



Basic Manual—2001 Edition—NEW MEXICO

MISCELLANEOUS RULES

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WORKERS COMPENSATION PREMIUM ADJUSTMENT PROGRAM FOR QUALIFYING CLASSIFICATIONS

[____]

Purpose

The New Mexico Workers Compensation Premium Adjustment Program for Qualifying Classifications provides a premium credit for a policy that contains one or more contracting classifications. The credit applies commencing with the anniversary rating date as defined in NCCI's **Basic Manual** occurring in the current calendar year. In absence of a specific anniversary rating date on the application, it will be assumed that the policy effective date is the same as the anniversary rating date.

Formula Credit Determination

The basis for determining the credit is the:

- Total payroll (excluding overtime premium pay, pay in excess of the maximum individual payroll for executive officers or the pay in excess of the payroll amount charged to partners and sole proprietors as shown on the state rate pages, and entire pay for any exempt sole proprietor, partner, or officer), and
- Hours worked for each contracting classification for the third calendar quarter prior to the anniversary rating date

If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to the anniversary rating date shall be used, or, if there was no complete quarter of operations prior to the anniversary date, then the first complete quarter of operations after policy inception will be used.

A credit will be determined as follows:

- a. Determine the Contracting Average Wage (CAW) for each contracting classification by dividing the total payroll, excluding overtime premium pay, pay in excess of the maximum individual payroll for executive officers or the pay in excess of the payroll amount charged to partners and sole proprietors as shown on the state rate pages, and the entire pay for any exempt sole proprietor, partner, or officer, by the number of hours worked to arrive at the contractor's average weekly wage for the classification. In absence of specific records for salaried employees, it will be assumed each such individual worked forty (40) hours per week. The credit for the contractor's average hourly wage is listed below. For a period of four years beginning January 1, 2008 and ending December 31, 2011, the Table Credit will be used to determine the New Mexico Workers Compensation Premium Adjustment Program for Qualifying Classifications credit. The Table Credit will expire on December 31, 2011. This Table Credit is to be used in conjunction with the formula credit as described in f. below:

Table Credit			
Average Hourly Wage	Credit From Manual Premium	Average Hourly Wage	Credit From Manual Premium
\$12.30 or less	None	\$16.21–\$16.80	13%
\$12.31–\$12.80	6%	\$16.81–\$17.40	14%
\$12.81–\$13.50	7%	\$17.41–\$17.90	15%
\$13.51–\$14.00	8%	\$17.91–\$18.50	16%
\$14.01–\$14.60	9%	\$18.51–\$19.00	17%
\$14.61–\$15.10	10%	\$19.01–\$19.60	18%
\$15.11–\$15.70	11%	\$19.61–\$20.20	19%
\$15.71–\$16.20	12%	\$20.21 and over	20%

- b. Determine the State Average Hourly Wage (SAHW) by dividing the State Average Weekly Wage (SAWW) by 40 (hours).
- c. Determine the formula credit (in dollars) for each separate contracting class by applying the following formula:

$$[1 - (\text{SAHW} \times 1.5) / \text{CAW}] \times 0.50 \times \text{contracting class code premium (using the applicable rate/loss cost for the corresponding anniversary rating date)}$$

The formula above may result in a negative or positive dollar amount.

- d. If the result for an individual contracting classification (as defined in c. above) is negative, the formula credit for that classification is treated as zero (0) dollars. Where the result is positive, the percentage (%) credit that is to be applied to the current policy premium (contracting *and* noncontracting) is determined by summing the premium credits (in dollars) for each contracting classification (for the 3rd quarter prior to the anniversary rating date) and dividing this sum by the total contracting and noncontracting premium on the policy (for the 3rd quarter prior to the anniversary rating date).
- e. For experience rated risks, a further adjustment to the formula credit is required to be calculated in the following manner. This adjustment eliminates the redundancy between the contractor's credit and its experience rating modification.

The expected excess losses times the quantity one (1) minus the weighting value, then added to the ballast value will be divided by the experience rating modification times the sum of the total expected losses and the ballast value. The adjustment can be shown as:

$$\frac{\{\text{Insured's Expected Excess Losses} \times (1 - \text{Weighting Value}) + \text{Ballast Value}\}}{\{\text{Experience Rating Modification} \times (\text{Sum of Total Expected Losses} + \text{Ballast Value})\}}$$

This redundant credit offset factor is then multiplied by the formula credit as previously determined, resulting in an adjusted formula credit.

f. Transition Program

For a period of four years beginning January 1, 2008 and ending December 31, 2011, the Table Credit will be used in the determination of a New Mexico Workers Compensation Premium Adjustment Program for Qualifying Classifications credit. The Table Credit will expire on December 31, 2011.

This formula credit calculation as defined in e. above will be phased in over five years in the following manner:

Year 1 Credit Formula—Effective January 1, 2008

Formula Credit x 0.2 + 0.8 x Table Credit

Year 2 Credit Formula—Effective January 1, 2009

Formula Credit x 0.4 + 0.6 x Table Credit

Year 3 Credit Formula—Effective January 1, 2010

Formula Credit x 0.6 + 0.4 x Table Credit

Year 4 Credit Formula—Effective January 1, 2011

Formula Credit x 0.8 + 0.2 x Table Credit

Year 5 Credit Formula—Effective January 1, 2012

The “Formula Credit” is the total policy credit.

The policy credit factor to be applied to the current policy premium equals one minus the policy percentage credit (from d. or e. as outlined above). This factor is to be applied in the current premium determination process in a multiplicative manner directly after the application of any experience rating modification and prior to any premium discounts. When calculating the total policy credit, round the percentage to the nearest whole number with .5 being rounded up (as an example, 4.4 rounded down to 4% and 5.5 rounded up to 6%).

Application Requirements

The insured must submit the anniversary rating date along with the required payroll and hours worked information to the National Council on Compensation Insurance, Inc.—Customer Service Center within than 180 days after policy inception for calculation of any applicable credit. If NCCI does not receive this application no later than 180 days after the policy inception, the premium calculation will **not** reflect any possible premium credit. The carrier will, upon audit, verify the information that was submitted by the insured and used in the calculation of the credit. If the carrier discovers an error in the original request for policy credit, the revised information must be submitted to the National Council on Compensation Insurance, Inc.—Customer Service Center for recalculation. If the insured does not furnish records to verify anniversary rating date and/or the payroll and hours worked originally submitted and used in the calculation of the credit, there will be no credit applied to the policy. The credit, authorized by the National Council on Compensation Insurance, Inc.—Customer Service Center, will appear on Item 4. of the policy. If the credit is not available at the time of policy issuance, the carrier will endorse the policy to provide this credit information.

Carriers are required to use the approved form to notify all their insureds who have one or more contracting classifications on their policy that they may be eligible for a premium adjustment credit.

Applicable Contracting Classifications

0042 5059 5223 5479 5651 6216 6325
 0050 5069 5348 5480 5703 6217 6400
 1322 5102 5402 5491 5705 6229 7538
 3365 5146 5403 5506 6003 6233 7601
 3719 5160 5437 5507 6005 6235 7605
 3724 5183 5443 5508 6017 6236 7611
 3726 5188 5445 5535 6018 6237 7612
 5020 5190 5462 5537 6045 6251 7613
 5022 5213 5472 5551 6204 6252 7855
 5037 5215 5473 5606 6206 6260 9534
 5040 5221 5474 5610 6213 6306 9554
 5057 5222 5478 5645 6214 6319

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(Name of Insured)
(Address)
(City, State, Zip Code)

CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM WORKERS COMPENSATION PREMIUM CREDIT APPLICATION

The Contracting Classification Premium Adjustment Program is applicable to qualifying employers engaged in contracting operations.

A special premium calculation, which may result in a premium credit for you, will be based on average hourly pay rates for each classification of contracting operations. In order that your premium may be correctly established, please return the completed premium credit application, as set out on the reverse side of this letter, to the:

For all applications except Hawaii:

National Council on Compensation Insurance, Inc.
Customer Service Center
901 Peninsula Corporate Circle
Boca Raton, Florida 33487

For Hawaii applications only:

National Council on Compensation Insurance, Inc.
Hawaii Service Center
1001 Bishop Street, Suite 1550
American Savings Bank Building
Honolulu, HI 96813

NCCI will advise us of any premium credit applicable.

If NCCI does not receive this application within 180 days after policy inception, your premium calculation will not reflect any possible premium credit.

For each applicable classification (both contracting and non-contracting) covering your company's operations in the state that this credit is being applied for (please note that each state that offers this credit requires a separate application), report the total payroll (excluding overtime premium pay, pay in excess of payroll amount charged to partners and sole proprietors as shown on the state rate pages, as well as the entire pay for any exempt sole proprietor, partner, or officer), and the corresponding total number of hours worked for the third calendar quarter (July, August, September) of the year preceding your anniversary rating date.

- Note #1: If you did not engage in contracting operations during the third quarter, the requested information to be provided should, then, be for the last complete calendar quarter prior to the anniversary rating date of your workers compensation policy.
- Note #2: If you are a new business (no prior operations), submit the requested information for the first complete calendar quarter following the anniversary rating date of your workers compensation policy when available.
- Note #3: In the absence of specific records for salaried employees, you should assume that each individual worked forty (40) hours per week.
- Note #4: In absence of specific anniversary rating date being supplied on application, it will be assumed that the policy effective date is the same as the anniversary rating date.

Please preserve your anniversary rating date and payroll records that formed the basis for this declaration, as we will be required to verify the reported information in order for any premium credit to be applied.

Thank you for your cooperation.

Sincerely,

CONTRACTING CLASSIFICATION—PREMIUM CREDIT APPLICATION

INSURED: _____

STATE CREDIT BEING APPLIED FOR
(NOTE: one state per application): _____

POLICY NUMBER: _____ **POLICY EFFECTIVE DATE:** _____ **ANNIVERSARY RATING DATE (as defined in NCCI's Basic Manual)** _____

CARRIER: _____

NOTE: Unless code(s), total wages paid, total hours worked, and calendar quarter reported are indicated and application is signed, it cannot be processed. Contact your agent or carrier if assistance is desired.

CLASSIFICATION	CODE	TOTAL WAGES PAID	TOTAL HOURS WORKED
Example: Electrical Wiring	5190	\$8,000	520
Non-Contracting Classifications:			

The foregoing is based on actual wages (excluding overtime premium pay in excess of payroll amount charged to partners and sole proprietors as shown on the state rate pages, as well as the entire pay for any exempt sole proprietor, partner, or officer) **and hours worked as reflected in our payroll records for the complete calendar quarter.**

Complete Calendar Quarter (please circle one):

1st (1/1–3/31)	2nd (4/1–6/30)
3rd (7/1–9/30)	4th (10/1–12/31)

Calendar Year: _____

SIGNATURE: _____ **POSITION:** _____ **DATE:** _____