

April 10, 2007

### **Industry Survey on Workers' Compensation Assessments**

The NAIC's Casualty Actuarial Task Force (CATF) is considering Recommendation #14 in the NAIC *Workers' Compensation Large Deductible Study*. This recommendation is:

*“Annual Statement reporting should be amended to show workers' compensation losses under the deductible threshold on a state-by-state basis.”* For workers' compensation (only), this would include columns showing paid, incurred and unpaid deductible losses, and written, earned and perhaps unearned actual deductible premiums. In addition, the page would also show premiums on a basis that is reflective of the total exposure for policyholders without credit for deductibles. These could be calculated using payrolls and bureau or state-provided rates or loss costs. The same basis of calculation would not necessarily need to be used for every state. Rather, an attempt should be made to use whatever is most efficient for insurers in the individual states, which will probably be a function of the insurers' statistical reporting practices for that state. There would be several purposes for this reporting. States would have a clearer picture of their total insured marketplace and the portion of its risk being retained under deductible forms. In addition, it would allow for more equitable taxes and assessments to support of workers' compensation funds and administration using a basis other than paid losses. While state-specific reporting is contemplated, this reporting should probably not be on the State Page, as columns showing deductible losses would create a mismatch between premiums and losses. In addition, the current State Page is already crowded.”

To assist in this review, the CATF requests your assistance by responding to the following questions. A similar survey is being sent to state insurance departments and rating organizations. If you have questions, you may contact Kris DeFrain at [KDefrain@naic.org](mailto:KDefrain@naic.org), (816) 783-8229 or Sarah McNair-Grove at [Sarah\\_McNair@commerce.state.ak.us](mailto:Sarah_McNair@commerce.state.ak.us), (907) 465-4613. **Please send your response to Eva Yeung ([EYeung@naic.org](mailto:EYeung@naic.org)) by May 23, 2007.**

The following questions apply to Workers' Compensation business only:

1. Please list and describe each tax or assessment you currently pay in each state on workers' compensation business (including premium taxes, second injury funds, guaranty fund assessments or assessments to fund Workers' Compensation agencies). To whom do you report the data for taxation or assessment purposes?
2. For each tax or assessment listed in question 1, please identify the basis for determining the amount of the tax or assessment. Provide the specific state definition, rather than a general description, such as premium or losses. Provide the applicable time period for which data is required (e.g. calendar year, policies effective on or after xx/xx/xx, payments made for accidents on or after yy/yy/yy). Also, please note whether these assessments are on a prospective or retrospective basis and how many years of data are used to determine the assessment?

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3. For each tax or assessment listed in question 1, specify whether deductible business is included in the base, and if so, whether the premiums or losses attributable to deductible business are used net or gross of the effects of deductible credits or reimbursements. If gross premiums are used, please identify the manner in which the premiums are to be calculated.
4. In addition to data furnished as the bases of taxes and assessments, what other data reports are made by states that include large deductible data? Please explain the data being requested and provided.
5. For each of the taxes or assessments in question 1, do you feel that the current assessment base or bases is/are reasonably equitable? This includes whether they are equitable for fully-insured employers versus self-insured employers versus large deductible policyholders. If there are any other material inequities that you see, please note.
6. Where the answers to #5 indicate inequities, please describe the alternate approach that would best address your concerns.

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Name

Title

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Phone/e-mail

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Name of Organization

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