TO: All Insurers Writing Workers' Compensation Insurance in Kentucky FROM: George Nichols III Commissioner DATE: February 14, 1997 RE: Workers' Compensation Form, Rate, and Rule Filings

This Bulletin supersedes Bulletin 95-19 regarding Workers' Compensation filings only. Attached are forms F-1, F-2, S-1, S-2, S-3, LC-1, LC-2, and WC-1 for use in making Form, Rate, and Rule filings with the Property and Casualty Division of the Kentucky Department of Insurance. The use of these forms and procedures begins <u>March 1, 1997 for Workers' Compensation</u>.

<u>GENERAL FILING INSTRUCTIONS</u>: A filing will not be reviewed if the filer has not specifically adhered to the following instructions. Any incomplete filing will be disapproved and returned to the filer. All filings must provide:

- 1. Two (2) full document sets, with three (3) cover letters, for each filing per insurer (or other entity) for which the filing is being made (see reverse side of this form);
- 2. Each document set shall contain the appropriate combination of Kentucky <u>Filing Synopsis</u> <u>Forms</u> (S-1, S-2 and S-3) and a <u>Forms Index Sheet</u> (F-2) where more than one form/endorsement is submitted;
- 3. 3. The <u>first page</u> of the document set for each filing, per insurer (or other entity), shall be a completed <u>Face & Verification Form</u> (F-1). Rate and Rule Filings may be combined or filed separately;
- 4. 4. Fees sufficient to pay for each filing per insurer (or other entity) shall be enclosed. Fees may be combined into a single check and attached to the Face & Verification Form (F-1);
- 5. A self-addressed, stamped envelope shall accompany the filing to facilitate the return of the acknowledgment/approval/disapproval copy of the company's letter; and
- 6. A filer may include in a filing any number of forms or documents filed together on a particular date pertaining to a **single line of insurance**. All Form Filings must be made separately from Rate and Rule Filings;
- 7. Any corrections to a previously submitted approved/ acknowledged/ or disapproved filing must be made into a complete new filing with filing fee and Form **F-1** included.
- 8. 8. The attached forms may be copied for use with filings. All copies must be full size (8 1/2 x 11), including the box on the F-1 for "Department Use Only". Please note that some pages in this mailing contain information on the reverse side.

#### **FILING CHECKLIST**

Filings must be submitted with two (2) full document sets and three (3) cover letters, per company, per line of insurance. The extra copy of the letter will be returned to your company with the approved/acknowledged/disapproved status of the filing. Each full document set must contain the following:

- 1.The Department's form F-1P&C (2/97), properly completed (per company, per line of insurance).
- 2 .The company's cover letter setting forth the requested changes.
- 3. The WC-1 P&C (Loss Cost Multiplier Revision Worksheet) for all rate submissions.

- 4. The filing synopsis forms (S-1, S-2, S-3) and loss cost multiplier forms (LC-1, LC-2), as necessary.
- 5. The F-2 P&C (Forms Index Sheet, required for forms filings only) for all forms submitted (properly completed for each column).
- 6. The company's documents to be revised.
- 7. The proper filing fees (subject to retaliatory fees).
- 8. One self-addressed, stamped envelope, per filing.

CHANGES TO WORKERS' COMPENSATION FILINGS PURSUANT TO HB-1 (12/12/96)

## **RATES**

#### MANDATORY PRIOR APPROVAL RATE FILING.

All rate filings submitted on or after 12/12/96 through and including 12/31/98 shall be filed with and approved by the Commissioner as provided by KRS 304.13-051(2). During this time period no rate filing (including schedule rating) under the "Use and File" provision will be accepted.

#### **HB-1 COMPLIANCE FILING**

Pursuant to HB-1(12/12/96) Section 49 (2) Insurers shall file workers' compensation rates <u>incorporating</u> an actuarially-justified, approved estimate of changes in prospective losses attributable to any net savings under HB1 for use with workers' compensation policies issued or renewed after <u>May 1, 1997</u>.

(Under prior approval, KRS 304.13-051(2), the Commissioner has 30 days to review and approve or disapprove the rates.)

## **RATE FILING OPTIONS**

a. Prior Adoption of the 9/1/96 NCCI Advisory Loss Costs

Insurers shall submit a reference filing to adopt the approved 5/1/97 Advisory Loss Costs; include a cover letter referencing the adopted loss costs; attach the following forms: F-1, WC-1, and the LC-1 or LC-2 as applicable.

b. Adoption of an Approved Advisory Loss Cost Filing

Insurers will be required to follow the general filing procedures for a "prior approval" rate filing.

c. Carriers Not Adopting an Approved Advisory Loss Cost Filing

Insurers shall file rates incorporating an actuarially-justified, approved estimate of changes to prospective losses attributable to any net savings from HB-1. These rates must reflect the savings to both the prospective losses and loss adjustment expense.

#### **SCHEDULE RATING**

Insurers who currently have a schedule rating plan on file with the department are asked to submit a copy of that approved plan with its May 1, 1997 filing. Insurers who choose to file a new schedule rating plan will be subject to prior approval as indicated above.

# **RATES FILED AFTER 12/31/98**

Unless the Commissioner declares a noncompetitive market, the rate filing options shall be as follows:

"Use and File": In a competitive market companies are required to file, not later than fifteen (15) days after their effective date, for any revisions which increase or decrease the rates of any classification of risks within any rating territory 15% or less within a 12 month period, along with any supplementary rate information, KRS 304.13-051(1) or 13-051(4). This method may be utilized for the introduction of a new product, KRS 304.13-051.

"Prior Approval": Pursuant to KRS 304.13-051(5), for any revisions which effectively increase or decrease the rates of any classification of risks within any rating territory more than 15% within a 12-month period ("flex barrier"), a prior approval filing with complete supporting information is required. As used in the statute, "rates" mean the effective rates which have been derived from the base rates and anything else in manuals or underwriting rules which, independently or combined, effectively determine the pretax price of a particular policy. All manuals and underwriting rules and guidelines which result in an increase or decrease of more than 15% from the existing rates are to be filed with the Commissioner, and once approved, adhered to until amended pursuant to KRS 304.13-051(5).

## **FORMS**

Under KRS 304.14-120, all policy forms must be filed with and approved by the Commissioner before they may be used. When a form filing amends, replaces, or supplements a form which has been previously filed and approved, the filing shall be accompanied by a letter of explanation from the filer setting forth all changes contained in the newly filed form. The letter of explanation shall further describe the effect, if any, the changes have upon the hazards purported to be assumed by the policy and the rates applicable to that form (see 806 KAR 14:005 Section 6).

Cancellation and nonrenewal forms must comply with KRS 304.20-300 through 20-350 and 806 KAR 20:010.

### **NOTICE OF INSURED'S RIGHTS.**

Pursuant to KRS 304.13-161 every insurer or agent shall notify in writing to each insured of the insured's rights. This notification must occur at the time a workers' compensation insurance policy is issued, or renewed on or after May 1, 1997. The proper notice follows:

#### **NOTICE OF INSURED'S RIGHTS**

If you are insured under a workers' compensation insurance policy and believe that the rates or the rating system will cause you harm, you may request a review of the manner in which the rate or rating system has been applied. You must make your request in writing to the insurance company or advisory organization. The insurance company or advisory organization has thirty (30) days to grant or reject your request for a review and to notify you in writing whether your request has been granted or rejected. If your request is granted, the insurance company or advisory organization shall conduct the review within ninety (90) days of receiving your request. If your request is rejected or if you are dissatisfied with the results of the review, you may appeal to the commissioner for further review. You must make your appeal within thirty (30) days of receipt of the rejection or of the results of the review. Your appeal is to be sent to:

LegalandEnforcementDivisionDepartmentofInsuranceP.O. Box 517

Frankfort, KY 40602

Your request for an appeal should include a statement of the facts and the reasons why the rates or rating system should be changed. Also, enclose copies of the results of the review and any other correspondence from the insurance company or advisory organization. If your appeal shows good cause, the Commissioner shall hold a hearing. The commissioner may after the hearing issue a final order affirming, modifying, or reversing the action of the insurance company or advisory organization.

### **FEES**

Pursuant to 806 KAR 4:010 and 806 KAR 14:005, Kentucky's filing fees are as follows:

**\$5.00 for form filings** (any number of forms or documents pertaining to a single line of insurance), subject to retaliatory fees.

\$100.00 for a rate, rule, or combined rate and rule filing submitted under the prior approval law, subject to retaliatory fees.

These filing fees are not refundable. If an insurer's domiciliary state requires a greater fee for the filings, pursuant to KRS 304.3-270, the insurer's fee for filing in Kentucky is the greater fee.

## **ATTACHMENTS**

The attached forms: F-1, F-2, S-1, S-2, S-3, LC-1, LC-2, and WC-1may be copied for use with filings. All copies must be full size (8  $1/2 \times 11$ ), including the box on the F-1 for "Department Use Only".

## **Property & Casualty Filing Forms List**

Form #	<b>Edition Date</b>	Form Name	
F-1	2/97	FACE & VERIFICATION	Two-sided
F-2	2/97	FORMS INDEX SHEET	One side

S-1	2/97	KENTUCKY FILING SYNOPSIS FOR RATES	One side
S-2	2/97	KENTUCKY FILING SYNOPSIS FOR FORMS	One side
S-3	2/97	KENTUCKY FILING SYNOPSIS FOR RULES	Ond side
LC-1	2/97	CALCULATION OF LOSS COST MULTIPLIER	Two-sided
LC-2	2/97 (new)	EXPENSE CONSTANT SUPPLEMENT	One side
WC-1	2/97 (HB-1 only)	LOSS COST MULTIPLIER REVISION WORKSHEET	Two-sided

# **Questions:**

Contact the Property & Casualty Division, Kentucky Department of Insurance,

P.O. Box 17, Frankfort, KY 40602-0517: Telephone (502) 564-6090