



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN PC-73
July 23, 2013

TO: ALL COMPANIES LICENSED TO WRITE WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE IN THE STATE OF CONNECTICUT.

**RE: USE OF DEDUCTIBLES FOR WORKERS' COMPENSATION INSURANCE;
LARGE RISK ALTERNATIVE RATING OPTIONS**

This Bulletin is intended to update and supersede Bulletin PC-49 by adding information related to the use of deductibles and Large Risk Alternative Rating Options for workers' compensation insurance.

Deductibles for Workers' Compensation and Employers' Liability insurance, subject to the Insurance Commissioner's approval, are permitted by §31-345a of the Connecticut General Statutes. This Bulletin sets forth the Connecticut Insurance Department's (the "Department") requirements for such plans.

1. Claim Payments

Insurers must pay workers' compensation claims in full and seek reimbursement of the deductible amount from the insured employer. The Department requires that deductible program form filings be accompanied by a certified statement, signed by an officer of the insurer, that it will comply with this requirement.

2. Deductible Limit

The National Council on Compensation Insurance ("NCCI") program filed on behalf of member insurance companies includes deductible limits up to \$10,000. For large deductible limits of more than \$10,000, each insurance company must file its deductible forms and endorsements with the Department.

Large deductible rating plans are not required to be filed. Insurers must maintain records of their large deductible rating plans and records supporting the rating of individual insured employers. Such records must be available upon request for review by the Department.

3. Assessments for the Connecticut Workers' Compensation Administration Fund

Insurers must pay all Connecticut Workers' Compensation Administration Fund assessments based on the total claim amounts including the deductible portion of losses. Insurers may then seek reimbursement from the insured employer for the portion of the claim amount related to the deductible obligation.

4. Assessments for Workers' Compensation Second Injury Fund

Insurers shall collect and remit second injury fund assessments to the Office of State Treasurer in accordance with Connecticut law and regulations.

5. Financial Reporting – Reconciliation

Insurers shall report to the Department (and advisory organizations as applicable) annual statement loss data net of the deductible amount.

6. Statistics and Experience Rating

Insurers must comply with procedures for the filing of statistical data with NCCI and the calculation of experience rating modifications.

7. Large Risk Alternative Rating Options for Workers’ Compensation

The Department does not prohibit Large Risk Alternative Rating Options (“LRARO”) for workers’ compensation and employers’ liability provided the employer meets the eligibility thresholds pursuant to Rule 2 of the NCCI Retrospective Rating Plan Manual, as amended. Companies should refer to Insurance Department Bulletin PC-72 for workers’ compensation rate, rule and form filing requirements. Under the NCCI Manual, insureds are eligible to be written on a LRARO basis provided the estimated standard premium for workers’ compensation exceeds \$100,000. This eligibility threshold applies whether or not coverage for workers’ compensation is written on a multi-line basis. The Department acknowledges that LRARO’s may be structured differently (or have different features) including plans based on a guaranteed cost or plans structured on a loss-sensitive basis provided the estimated standard premium for workers’ compensation exceeds \$100,000.

8. LRARO Filings with the Department

Insurers are required to file LRARO plans with Department including the plan’s principal features; eligibility requirements; statistical code(s) to be used and a statement that the insurer will maintain documentation validating the eligibility of the insured and substantiating the premium amounts for individual employers using this rating approach. Records must be available for review by the Department upon request.

9. LRARO Statistics/Data Reporting

As with standard workers’ compensation policies, insurers must adhere to the approved NCCI manual rules including the uniform classification system and uniform experience in writing and reporting their LRARO business.

Questions regarding this Bulletin may be directed to the Insurance Department’s Property/Casualty Division at: 860.297.3867 or by e-mail to cid.pc@ct.gov.



Thomas B. Leonardi
Insurance Commissioner