

RULES

TEXAS WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE

**RULE III - POLICY PREPARATION - INSURED,
POLICY PERIOD, STATE OF OPERATIONS AND
ESTIMATED POLICY COST**

Items 1, 2, 3.A., and 4 of the Information Page

E. CALCULATION OF TOTAL ESTIMATED POLICY COST - ITEM 4**

1. ESTIMATED PAYROLL X RATE = ESTIMATED ANNUAL PREMIUM FOR CLASSIFICATION
2. + ESTIMATED PAYROLL X RATE = ESTIMATED ANNUAL PREMIUM FOR CLASSIFICATION
3. + ESTIMATED PAYROLL X RATE = ESTIMATED ANNUAL PREMIUM FOR CLASSIFICATION
4. + AIRCRAFT PASSENGER SEAT SURCHARGE, IF APPLICABLE
5. + PREMIUM CHARGE FOR WAIVER OF SUBROGATION, IF APPLICABLE
6. + PREMIUM FOR INCREASED LIMITS FOR EMPLOYERS' LIABILITY, IF APPLICABLE
7. ± PREMIUM INCENTIVE FOR SMALL EMPLOYERS, IF APPLICABLE
8. = ESTIMATED PREMIUM SUBJECT TO EXPERIENCE MODIFIER (1+2+3+4+5+6±7)
9. x EXPERIENCE MODIFIER (OR NEGOTIATED MODIFIER), IF APPLICABLE
10. = ESTIMATED MODIFIED PREMIUM (8x9)
11. x MODELED RATING FACTOR, IF APPLICABLE
12. = ESTIMATED MODIFIED/MODELED RATING PREMIUM (10x11)
13. x SCHEDULE RATING PLAN FACTOR, IF APPLICABLE
14. = ESTIMATED MODIFIED/MODELED RATING/SCHEDULE RATING PREMIUM (12x13)
15. x NETWORK CREDIT FACTOR, IF APPLICABLE
16. = ESTIMATED MODIFIED/MODELED RATING/SCHEDULE RATING/NETWORK PREMIUM
17. - DEDUCTIBLE CREDIT, IF APPLICABLE (Based on estimated premium on line 16)
18. + MINIMUM PREMIUM FOR L. & H.W., ADMIRALTY OR, F.E.L.A. OPERATIONS, IF APPLICABLE
19. = ESTIMATED STANDARD PREMIUM (16-17+18)
20. - PREMIUM DISCOUNT, IF APPLICABLE (Based on estimated premium on line 19)
21. = ESTIMATED STANDARD PREMIUM AFTER PREMIUM DISCOUNT
22. x ACQUISITION EXPENSE DISCOUNT FACTOR, IF APPLICABLE
23. + EXPENSE CONSTANT
24. + TERRORISM PREMIUM (TOTAL PAYROLL/100 x TERRORISM RATE), IF APPLICABLE
25. = TOTAL ESTIMATED POLICY COST Excluding premium adjustments for retrospective rating plan and/or reimbursements for deductibles, if applicable [(21x22) + 23+24].

If the minimum premium is the total estimated policy cost, the acquisition expense discount shall be applied to the minimum premium.

**** All workers' compensation policies are subject to a final payroll audit that reflects the actual payroll and the actual premium developed on the policy in comparison to the estimated payrolls and the estimated premium and estimated policy cost calculated at the time the policy is issued.**

Current Phraseology

New Phraseology

**RULE VI - RATES AND PREMIUM DETERMINATION
Item 4 of the Information Page**

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J. TERRORISM PREMIUM

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The premium for the Terrorism Risk Insurance Act of 2002 is based on the policy's total payroll as defined in Rule V-B. To determine this premium, the total Texas payroll for the risk is divided by \$100 and then multiplied by the Terrorism rate filed with TDI by the insurance company. The calculation is expressed as (Payroll/100 x Terrorism Rate = Premium). This premium is then added to the Estimated Standard Premium, pursuant to Rule III-E. The terrorism premium is not subject to any modifications including, but not limited to, experience rating, schedule rating, retrospective rating, premium discount or premium incentive for small employers.

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Premium developed under this Act is not included in standard premium.

No Change

Policies issued on an "if any" basis will not be charged a terrorism rate unless the policy develops premium during the policy term or at audit.

No Change

Premium for this Act does not apply to Code 0913 – Domestic Workers – Residences Per Capita Basis.

No Change

M. MODELED RATING FACTOR

1. Explanation

The modeled rating factor is an optional factor that insurance carriers can file with TDI and then apply when calculating premium. The MRF takes into consideration individual risk characteristics and loss experience of an insured. Predictive modeling may be used to determine the MRF. The term MRF can include a tier rating factor and other similar terms.

Current Phraseology

New Phraseology

2. Application

- a. The MRF shall be applied to the policy in a multiplicative manner, after the application of the experience modifier, and before the application of schedule rating, premium discounts, and the expense constant. (*Refer to Rule III E.*)
- b. The MRF shall not be applied or used in a way to duplicate other rating factors, such as schedule and experience rating.
- c. The MRF applies for the entire policy period. Insurance carriers are required to re-evaluate each policy's characteristics and experience at each renewal to determine the MRF for the renewal policy.
- d. The MRFs filed with TDI by an insurance carrier must apply to all policies for the carrier.

3. Insurance Carrier Requirements

- a. Each insurance carrier is required to file with TDI the following information:
 - (1) MRFs;
 - (2) Characteristics, variables, or criteria used to determine the MRF; and
 - (3) Actuarial support and other documentation supporting the MRFs.
- b. All filings shall be made in accordance with the requirements contained in Texas Administrative Code, Title 28, Chapter 5, Subchapter M., Filing Requirements.

Current Phraseology

New Phraseology

RULE VII - PREMIUM DISCOUNT
Item 4 of the Information Page

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Item 4 of the Information Page

B. DEFINITIONS

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1. Standard Premium

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Standard premium means, for purposes of this rule, the Texas premium determined on the basis of the rates, any experience rating modification, schedule rating, deductible credit, and minimum premiums. The Expense Constant and premium for the Terrorism Risk Insurance Act of 2002 shall be excluded from determination of the standard premium.

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PROCEDURES

A. POLICY ISSUANCE

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- (m) Negotiated experience modifier, if applicable.
- (n) Schedule rating factor, if applicable.
- (o) Network credit factor, if applicable.
- (p) Deductible credit, if applicable.
- (q) Premium discount, if applicable.
- (r) Acquisition Expense Discount, if applicable.
- (s) Expense constant.
- (t) Terrorism premium, if applicable.
- (u) Total estimated policy cost.
- (v) Minimum premium.
- (w) Deposit premium.
- (x) Signature or name of authorized Texas agent countersigning policy.

- 6. The information indicated on the Information Page of the policy shall be complete in all details:
 - (m) Negotiated experience modifier, if applicable.
 - (n) Modeled rating factor, if applicable.
 - (o) Schedule rating factor, if applicable.
 - (p) Network credit factor, if applicable.
 - (q) Deductible credit, if applicable.
 - (r) Premium discount, if applicable.
 - (s) Acquisition Expense Discount, if applicable.
 - (t) Expense constant.
 - (u) Terrorism premium, if applicable.
 - (v) Total estimated policy cost.
 - (w) Minimum premium.
 - (x) Deposit premium.
 - (y) Signature or name of authorized Texas agent countersigning policy.