 1-A, 1-B, 2-A, 2-B, and accompanying rules and statistical codes be applied in all states included in this item.

This item is being filed in conjunction with Item P-1406—Withdrawal of Endorsement WC 00 01 13 A and Revisions to Endorsements WC 00 04 21 B and WC 00 04 22, which proposes that effective September 1, 2008, the Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13 A) be withdrawn and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 B), and the Foreign Terrorism Premium Endorsement (WC 00 04 22) be revised to reflect certain changes required to address losses from “terrorism” and “catastrophe (other than certified acts of terrorism)” and to combine the disclosure notification with the premium endorsement for terrorism. This item and Item P-1406 should be adopted concurrently.

IMPACT

The estimated impacts in each state are shown in Exhibits 6 and 11.

IMPLEMENTATION

The attached exhibits as listed in the table of contents include the proposed changes necessary to implement this item. In all states, this item will be implemented effective 12:01 a.m. on September 1, 2008, applicable to new and renewal policies.

For states that have not yet approved Item U-1397—Statistical Plan for Workers Compensation and Employers Liability Insurance, Exhibits 16-A, 16-B, and 17 provide the changes for NCCI's **URE Statistical Plan Manual** because recently filed NCCI **Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)** (Item U-1397) is still pending approval. Upon approval of this item and Item U-1397, the modifications to Statistical Codes 9740 and 9741 will be implemented in NCCI's **Statistical Plan**.

For states that have approved Item U-1397—Statistical Plan for Workers Compensation and Employers Liability Insurance, Exhibits 18-A and 18-B provide the changes to NCCI's **Statistical Plan**, which implement the modifications to Statistical Codes 9740 and 9741.

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ITEM B-1407—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES AND STATISTICAL CODES

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19-A	Basic Manual—Workers Compensation Premium Algorithms (Voluntary Market)	State-1
19-B	Basic Manual—Workers Compensation Premium Algorithms (Assigned Risk Market—where applicable)	State-3
20-A	Basic Manual—State Exceptions (where applicable)	State- 5
20-B	Basic Manual—State Exceptions (where applicable)	State-6

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APPENDIX**DESCRIPTION OF EQECAT CATASTROPHE MODELS****INTRODUCTION**

In the past, separate EQECAT models were developed to provide estimates of the risks to workers compensation insurers due to the following perils:

- Terrorism events
- Industrial accidents
- Earthquake ground shaking

These models are described below. For purposes of this filing, only the Terrorism model has been updated.

TERRORISM**1. Exposure**

The location, number, and types of employees are needed to characterize the risk exposures to terrorism events. Business information and Bureau of Labor Statistics databases were used to obtain the addresses of businesses and the estimated number of employees assigned to each location. With more than 100 million workers nationwide at over 10 million businesses, it was necessary to aggregate the exposure. For this model, the exposure was aggregated to the census block level (typically a city block). This aggregation level was suitable for the terrorist events that span hundreds of meters.

The number of workers in each block was prorated to approximately account for part-time workers, workers absent for various reasons, and the self-employed. The workers in each census block were grouped into five NCCI industry groupings: Goods & Services, Office & Clerical, Manufacturing, Construction, and All Others. Certain government classifications not covered by workers compensation were excluded.

2. Weapons Selection

Specific weapons were selected from the range of known or hypothesized terrorist weapons. The selection process considered weapons that have been previously employed, weapons that could cause large numbers of casualties, or weapons that would be more readily available. In some cases a “likely” or “practical” weapons size (or quantity of agent) was selected; in other cases, a range of weapons sizes was selected, in part, to reflect standard quantities that might be available. The selected weapons and their sizes are described below.

Blast/Explosion

- Conventional explosives—400 lb / 4,000 lb / 12,000 lb TNT
- Nuclear bomb—1 kiloton and 10 kiloton
- Aircraft impact—large passenger airline

Chemical

- Chlorine—15-ton truck, 90-ton railcar
- Anhydrous ammonia—15-ton truck, 90-ton railcar
- Hydrogen cyanide—50 gallons
- Sarin—1 gallon
- Mustard gas—50 gallons

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Biological

- Anthrax—1 oz inside building, 1 oz outside building, 10 oz mobile dispersion
- Botulism Toxin—1 oz inside building

Radiological

- Nuclear power plant radioactive release due to sabotage—10% of core radioactivity
- Dirty bomb—10,000 curies

The effects of each type of weapon will vary with the size of the weapon, with atmospheric conditions, and in some cases with local terrain. If detailed knowledge is available, a correspondingly detailed simulation of the effects is possible but would be time-consuming to perform. In a large-scale nationwide analysis with millions of simulated events, where local atmospheric and terrain are only generally known, a simpler more generalized simulation is necessary. The simplifications necessary to efficiently model footprints of weapons effects are described below.

For conventional blast loading, blast simulation software is used to estimate casualties in various urban settings where the geometry and height of the buildings is varied. The results of these detailed simulations are used to develop simplified blast attenuation functions that vary with distance and with the general terrain. For conventional blast loading, the footprint is defined as a decreasing function of distance from the source of the blast.

The casualties for nuclear blast can be estimated on the basis of empirical data resulting from wartime and nuclear test experience. Casualties are assumed to be a function of distance from ground zero with the source located either at ground level or at a relatively low altitude. A simplified, conservative casualty footprint was created to encompass the range of conditions that could exist. Long-term radiation effects are not considered.

The casualty effects for aircraft impact are very much dependent upon the details of the event, so much so that only a simple, conservative footprint can be employed. A simplifying assumption is made that the extent of the footprint is a function of the height of the building.

For chemical, biological, and radiological agent releases, a plume is formed that is influenced by atmospheric conditions and by the terrain. The footprint of the cumulative dose that is deposited by a plume over time was calculated using the simulation software, MIDAS-AT (Meteorological Information and Dispersion Assessment System—Anti-Terrorism™). Terrain conditions were assumed to be “rough” to conservatively approximate a general urban terrain, and the wind direction was assumed to be unchanging. The plume footprint was calculated for low, medium, and high wind speeds and for three different atmospheric turbulence conditions. Any of the footprints could then be oriented in each of eight compass directions. Most of the footprints were truncated after an elapsed time of about two hours to account for successful evacuation.

3. Targets

A target is the location of a terrorist attack and, in the model, represents the locus of a casualty footprint. An inventory of targets is created by selecting locations with the following characteristics:

- Tall buildings—10 stories and higher
- Government buildings—with large number of employees or of a critical or sensitive nature (e.g., FBI office)
- Airports—major
- Ports—major
- Military bases—US armed forces

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- Prominent locations—capitol buildings, major amusement parks, etc.
- Nuclear power plants—operational
- Railroads, railroad yards and stations—freight lines for railroad cars carrying chemicals
- Chemical facilities—emphasizes those with chlorine and ammonia on site

Nuclear power plants and chemical facilities receive only specific casualty footprints. Other locations are assigned more than one type of terrorist weapon.

Some footprints have no specific target but are distributed at regular intervals throughout the urban area. This spreads out the effect to a larger population in the urban area.

Mobile release anthrax is not located at any target but located in the general downtown area in major metropolitan areas.

4. Frequency of Attack

The relative likelihood of a type of attack occurring at a target location is represented by an assigned (annual) frequency. The significance of an attack's frequency is in its relationship to other attacks. Attack frequency is based on the following considerations:

- Availability of weapon
- Attractiveness of target
- Relative attractiveness of the region to other regions based on various theories

For footprints that are atmospheric releases of chemical, biological, and radiological agents, wind direction affects the assigned frequency. The frequency for each wind direction is weighted by the likelihood of the wind blowing in that direction based on historical wind speed and direction measurements for the region.

Nationwide results assume that there is, on average, one terrorist event per year. If a higher or lower degree of threat is perceived, results can be scaled assuming that all areas scale proportionately with the change in frequency.

5. Analysis Methodology

The analysis methodology applies a casualty footprint to an assigned target and then calculates the extent of casualties to the covered workers within the footprint. For chemical, biological, and radiological footprints, the dose to each employee is calculated, and a conversion is made to the degree or category of injury. Degree of injury is then converted to loss based upon the average costs by injury category provided by NCCI. The average costs provided vary by state.

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INDUSTRIAL ACCIDENTS

Industrial accidents are characterized by the following elements:

- Facilities where industrial accidents occur
- Accident types
- Frequencies of accidents

Facilities

Facilities capable of large industrial accidents resulting in casualties above a threshold were identified from several public and commercial data sources. The facilities considered as potential sources for large industrial accidents are identified below:

- Refineries
- Chemical plants (oil, gas, petrochemical, etc.)
- Water utilities
- Power utilities
- Other manufacturing plants

Accident Types

Depending on the peril, the atmospheric conditions, the plant configuration and location, etc., the footprint of an accident could reach beyond the plant boundaries and affect workers in adjacent facilities and beyond. The perils considered in the study were broadly classified into three categories: chemical releases, large explosions, and all other accidents.

- **Chemical Releases:** Chemicals considered included chlorine, anhydrous ammonia, and other nonspecific chemicals. A range of potential atmospheric releases of chemicals was considered in the analysis. The range encompassed an upper quantity represented by the total amount of chemical stored on site and, in some cases, identified in the facility's Risk Management Program submittal as the worst-case scenario, and a lower release quantity representing the minimum release quantity that could produce consequences to meet the threshold definition of large industrial accidents. A continuous range of release quantities was considered within the range. All of the scenarios considered were modeled probabilistically and included the likelihood of the releases and their consequences as described above.
- **Large Explosions:** Explosion simulation software is used to estimate blast pressures and consequences of the explosion in terms of casualties. These footprints were varied probabilistically to simulate the variability in the effects of an explosion. The size of explosions varied by facility. The largest explosions were modeled to occur at oil refineries, where a significant potential for explosions exists.
- **All Other Accidents:** In addition to the above accident types, a smaller event was considered at all modeled facilities to simulate all other industrial accidents such as fires, explosions, confined space accidents, structure and component collapse, and all other random accidents that meet the threshold damage criteria of large industrial accidents.

Frequencies of Accidents

The frequencies of occurrence of large industrial accidents in each of the modeled states were derived based on historical fatality and injury data available from BLS, OSHA, and other sources. Frequencies of extreme events, which are very large and very rare, were based on ABS Consulting expert opinion. The consequences of such events were benchmarked to the Bhopal-type event.

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The relative likelihood of the three categories of perils simulated in the analysis was derived from historical data and varies by state.

SEISMIC HAZARD (EARTHQUAKE)**Regional Hazard**

The calculation of annualized losses requires a probabilistic representation of the location, frequency, and anticipated ground shaking of all earthquakes that can be expected to occur in the region. The characterization of the location and frequency of earthquakes comprise what is commonly known as a seismotectonic model. One component of the seismic hazard model is the source zonation. Source zonation entails identifying potential seismogenic sources that can affect the site. These sources can either be faults or diffuse zones of seismic activity, commonly referred to as area sources and background seismicity. Each source zone represents a fault or area in which earthquakes are expected to be uniformly distributed with respect to location and size. Background seismicity is distinguished from an area source by the way that earthquake locations are treated. Earthquakes associated with background seismicity are allowed to have recurrence frequencies that smoothly vary over a region. Both area sources and background seismicity can include large earthquakes and are intended to model areas containing hidden or unknown faults or known faults, which are too numerous to be modeled individually. Earthquake source zones are identified from information on the geology, tectonics, and historical seismicity of the region.

The seismic hazard model also integrates the recurrence frequency of earthquakes. For each of the earthquake source zones, an earthquake recurrence relationship is developed. For area sources and background seismicity, this relationship is developed using an appropriate earthquake catalog, which is a listing of historically recorded or documented earthquakes. The catalog is analyzed for completeness by determining the time period over which all earthquakes of a given magnitude are believed to have been reported. Magnitudes are converted to a consistent magnitude measure (e.g., moment magnitude, M_w) for use with the strong-shaking attenuation relationships (described in the next section) and for the determination of earthquake recurrence relationships.

Faults are modeled by either a characteristic earthquake model or a Gutenberg-Richter recurrence relationship, or both, depending on the available geologic information. The characteristic earthquake model assumes that earthquakes of about the same magnitude occur at quasi-periodic intervals on the fault. Using both a characteristic earthquake and a Gutenberg-Richter model is similar to the characteristic earthquake recurrence relationship proposed by Youngs and Coppersmith (1985), which predicts relatively more frequent large magnitude earthquakes than does the Gutenberg-Richter relationship by itself. The characteristic recurrence relationship is consistent with paleoseismic and historical earthquake data on individual faults (e.g., Coppersmith, 1991). For most faults, the recurrence relationships are constrained to be consistent with known geologic deformation along the fault, since there are usually very few historical earthquakes from which to develop a reliable earthquake recurrence relationship.

The maximum magnitude for each earthquake source zone is estimated from the published literature, from comparisons with similar tectonic regimes, from historical seismicity, and from the dimensions of mapped faults. The seismic hazard model simulates approximately 2,000,000 stochastic events across the US.

Site Hazard Severity

Attenuation relationships are used to predict the expected amplitude of ground shaking at a site of interest knowing an earthquake's magnitude and the distance from the fault to the site. Ground shaking is characterized by one or more ground-shaking parameters, the most notable of which are peak ground acceleration (PGA), response-spectral acceleration (S_a), and Modified Mercalli intensity (MMI). These predictions are made for a uniform soil condition. Attenuation relationships are chosen to correspond as closely as possible to the tectonic environment of the region, since regional differences in earthquake source characteristics, crustal propagation properties, and site-response characteristics are known to have a significant effect on the observed ground shaking. Soil amplification factors are used to modify the ground-shaking parameter calculated for a uniform soil condition for the specific soil conditions at the site of interest. These factors are different for each ground shaking parameter. They are defined in terms of one or more site

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categories (or classes), each representing a specific set of site-response characteristics. Soil categories are defined in terms of simple qualitative or quantitative site descriptions, such as surface geology and shear-wave velocity (the speed at which seismic waves travel through the soil deposit, a measure of the strength of the deposit).

The effect of local soil conditions within each individual zip code was taken into account. In general, soft soil sites will experience higher earthquake motions than firm soil or rock sites for comparable locations relative to the earthquake fault rupture zone, thereby increasing the likelihood of damage to buildings on soft soil for a given earthquake.

CASUALTY VULNERABILITY

Casualty vulnerability establishes the casualty levels to various peril event magnitudes. While the casualty vulnerability for terrorism events and industrial accidents are rather similar, the casualty vulnerability for earthquakes is established rather differently.

Industrial Accidents

As discussed earlier in Section 3.2, three accident types were considered in the Industrial Accidents study: chemical releases, large explosions, and all other accidents. The latter category includes a variety of accidents that are localized in nature and affect workers in a small perimeter, the size of a building. These smaller scale accidents were simulated as small blasts. The methodology used to model chemical releases and blasts is as in the terrorism model described above.

Earthquakes

Workers' casualties due to earthquakes are directly correlated to the damage extent incurred by the buildings in which they work. Therefore, casualties due to earthquakes are estimated in two sequential stages:

- Estimation of building damage
- Estimation of worker's casualties based on the building damage

Building Damage at the Workplaces

Individual building vulnerability functions, that is, the probability of building damage given a level of ground shaking at the site, depends of the structure type, the age of construction, and the building height. Vulnerability functions account for variability by assigning a probability distribution bounded by 0% and 100% with a prescribed mean value and standard deviation. The vulnerability functions were based on historical damage data and insurance claims data—including the analysis of over 50,000 claims from the Northridge and other earthquakes.

The probability distributions of ground shaking at the site and vulnerability functions are combined to estimate the probability of building damage for each earthquake event. The probability of damage at the site level is also combined probabilistically, accounting for correlation in ground shaking between zip codes and in damage level between the same and different structure types within and between zip codes.

Note that considerable randomness exists in earthquake damage patterns where randomness denotes the irreducible variability associated with the earthquake event. Randomness as characterized by the following parameters:

- Ground shaking
- Damage to the average structure of a given class at a given level of ground shaking
- Each structure's seismic vulnerability relative to the average structure of its class

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Modeling uncertainty, the lack of knowledge in characterizing each element of the model, is statistically combined with randomness and correlation to estimate overall variability in damage and loss to the entire portfolio.

Casualties Due to Building Damage

Workers' casualty data resulting from earthquakes is very scarce in the US. EQECAT is constantly using data from the most recent earthquakes worldwide to update its casualty functions, which correlate building damage to casualties. Because of differences in building design codes and construction practices, data from earthquakes outside the US is adapted to local US conditions. This adaptation takes into consideration building damage state and its resulting casualties. To illustrate this concept, let us assume that a Reinforced Concrete building in Country X sustains 50% damage and causes injuries to 15% of its occupants. We assume that a similar Reinforced Concrete building, for example in California, sustaining the same damage level will cause a similar level of casualties. However, because of differences in building design and construction practices between California and Country X, the 50% damage could be caused by an earthquake acceleration of 0.3g in Country X, and twice that acceleration in California. In this example, higher seismic design provisions and practices are assumed applicable in California. The casualty rate functions used were developed using the most recent earthquake casualty data from Japan, Turkey, and Taiwan. EQECAT's proprietary workers compensation casualty rate functions are defined for four injury types: death, severe/major, minor/light, and medical.

Losses Due to Casualties

Loss rates by injury type were provided by NCCI and used in calculating losses due to workers' casualties. The same loss rates were applied to all three perils. As described in Section 2, earthquake exposures were defined for different work shifts. The number of casualties by work shift for each work site and earthquake event is estimated prior to the application of the loss rates.

Losses Due to Tsunami

Although all coastal states on the West Coast are prone to tsunamis, only Alaska was analyzed for this peril. Alaska has a higher worker rate near the shore in inundable zones and its coastline is in close proximity to the subduction zone capable of triggering tsunamis. In addition, in remote locations of Alaska, workers compensation extends coverage after the employee leaves the immediate worksite. Other states such as Oregon and Hawaii can benefit from a warning advantage that would reduce the impact of tsunamis generated distances far away. A simplified model was formulated to estimate workers compensation loss due to tsunami inundation. This model is based on tsunami modeling developed for Japan, which makes use of historical data to derive a relationship between earthquake moment magnitude (Mw), distance from the earthquake rupture to the shore, and direct or indirect exposure to the wave to determine the run-up height of a tsunami wave. The quantity of historical data needed to develop such a relationship is not available for Alaska; however, the model adopts the Japanese method where the detailed physics of the wave are not being calculated.

Injury Rate

Casualties due to tsunami run-up are estimated by assuming a simple relationship between depth of inundation and the likelihood of being in one of four NCCI injury classes (outpatient treatment, minor/temporary disability, major/permanent disability, and death). There is scarce data available and the conditions under which the casualties occur is extremely variable. For this simplified approach, the injury relationships were subjected to the 1964 Mega-Thrust earthquake and the relationships calibrated to produce roughly the casualties suffered in the event.

Earthquake Modeling

The source of tsunami in Alaska is limited to the lengthy subduction zone that lies along the undersea trench that stretches from about Seward to the tip of the Aleutians. This subduction zone produces earthquake magnitudes estimated to be as large as Mw 9.2. Only the larger magnitude events have a potential for causing tsunami. For this analysis, magnitudes down to Mw 7.7 were considered. Based on the geometry of the subduction zone adopted from the USGS, ruptures of magnitudes between Mw 9.2 and Mw 7.7 were

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placed along the length of the trench. The frequency of each event, as a function of magnitude, was derived from an analysis of the earthquake catalog for the region. For each earthquake rupture, the surface distance between any location on the rupture plane and each near shore business location was calculated.

Analysis

The computations were performed for each earthquake rupture and for each site. Given the magnitude of the rupture and the distance from the ruptures to the site, the simplified equation estimates the run-up height. The difference between the elevation above sea level and the run-up height determines the depth of inundation. Inundation depth is then used to determine the percentage of employees who are in each injury category. From the number of employees at the location, the total casualty cost is estimated using NCCI-provided mean costs for each injury category. The cost is multiplied by the event frequency, and aggregated by NCCI occupancy class and by county. The losses from earthquake shaking and tsunami were combined through summation. This conservative treatment neglects the potential for overlap in casualties caused by shaking and by tsunami.