

## Contracting Classification Premium Adjustment Program

The Illinois Contracting Classification Premium Adjustment Program provides for a premium credit for up to one year for a qualifying policy. To qualify, a policy must have more than 50% of manual premium attributable to one or more contracting classifications for Illinois operations only and an experience modification less than or equal to 1.00. A premium credit may be applied to qualifying policies with a policy effective date on or after April 1, 1994. Carriers are required to use the approved form to notify all their insureds who may qualify for the program and may be eligible for a premium adjustment credit.

The basis for determining the credit is the total subject payroll (i.e., excluding overtime premium pay, vacation pay, unanticipated bonuses, pay for any exempt sole proprietor, partner, or officer, Davis Bacon fringe benefits you pay into any ERISA qualified third party pension plan and other Illinois exclusions outlined in **Basic Manual Rule 2-B**) and hours worked for each contracting and noncontracting classification for the third calendar quarter (July, August, September) of the year preceding the policy effective date as reported to taxing authorities. If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to policy year inception must be used or, if there was no complete quarter of operations prior to the policy inception, then the first complete quarter after policy inception must be used. Payroll from operations in another state may not be used.

The credit is determined as follows:

1. Determine the Contracting Average Wage (CAW) for each contracting classification by dividing the total payroll *excluding* pay for any exempt executive officers, pay for partners and sole proprietors, and overtime pay (for example, if an employee makes \$16/hour and is paid time and one-half for overtime, only report the payroll based upon the \$16/hour rate) for each contracting classification by the total number of hours worked (including overtime hours). In the absence of specific records for salaried employees, it will be assumed each individual worked forty (40) hours a week.
2. Determine the State Average Hourly Wage (SAHW) by dividing the State Average Weekly Wage (SAWW) by 40 (hours). From July 1, 2001 through December 31, 2001, the credits will be based on the SAWW effective January 1, 2001. Beginning on January 1, 2002 and annually thereafter, NCCI will revise the SAWW as determined by the Illinois Worker's Compensation Commission on July 1st of the prior year.
3. Determine the premium credit (in dollars) for each separate contracting class by applying the following formula:

$$[ 1 - (\text{SAHW} / \text{CAW}) ] \times \text{contracting class code premium (from the prior 3rd quarter)}$$

4. If the quantity in Step 3 is negative, the credit for that classification in question is zero (0). Where the quantity is positive, determine the percentage (%) credit that is to be applied to the qualifying current policy premium (contracting *and* noncontracting) by summing the premium credits (in dollars) for each contracting class (from the prior 3rd quarter) and dividing this sum by the total contracting and noncontracting premium on the policy (from the prior 3rd quarter). When calculating the total policy credit, the percentage must be rounded to the nearest tenth.
5. The policy credit "factor" to be applied to the qualifying current policy premium equals one minus the policy percentage credit (from 4 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.
6. The maximum allowable credit is 40%.

The insured must submit the required payroll and hours worked information on a completed application no later than 180 days after policy inception to the National Council on Compensation Insurance, Inc., Customer Service Center, 901 Peninsula Corporate Circle, Boca Raton, Florida, 33487 for calculation of any applicable credit. If NCCI does not receive this application within 180 days after policy inception, the premium calculation will not reflect any possible premium credit unless an exception is made by NCCI or

the regulatory authority. The carrier must, upon audit, verify the original qualification criteria as well as 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 the payrolls and hours worked originally submitted and used in the calculation of the credit, there must be no credit applied to the policy.

The credit, authorized by the National Council on Compensation Insurance, Inc.—Customer Service Center, must appear on Item 4. of the policy. If the credit is not available at the time of policy issuance, the carrier must endorse the policy to provide this credit information.

“Contracting classifications” are those classifications subject to the following code numbers:

0042 5040 5221 5473 5606 6213 6306  
0050 5057 5222 5474 5610 6214 6319  
1322 5059 5223 5478 5645 6216 6325  
2799 5102 5348 5479 5703 6217 6400  
3365 5146 5402 5480 5705 6229 7538  
3719 5160 5403 5491 6003 6233 7605  
3724 5183 5437 5506 6005 6235 7855  
3726 5188 5443 5507 6018 6236 8227  
5020 5190 5445 5535 6045 6237 9534  
5022 5213 5462 5537 6204 6251 9554  
5037 5215 5472 5551 6206 6252