

Bulletin 95-8

WORKERS' COMPENSATION RATE REGULATION

November 8, 1995

On October 17, the Iowa Insurance Division issued a memorandum reminding carriers of existing division policy related to approving workers compensation rates. According to this memorandum:

1. Large deductible and non-NCCI retro rating plans shall have a premium eligibility of at least \$250,000 in annual WC premium on a countrywide basis.
2. Individual insurance companies, whether members of a group or not, can file to offer deviated rates. These may be scheduled or flat, downward only, up to a maximum of 15%.
3. Schedule rating other than #2 is not allowed.
4. Individual insurance companies that are approved to offer deviated WC rates are not permitted to offer dividends based on WC experience.

In that memorandum, we asked companies to report on their compliance with these guidelines. From the information supplied, we have learned that the combined use of dividends and deviations is a more widespread practice than we had suspected. We have therefore reconsidered item #4 above.

We believe the combined use of maximum deviations and dividend plans is inconsistent with Iowa's prior approval approach to workers compensation rate regulation. However, given the widespread use of this practice, we are concerned that sudden and unanticipated enforcement of this prohibition could have an undesirable impact on consumers. Therefore, the division is placing a moratorium on the enforcement of item #4 above and will permit companies to offer deviations and dividends in combination. Insurers are free to quote or renew policies with a deviation of up to 15% with a dividend plan attached. This moratorium is effective until December 31, 1996.

Items #1 through 3 continue to express current division policy with respect to workers compensation rate regulation. We will revisit the issue addressed in item #4 over the course of the next year to determine appropriate regulatory policy for Iowa.

Any questions regarding this bulletin should be directed to Kevin

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