

April 10, 2007

State 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 the industry and the rating organizations. If you have questions, you may contact Kris DeFrain at KDefrain@naic.org (816) 783-8229 or Sarah McNair-Grove at Sarah_McNair@commerce.state.ak.us, (907) 465-4613. **Please send your response to Eva Yeung (EYeung@naic.org) by May 4, 2007.**

The following questions apply to workers' compensation business only:

1. What sources of information, either from a rating bureau, reports accompanying Annual Statements, or other reports or data directly from insurers, does your state have that relate specifically to workers' compensation large deductible insurance? Please provide sample copies and any related instructions or documentation.
2. Do you feel that your state's system for assessing for various workers' compensation special funds (e.g., special benefit funds or for system administration) is reasonably equitable in the manner in which it discriminates in the costs passed on to self-insured employers, employers insured without deductibles, and employers insured with large deductibles?

Yes _____ No _____

If no, please describe the nature of the inequity, and also indicate whether you now have the data or information available for costs to be assessed on a reasonably equitable basis.

3. Does your state have adequate information on large deductible policies to do a good job of meeting your needs for market analysis purposes?

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Yes _____ No _____

If not, what additional information do you feel would be useful for this purpose and how would that information be used?

4. Is any data collected by the state (either by the insurance department or other state agency) pertaining to workers' compensation self-insureds and used for the purpose of levying workers' compensation taxes or assessments?

Yes _____ No _____

If so, please list each tax or assessment for which self-insured data is collected, and identify the specific data or elements collected from self-insureds for purposes of each such tax or assessment.

5. Please list and describe each tax or assessment that you or any other state agency currently collect on workers' compensation insurance (including premium taxes, second injury funds, guaranty fund assessments, residual market assessments or assessments to fund Workers' Compensation agencies) that uses premium as the basis for determining the amount of the tax or assessment. What is the definition of premium as used in your state's assessments? For example, standard premium (please include your state definition of standard premium), less premium discounts, direct premiums written, as reported on the state page of the Annual Statement, etc.
6. Please list and describe each tax or assessment that you or any other state agency currently collect on workers' compensation insurance that uses losses as the basis for determining the amount of the tax or assessment. What is the definition of losses as used in your assessment process? Paid? Incurred? Indemnity only? Accidents incurred from xx/xx/xx to yy/yy/yy? For example, if your state uses paid losses, include the specific definition of how paid losses are defined.

Name

Title

Phone/e-mail

State

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