



Data Now Program (DNP)
**Designated Statistical Reporting
Level (DSR) Premium—Part 2**

Average Deviation Method

When to Calculate an Average Deviation

Calculating an average deviation may be preferred when:

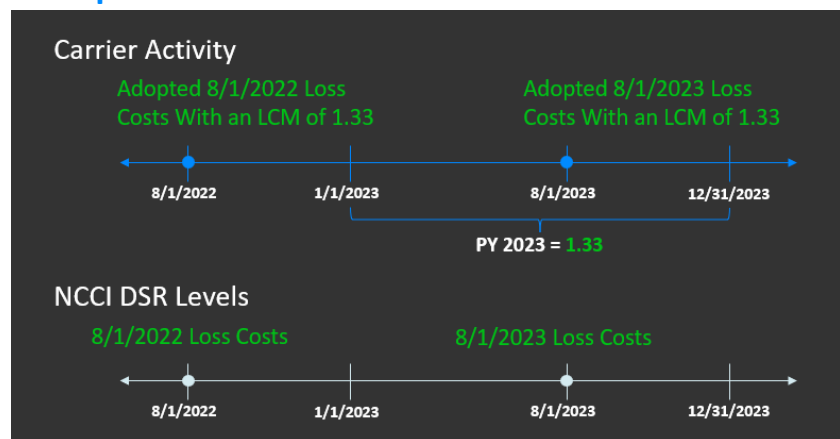
- The carrier has one loss cost multiplier (LCM) in effect
- The carrier's filing effective date is the same as NCCI's filing effective date
- Classification code and statistical code level detail are difficult to obtain

Average Deviation Calculation

Example 1

The parameters for Policy Year (PY) 2023:
NCCI loss costs became effective on: <ul style="list-style-type: none">• 8/1/2022• 8/1/2023
Carrier adopted each new approved loss cost on the day it became effective <ul style="list-style-type: none">• LCM of 1.33 for the 8/1/2022 loss costs• LCM of 1.33 for the 8/1/2023 loss costs
Average deviation for PY 2023 = 1.33

Example 1—Timeline





Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Example 1—Calculating DSR Premium

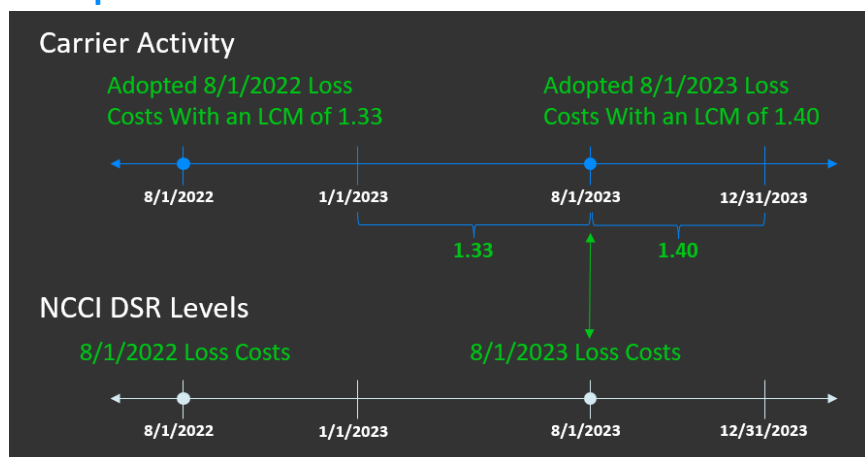
Policy Year 2023 Premium	Policy Period	1/1/2023 Through 12/31/2023	
	Net Premium	\$4,250,000	
	Schedule Rating	–\$450,000	
	Premium Discount	–\$300,000	
	Company Standard Premium	\$5,000,000	Net Premium – Schedule Rating – Premium Discount \$4,250,000 – (–\$450,000) – (–\$300,000)
	Expense Constant (EC)	\$240,000	
	Balance to Minimum Premium (BTMP)	\$105,000	
	Company Standard Premium used to calculate DSR Premium	\$4,655,000	Co Std Premium – EC – BTMP \$5,000,000 – \$240,000 – \$105,000
	Deviation/LCM	1.33	
	DSR Premium	\$3,500,000	Co Std Premium Subject to DSR/LCM \$4,655,000/1.33

Average Deviation Calculation

Example 2—Change in LCM

The parameters for PY 2023:
NCCI loss costs became effective on:
<ul style="list-style-type: none"> 8/1/2022 8/1/2023
Carrier adopted each new approved loss cost on the day it became effective
<ul style="list-style-type: none"> LCM of 1.33 for the 8/1/2022 loss costs LCM of 1.40 for the 8/1/2023 loss costs

Example 2—Timeline





Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Example 2—Calculating DSR Premium

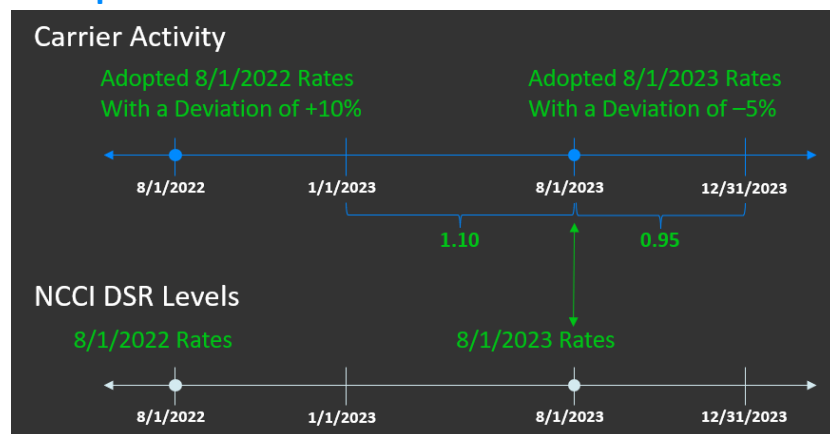
Policy Year 2023 Premium	Policy Period	1/1/2023 Through 7/31/2023	8/1/2023 Through 12/31/2023	PY 2023 Total
	Net Premium	\$1,000,000	\$3,250,000	\$4,250,000
	Schedule Rating	-\$100,000	-\$200,000	
	Premium Discount	-\$150,000	-\$300,000	
	Company Standard Premium	\$1,250,000	\$3,750,000	\$5,000,000
	Expense Constant	\$80,000	\$160,500	
	Balance to Minimum Premium	\$40,000	\$65,000	
	Company Standard Premium Used to Calculate DSR Premium	\$1,130,000	\$3,524,500	
	Deviation/LCM	1.33	1.40	
	DSR Premium	\$849,624	\$2,517,500	\$3,367,124

Average Deviation Calculation

Example 3—Company Expense Constant

The parameters for PY 2023:
NCCI rates became effective on: <ul style="list-style-type: none"> 8/1/2022 8/1/2023
Carrier adopted both approved rate filings on the day they became effective <ul style="list-style-type: none"> Rate deviation of +10% for the 8/1/2022 rates Rate deviation of -5% for the 8/1/2023 rates
Expense Constants <ul style="list-style-type: none"> Carrier Expense Constant is \$300 NCCI Expense Constant is \$150

Example 3—Timeline





Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Example 3

Calculating Net and Company Standard Premium

Policy Year 2023 Premium	Policy Period	1/1/2023 Through 7/31/2023	8/1/2023 Through 12/31/2023	PY 2023 Total
	Net Premium	\$3,400,000	\$1,350,000	\$4,750,000
	Schedule Rating	–\$300,000	–\$150,000	
	Premium Discount	–\$200,000	–\$100,000	
	Company Standard Premium	\$3,900,000	\$1,600,000	\$5,500,000
	Company Expense Constant	\$150,000	\$60,000	
	Balance to Minimum Premium	\$71,000	\$34,000	
	Consent to Rate Premium	\$400,000	\$100,000	
	Company Standard Premium Used to Calculate DSR Premium	\$3,279,000	\$1,406,000	
				<small>1/1/2023 – 7/31/2023: 500 policies 8/1/2023 – 12/31/2023: 200 policies</small>

Example 3—Calculating DSR Premium

Policy Year 2023 Premium	Policy Period	1/1/2023 Through 7/31/2023	8/1/2023 Through 12/31/2023	PY 2023 Total
	Company Standard Premium Used to Calculate DSR Premium	\$3,279,000	\$1,406,000	
	Rate Deviation	1.10	0.95	
	DSR Premium Without EC and BTMP	\$2,980,909	\$1,480,000	
	NCCI Expense Constant	\$75,000	\$30,000	
	Balance to Minimum Premium	\$71,000	\$34,000	
	DSR Premium	\$3,126,909	\$1,544,000	\$4,670,909
				<small>1/1/2023 – 7/31/2023: 500 policies 8/1/2023 – 12/31/2023: 200 policies</small>

Average Deviation Calculation

Example 4—Delayed Adoption

The parameters for PY 2023:
NCCI loss costs became effective on:
<ul style="list-style-type: none"> 8/1/2022 8/1/2023
But the carrier adopted the loss costs as follows:
<ul style="list-style-type: none"> 8/1/2022 loss costs on the day they became effective, with an LCM of 1.33 8/1/2023 loss costs on 10/1/2023, with an LCM of 1.4
This means there are now three different time periods to consider



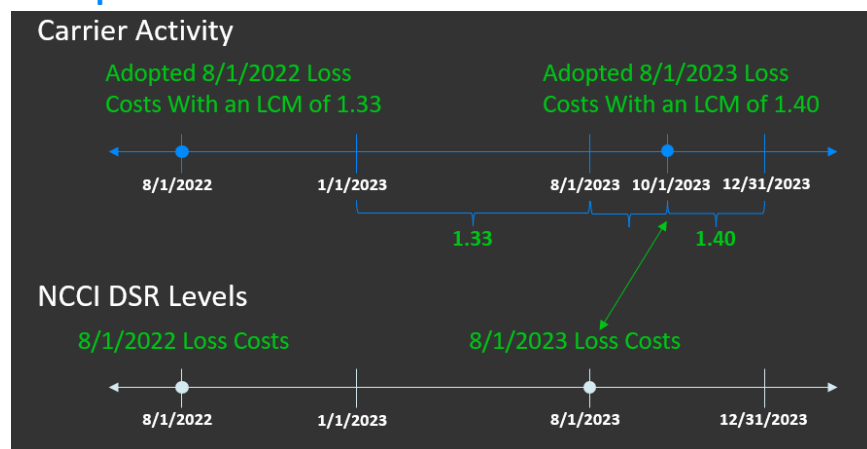
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Average Deviation Calculation

Example 4—Time Periods Affecting the Calculation

- January through July—Carrier is using the 8/1/2022 loss costs, which are the same as the DSR level
- August through September—Carrier is using the 8/1/2022 loss costs, which are *not* the same as the DSR level; the DSR Level is 8/1/2023
- October through December—Carrier is using the 8/1/2023 loss costs, which are the same as the DSR level

Example 4—Timeline



Example 4—Timeline

- For August through September, we must determine what implied LCM—applied to the company standard premium for that period—would result in the DSR premium that reflects the DSR level in effect
- If the 8/1/2023 loss costs decreased by 8% on average, then the LCM, in effect, would need to be adjusted by the factor of $1 - 0.08 = 0.92$
- Therefore, the implied LCM factor is $1.33 / 0.92 = 1.45$
- This factor is sometimes referred to as a passive deviation or implied LCM and is the result of a carrier not taking action the same day as the NCCI filing effective date



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Example 4—Implied LCM

- To calculate an implied LCM, divide the carrier LCM by the value that represents the change in loss costs for your book of business
- For some carriers, the appropriate value may be the same as the overall change filed by NCCI (e.g., 0.92)

Company Standard Premium* Using Loss Costs Effective 8/1/2022	LCM	NCCI DSR Level 8/1/2022
\$400,200	1.33	\$300,902
8/1/2023 change is -8%		
Company Standard Premium* Using Loss Costs Effective 8/1/2022	Implied LCM	NCCI DSR Level 8/1/2023
\$400,200	???	\$276,000
What is the correct factor? \$400,200 / \$276,000 = 1.45, which yields the same amount as 1.33 / 0.92 = 1.45		

*Excludes factors such as expense constant and balance to minimum premium amounts

Example 4—Calculating DSR Premium

Policy Period	1/1/2023 Through 7/31/2023	8/1/2023 Through 9/30/2023	10/1/2023 Through 12/31/2023	PY 2023 Total
Net Premium	\$900,000	\$3,650,000	\$450,000	\$5,000,000
Schedule Rating	-\$50,000	-\$250,000	-\$100,000	
Premium Discount	-\$25,000	-\$100,000	-\$65,000	
Company Standard Premium	\$975,000	\$4,000,000	\$615,000	\$5,590,000
Expense Constant	\$70,500	\$225,500	\$44,500	
Balance to Minimum Premium	\$21,000	\$126,300	\$18,700	
Company Standard Premium Used to Calculate DSR Premium	\$883,500	\$3,648,200	\$551,800	
Deviation/LCM	1.33	1.45	1.40	
DSR Premium	\$664,286	\$2,516,000	\$394,143	\$3,574,429

Carrier-Specific Loss Cost Level Change Effect

Last Active LCM Is 1.33	Statewide Change Is -8%	Class Codes You Wrote Changed ??
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Change in Loss Costs

Class Code	8/1/2022 Loss Costs Adopted by Carrier	8/1/2023 Loss Costs Adopted by Carrier On 10/1/2023	Change
0008	\$2.05	\$1.88	-8.3%
2735	\$3.85	\$3.27	-15.1%
2759	\$5.25	\$5.78	+9.9%
			Carrier's Change Between -15.1% and 9.9%



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Calculating Change in Loss Costs

Class Code	Policy Year Earned Exposure 8/1/2023-9/31/2023	8/1/2022 Loss Cost Adopted By Carrier	8/1/2023 9/31/2023 DSR Premium Using 8/1/2022 Loss Costs	8/1/2023 Loss Cost Not Adopted by Carrier Until 10/1/2023	8/1/2023—9/31/2023 DSR Premium Using 8/1/2023 Loss Costs	Change In Loss Costs
0008	\$9,000,000	\$2.05	\$184,500	\$1.88	\$169,200	-8.3%
2735	\$2,500,00	\$3.85	\$96,250	\$3.27	\$81,750	-15.1%
2759	\$32,500,000	\$5.25	\$1,706,250	\$5.78	\$1,878,500	+9.9%
Total			\$1,987,000		\$2,129,450	+7.2%

Carrier-Specific Loss Cost Level Change Effect

- Statewide Change Factor
 - $1.000 - 0.080 = 0.920$
- Implied LCM Using Statewide Change
 - $1.330 / 0.920 = 1.45$
- Carrier-specific Change Factor
 - $1.000 + 0.072 = 1.072$
- Carrier-specific Implied LCM
 - $1.330 / 1.072 = 1.24$

Average Deviation Calculation

Example 5—Delayed Adoption Using Carrier Change in Loss Costs

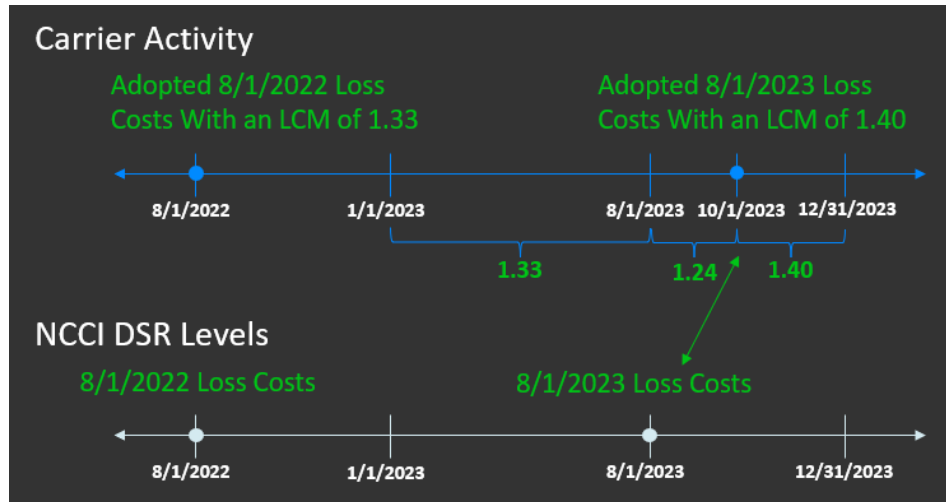
The parameters for PY 2023:

- January Through July
 - 8/1/2022 loss cost with LCM of 1.33
- August Through September
 - Did not adopt the 8/1/2023 loss costs that reflected a statewide *decrease* of 8%
 - Determined that the effect of these new loss costs on the carrier's book of business was a 7.2% *increase*
 - Therefore, the implied LCM is $1.330 / 1.072 = 1.24$
- October Through December
 - 8/1/2023 loss costs on 10/1/2023 with LCM of 1.40



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Example 5—Timeline



Example 5—Calculating DSR Premium

Policy Year 2023 Premium	Policy Period	1/1/2023 Through 7/31/2023	8/1/2023 Through 9/30/2023	10/1/2023 Through 12/31/2023	PY 2023 Total
	Net Premium	\$900,000	\$3,650,000	\$450,000	\$5,000,000
	Schedule Rating	-\$50,000	-\$250,000	-\$100,000	
	Premium Discount	-\$25,000	-\$100,000	-\$65,000	
	Company Standard Premium	\$975,000	\$4,000,000	\$615,000	\$5,590,000
	Expense Constant	\$70,500	\$225,500	\$44,500	
	Balance to Minimum Premium	\$21,000	\$126,300	\$18,700	
	Company Standard Premium Used to Calculate DSR Premium	\$883,500	\$3,648,200	\$551,800	
	Deviation/LCM	1.33	1.24	1.40	
	DSR Premium	\$664,286	\$2,941,935	\$394,143	\$4,000,364

Example 5—Using DSR Weights

Policy Year 2023 Premium							
Time Period (1)	Company Standard Premium (2)	Expense Constant (3)	Balance to Minimum Premium (4)	Company Standard Premium Used to Calculate DSR (5) = (2) - (3) - (4)	Deviation (6)	DSR Premium (7) = (5) / (6)	% of DSR Premium (8) = (7) / (7) total
1/1/2023– 7/31/2023	\$975,000	\$70,500	\$21,000	\$883,500	1.33	\$664,286	16.6%
8/1/2023– 9/30/2023	\$4,000,000	\$225,500	\$126,300	\$3,648,200	1.24	\$2,941,935	73.5%
10/1/2023– 12/31/2023	\$615,000	\$44,500	\$18,700	\$551,800	1.40	\$394,143	9.9%
PY 2023 Total	\$5,590,000	\$340,500	\$166,000	\$5,083,500	1.271*	\$4,000,364	100%

*\$5,083,500 / \$4,000,364 = 1.271

(1.33 x 16.6%) + (1.24 x 73.5%) + (1.40 x 9.9%) = 1.271



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Recap

Average Deviation Method

- NCCI DSR Level
- Carrier Deviation/LCM Filings
- Passive Deviation/Implied LCM
- DSR Level Is Rates
 - Company and NCCI Expense Constants
 - Assigned Risk policies

Extending Exposures/Hybrid Method

When to Extend Exposures

Acceptable when:

- The average deviation calculation is challenging:
 - Delayed adoption of NCCI filings
 - Multiple loss cost multipliers (LCM) in effect
- Class code and statistical code level detail is available to accurately report the Financial Call data

Methods of Extending Exposures

Policy Level	Each policy is rerated using the DSR Level loss costs or rates
Class Code Level	Data should be grouped (across policies) to capture all carrier rate changes and NCCI loss cost/rate changes
	Need to obtain an average experience modification factor for the policy year

Sample Premium Algorithm—Alabama

To apply premium adjustments in the correct order, follow the state-specific premium algorithm for units and the guidelines in both the **Basic Manual** and **Financial Call Reporting Guidebook**.

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 ⁽¹⁾	% applied to the portion of Total Manual Premium where waiver is applicable, subject to minimum charge
+ 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]
- Small Deductible credit	% applied to Total Manual Premium
SUBJECT PREMIUM	
x Drug-Free Workplace Premium Credit factor (1 — DFW Credit %)	
TOTAL SUBJECT PREMIUM	
x Experience Modification (Exp Mod)	
TOTAL MODIFIED PREMIUM	
x Merit Rating factor (1 — MR credit %) or (1 + MR debit %)	[Non-rated risks]
x Schedule Rating factor (1 — SR credit %) or (1 + SR debit %)	
+ Supplemental Disease Exposure (Asbestos, ^(NCCI))	
+ Atomic Energy Radiation Exposure ^(NCCI)	

Excerpt from the **Basic Manual**



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Premium Calculations

Follow guidelines in the *Financial Call Reporting Guidebook*. Policies may contain both included and excluded class codes.

Examples of **excluded** class codes:

- Federal Employers Liability Act (FELA) and Maritime
- Underground Coal Mine

Examples of **excluded** policies:

- Large Deductible
- Excess Policies

Statistical code premium amounts should reflect only amounts associated with the **included** experience.

Examples:

- Expense Constants—Exclude or include 100% depending on applicable DSR Level
- Multiplicative Factors—Prorated based on the experience included in the Financial Calls
 - Employers Liability Increased Limits
 - Drug-Free Workplace credit

Extending Exposures—Policy Level—Example 1

Policy Number	WC123456
Exposure State	Alabama
Policy Effective Date	3/1/2022
Policy Expiration Date	2/28/2023
Employers Liability Increased Limits	3.0%
Drug-Free Workplace Credit	-5.0%
Experience Modification Factor	1.20
Expense Constant	\$200

Class Code	Payroll	Company Rate	NCCI Loss Cost
2065	1,000,000	4.05 (2.53 x 1.60)	2.53
8810	40,000,000	0.24 (0.15 x 1.60)	0.15



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Premium Calculations for PY 2022—Example 1

Premium	Company Standard	DSR Level
Manual	136,500 $\left(\left[\frac{1,000,000}{100} \times 4.05 \right] + \left[\frac{40,000,000}{100} \times 0.24 \right] \right)$	85,300 $\left(\left[\frac{1,000,000}{100} \times 2.53 \right] + \left[\frac{40,000,000}{100} \times 0.15 \right] \right)$
Increased Limits	4,095 $136,500 \times 0.030$	2,559 $85,300 \times 0.030$
Drug-Free Credit	-7,030 $(136,500 + 4,095) \times -0.05$	-4,393 $(85,300 + 2,559) \times -0.05$
Subtotal	133,565 $136,500 + 4,095 - 7,030$	83,466 $85,300 + 2,559 - 4,393$
Subtotal With Exp. Mod	160,278 $133,565 \times 1.20$	100,159 $83,466 \times 1.20$
Expense Constant	200	0
Total	\$160,478 $(160,278 + 200)$	\$100,159

Extending Exposures—Policy Level—Example 2

Policy Number	WC123457
Exposure State	Alabama
Policy Effective Date	3/1/2023
Policy Expiration Date	2/28/2024
Employers Liability Increased Limits	3.0%
Drug-Free Workplace Credit	-5.0%
Experience Modification Factor	1.20
Expense Constant	\$200

Class Code	Payroll	Company Rate	NCCI Loss Cost
2065	1,000,000	4.05 (2.53 x 1.60)	2.23
8810	40,000,000	0.24 (0.15 x 1.60)	0.13



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Premium Calculations for PY 2023—Example 2

Premium	Company Standard	DSR Level
Manual	136,500 $\left(\frac{[1,000,000 / 100] \times 4.05}{+ [(40,000,000 / 100) \times 0.24]}\right)$	74,300 $\left(\frac{[1,000,000 / 100] \times 2.23}{+ [(40,000,000 / 100) \times 0.13]}\right)$
Increased Limits	4,095 $136,500 \times 0.030$	2,229 $74,300 \times 0.030$
Drug-Free Credit	-7,030 $(136,500 + 4,095) \times -0.05$	-3,826 $(74,300 + 2,229) \times -0.05$
Subtotal	133,565 $136,500 + 4,095 - 7,030$	72,703 $74,300 + 2,229 - 3,826$
Subtotal With Exp. Mod	160,278 $133,565 \times 1.20$	87,244 $72,703 \times 1.20$
Expense Constant	200	0
Total	\$160,478 $(160,278 + 200)$	\$87,244

Recap—Extending Exposures—Policy Level

- Follow premium algorithm from the **Basic Manual** and calculate the Manual Premium
- Apply appropriate premium adjustments in the order set out by the premium algorithm
- Sum up the premium components and manual premium to arrive at total subject premium and apply the experience modification factor
- Add NCCI expense constant if DSR Level is rates
- Sum results for all policies
- Total DSR premium—Success!

Extending Exposures—Class Code Method Example

Parameters for PY 2023:
NCCI loss costs became effective on: <ul style="list-style-type: none"> • 6/1/2022 • 6/1/2023
But the carrier adopted these loss costs: <ul style="list-style-type: none"> • 6/1/2022 loss costs on the day they became effective • 6/1/2023 loss costs on 9/1/2023
There are three time periods to consider.



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Timeline



Extending Exposures—Class Code Method Example

Policy Year 2023 as of 12/31/2024

Organization of Data

Class Code (1)	First PED (2)	Last PED (3)	Earned Payroll (4)	Carrier Rate (5)	NCCI Loss Cost (6)	Avg. Exp Mod (7)	Company Standard Premium (8) = [(4) / 100] x (5) x (7)	DSR Level Premium (9) = [(4) / 100] x (6) x (7)
1642	1/1/23	5/31/23	5,000,000	8.55	6.58	1.1	470,250	361,900
2065	1/1/23	5/31/23	3,000,000	3.12	2.40	1.1	102,960	79,200
2362	1/1/23	5/31/23	0	5.50	4.18	1.1		
1642	6/1/23	8/31/23	8,000,000	8.55	7.02	1.1	752,400	617,760
2065	6/1/23	8/31/23	0	3.12	2.45	1.1		
2362	6/1/23	8/31/23	0	5.50	5.00	1.1		
1642	9/1/23	12/31/23	0	8.75	7.02	1.1		
2065	9/1/23	12/31/23	0	3.30	2.45	1.1		
2362	9/1/23	12/31/23	10,000,000	6.00	5.00	1.1	660,000	550,000
Totals							1,985,610	1,608,860

PED = Policy Effective Date



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Extending Exposures—Class Code Method Example

Calculate an average LCM, ratio of the Company Standard and DSR Level premium, to arrive at the average LCM for PY 2023 of 1.234.

Policy Year 2023 as of 12/31/2024

Policy Year 2023 as of 12/31/2024								
Class Code (1)	First PED (2)	Last PED (3)	Earned Payroll (4)	Carrier Rate (5)	NCCI Loss Cost (6)	Avg. Exp Mod (7)	Company Standard Premium (8) = [(4) / 100] x (5) x (7)	DSR Level Premium (9) = [(4) / 100] x (6) x (7)
1642	1/1/23	5/31/23	5,000,000	8.55	6.58	1.1	470,250	361,900
2065	1/1/23	5/31/23	3,000,000	3.12	2.40	1.1	102,960	79,200
1642	6/1/23	8/31/23	8,000,000	8.55	7.02	1.1	752,400	617,760
2362	9/1/23	12/31/23	10,000,000	6.00	5.00	1.1	660,000	550,000
Totals							1,985,610	1,608,860

Average Loss Cost Multiplier = 1,985,610 / 1,608,860 = 1.234

PED = Policy Effective Date

Extending Exposures—Class Code Method Example

Policy Year 2023 as of 12/31/2024

Stat Code (1)	Description (2)	Premium (3)	Avg. Exp Mod (4)	Company Standard Premium (5) = (3) x (4)	Average Deviation (6)	DSR Level Premium (7) = (5) / (6)
0900	Expense Constant	6,000	—	6,000	—	—
9812	Increased Limits	75,000	1.1	82,500	1.234	66,856
Totals				88,500		66,856

Policy Year 2023 as of 12/31/2024

	Company Standard Premium	DSR Level Premium
Class Codes	1,985,610	1,608,860
Statistical Codes	88,500	66,856
Totals	2,074,110	1,675,716

Add the class code and statistical code totals to arrive at a Company Standard premium of \$2,074,110 and DSR Level premium of \$1,675,716.



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Extending Exposures—Hybrid Method

With the hybrid method, calculate the average deviation using the class code method of extending exposures. Take this average loss cost multiplier of 1.234 and apply it to the average deviation method calculation.

Policy Year 2023 as of 12/31/2024

Class Code (1)	First PED (2)	Last PED (3)	Earned Payroll (4)	Carrier Rate (5)	NCCI Loss Cost (6)	Avg. Exp Mod (7)	Company Standard Premium (8) = [(4) / 100] x (5) x (7)	DSR Level Premium (9) = [(4) / 100] x (6) x (7)
1642	1/1/23	5/31/23	5,000,000	8.55	6.58	1.1	470,250	361,900
2065	1/1/23	5/31/23	3,000,000	3.12	2.40	1.1	102,960	79,200
1642	6/1/23	8/31/23	8,000,000	8.55	7.02	1.1	752,400	617,760
2362	9/1/23	12/31/23	10,000,000	6.00	5.00	1.1	660,000	550,000
Totals							1,985,610	1,608,860

Average Loss Cost Multiplier = $1,985,610 / 1,608,860 = 1.234$

Group the data as if using the average deviation method.

- Take Net Premium, then derive Company Standard premium by removing components that are not in Company Standard but are in Net Premium
- Remove the components that are in Company Standard Premium that are not in DSR Level Premium (e.g., Expense Constant)
- Apply the average loss cost multiplier for PY 2023, calculated using the class code method of extending exposures, which yields DSR Level Premium of \$1,675,940

Policy Year 2023 Premium	Policy Period	1/1/2023 Through 12/31/2023	
	Net Premium	\$1,709,110	
	Schedule Rating	-\$257,000	
	Premium Discount	-\$108,000	Net Premium – Schedule Rating – Premium Discount \$1,709,110 – (–\$257,000) – (–\$108,000)
	Company Standard Premium	\$2,074,110	
	Expense Constant (EC)	\$6,000	Co Std Premium – EC \$2,074,110 – \$6,000
	Company Standard Premium used to calculate DSR Premium	\$2,068,110	
	Deviation/LCM	1.234	Co Std Premium Subject to DSR / LCM \$2,068,110 / 1.234
	DSR Premium	\$1,675,940	

Class Code Method = \$1,675,716

Comparing these results with the class code method's results, the difference is minimal.



Data Now Program (DNP) Designated Statistical Reporting Level (DSR) Premium—Part 2

Recap—Extending Exposure—Class Code Method

1. Group up each class code across all policies and policy effective dates
2. Establish the time periods to group up policies, creating a new time period in the policy year whenever there is a company rate change or approved NCCI filed loss cost/rate change
3. With the exposures for each class code, use the company rates and DSR Level loss costs/rates to calculate premium at the Company Standard level and DSR premium level
4. Summarize the class code premium and determine an average loss cost multiplier or rate deviation by taking the ratio of the total company standard premium to the total DSR Level premium
5. Calculate statistical code premium and use the average LCM/deviation as necessary to calculate statistical code premium at the DSR Level
6. Sum up the class code premium and statistical code premium to arrive at our total company standard and DSR Level premiums

Resources—[ncci.com](https://www.ncci.com)

- ***Financial Call Reporting Guidebook***
- ***Financial Data Collection*** Tool
- ***Basic Manual***
- Circulars/***FYI Plus***
- Reporting Season Web Article
- Webinars on Demand
- ***Data Now Program*** Materials
- NCCI Financial Data—Assigned Validator

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