

By Senator Clary

7-1532-99

1 A bill to be entitled
2 An act relating to workers' compensation;
3 amending s. 627.041, F.S.; redefining the terms
4 "rating organization" and "subscriber";
5 amending s. 627.091, F.S.; defining the terms
6 "expenses," "multiplier," and "prospective loss
7 costs" as used with respect to rate filings for
8 workers' compensation; allowing rate filing
9 organizations to make filings with the
10 Department of Insurance containing prospective
11 loss costs, but not final rates or multipliers
12 for expenses and profit; requiring each insurer
13 to independently file with the department the
14 final rates it will use and its multiplier for
15 expenses and loss costs; providing for the
16 effective date of filings made with the
17 department; authorizing rating organizations to
18 file supplementary rate information and final
19 rates for the residual market and other
20 information; amending s. 627.101, F.S.;
21 prescribing procedures for prospective loss
22 costs filings and final rate filings; amending
23 s. 627.211, F.S.; revising the standards for an
24 insurer that files for a deviation from the
25 filings made by a rating organization;
26 providing an effective date.

27
28 Be It Enacted by the Legislature of the State of Florida:

29
30 Section 1. Subsections (3) and (6) of section 627.041,
31 Florida Statutes, are amended to read:

1 627.041 Definitions.--As used in this part:

2 (3) "Rating organization" means every person, other
3 than an authorized insurer, whether located within or outside
4 this state, who has as his or her object or purpose the making
5 of prospective loss costs, rates, rating plans, or rating
6 systems. Two or more authorized insurers that act in concert
7 for the purpose of making rates, rating plans, or rating
8 systems, and that do not operate within the specific
9 authorizations contained in ss. 627.311, 627.314(2), (4), and
10 627.351, shall be deemed to be a rating organization. No
11 single insurer shall be deemed to be a rating organization.

12 (6) "Subscriber" means an insurer which is furnished
13 at its request:

14 (a) With prospective loss costs, rates, and rating
15 manuals by a rating organization of which it is not a member;
16 or

17 (b) With advisory services by an advisory organization
18 of which it is not a member.

19 Section 2. Section 627.091, Florida Statutes, is
20 amended to read:

21 627.091 Rate filings; workers' compensation and
22 employer's liability insurances.--

23 (1) As used in this section, the term:

24 (a) "Expenses" means that portion of a rate
25 attributable to acquisition, field supervision, collection
26 expenses, and general expenses.

27 (b) "Multiplier" means the profit and expenses, other
28 than loss adjustment expenses associated with writing workers'
29 compensation and employer's liability insurance, expressed as
30 a single nonintegral number to be applied to the prospective
31

1 loss costs approved by the department in making rates for each
2 classification of risks utilized by that insurer.

3 (c) "Prospective loss costs" means that portion of a
4 rate reflecting historical aggregate losses and loss
5 adjustment expenses projected through development to their
6 ultimate value and through trending to a future point in time.
7 The term does not include provisions for profit or expenses,
8 other than loss adjustment expenses.

9 (2)~~(1)~~ As to workers' compensation and employer's
10 liability insurances, every insurer shall file with the
11 department every manual of classifications, rules, and rates,
12 every rating plan, and every modification of any of the
13 foregoing which it proposes to use. Every insurer is
14 authorized to include deductible provisions in its manual of
15 classifications, rules, and rates. Such deductibles shall in
16 all cases be in a form and manner which is consistent with the
17 underlying purpose of chapter 440.

18 (3)~~(2)~~ Every such filing shall state the proposed
19 effective date thereof, and shall indicate the character and
20 extent of the coverage contemplated. When a filing is not
21 accompanied by the information upon which the insurer supports
22 the filing and the department does not have sufficient
23 information to determine whether the filing meets the
24 applicable requirements of this part, it shall within 15 days
25 after the date of filing require the insurer to furnish the
26 information upon which it supports the filing. The
27 information furnished in support of a filing may include:

28 (a) The experience or judgment of the insurer or
29 rating organization making the filing;

30 (b) Its interpretation of any statistical data it
31 relies upon;

1 (c) The experience of other insurers or rating
2 organizations; or

3 (d) Any other factors which the insurer or rating
4 organization deems relevant.

5 ~~(4)(3)~~ A filing and any supporting information shall
6 be open to public inspection as provided in s. 119.07(1).

7 ~~(5)(4)~~ An insurer may satisfy its obligation to make
8 such filings of prospective loss costs by becoming a member
9 of, or a subscriber to, a licensed rating organization which
10 makes such filings and by authorizing the department to accept
11 such filings in its behalf; but nothing contained in this
12 chapter shall be construed as requiring any insurer to become
13 a member or a subscriber to any rating organization.

14 (6)(a) A licensed rating organization may develop and
15 file for approval with the department reference filings
16 containing prospective loss costs and the underlying loss data
17 and other supporting statistical and actuarial information. A
18 rating organization may not develop or file final rates or
19 multipliers for expenses and profit. After a loss cost
20 reference filing has been filed with the department and
21 approved, the rating organization shall provide its member
22 insurers with a copy of the approved reference filing.

23 (b) Each insurer shall independently and individually
24 file with the department the final rates it will use and the
25 effective date of any rate changes. An insurer may
26 independently file its rates, including prospective loss
27 costs, as authorized by this section. An insurer that is a
28 member or subscriber to a rating organization may use the
29 prospective loss costs in an approved reference filing by the
30 rating organization or the insurer may file for a deviation
31 from the loss cost reference filing under s. 627.211.

1 (c) If an insurer uses the prospective loss costs in
2 the approved reference filing, the insurer must independently
3 and individually file with the department its multiplier for
4 expenses and profit. The insurer's rates shall be the
5 combination of the prospective loss costs and the multiplier
6 for expenses and profit. Insurers shall file data in
7 accordance with the uniform statistical plan approved by the
8 department. Insurers may use variable or fixed expense loads
9 or a combination of these and may vary the expense load by
10 class, if the insurer files supporting data justifying such
11 variations. An insurer that uses the prospective loss costs in
12 an approved reference filing may use its multiplier and final
13 rates immediately upon filing with the department, subject to
14 disapproval by the department.

15 (d) Insurers may file with the department premium
16 discounts, credits, and surcharges, that bear a reasonable
17 relationship to the expected loss and expense experience of an
18 individual policyholder, subject to a maximum surcharge of 40
19 percent above the approved rate and a maximum discount or
20 credit of 50 percent below the approved rate. An insurer that
21 uses the prospective loss costs in an approved reference
22 filing may use premium discounts, credits, and surcharges
23 immediately upon filing with the department, subject to
24 disapproval by the department.

25 (e) An insurer may request to have its multiplier for
26 expenses and profit remain on file and reference all
27 subsequent prospective loss costs reference filings. Upon the
28 effective date of approval of subsequent reference loss cost
29 filings, the insurer's rates shall be the combination of the
30 prospective loss costs and the multiplier contained in its
31 filing with the department. The insurer's filed multiplier

1 shall remain in effect until the insurer withdraws it and
2 files a revised multiplier. If the insurer elects to use the
3 prospective loss costs as filed but with a different effective
4 date, then the insurer must file notice with the department of
5 the effective date.

6 (7) A rating organization may file supplementary
7 rating information that includes policy-writing rules, rating
8 plans classification codes and descriptions, and rules that
9 include factors or relativities, such as increased limits
10 factors, classification relativities, or similar factors, but
11 excludes minimum premiums. An insurer may elect to use such
12 supplementary rating information approved by the department.

13 (8) A rating organization may file:

14 (a) Final rates and rating plans for the residual
15 market;

16 (b) The uniform classification plan and rules;

17 (c) The uniform experience rating plan and rules; and

18 (d) Advisory manual workers' compensation rates to be
19 used for the sole purpose of computing the assessment
20 liability of self-insurers.

21 (9)(5) Pursuant to the provisions of s. 624.3161, the
22 department may examine the underlying statistical data used in
23 such filings.

24 (10)(6) Whenever the committee of a recognized rating
25 organization with responsibility for workers' compensation and
26 employer's liability insurance rates in this state meets to
27 discuss the necessity for, or a request for, Florida rate
28 increases or decreases, the determination of Florida rates,
29 the rates to be requested, and any other matters pertaining
30 specifically and directly to such Florida rates, such meetings
31 shall be held in this state and shall be subject to s.

1 286.011. The committee of such a rating organization shall
2 provide at least 3 weeks' prior notice of such meetings to the
3 department and shall provide at least 14 days' prior notice of
4 such meetings to the public by publication in the Florida
5 Administrative Weekly.

6 Section 3. Section 627.101, Florida Statutes, is
7 amended to read:

8 627.101 When filing becomes effective; workers'
9 compensation and employer's liability insurances.--

10 (1) The department shall review prospective loss cost
11 filings and final rate filings as to workers' compensation and
12 employer's liability insurances as soon as reasonably possible
13 after they have been made in order to determine whether they
14 meet the applicable requirements of this part. If the
15 department determines that part of a rate filing does not meet
16 the applicable requirements of this part, it may reject so
17 much of the filing as does not meet these requirements, and
18 approve the remainder of the filing.

19 (2) The department shall specifically approve a
20 prospective loss cost ~~the~~ filing before it becomes effective,
21 unless the department has concluded it to be in the public
22 interest to hold a public hearing to determine whether the
23 filing meets the requirements of this chapter and has given
24 notice of such hearing to the insurer or rating organization
25 that made the filing, and in which case the effectiveness of
26 the filing shall be subject to the further order of the
27 department made as provided in s. 627.111. An insurer that
28 uses the prospective loss costs in an approved reference
29 filing may use its multiplier and final rates immediately upon
30 filing with the department, as provided in s. 627.091, subject
31 to disapproval by the department.If the department

1 specifically disapproves either a prospective loss cost filing
2 or a final rate ~~the~~ filing, the provisions of subsection (4)
3 shall apply.

4 (3) An insurer or rating organization may, at the time
5 it makes a prospective loss cost filing with the department,
6 request a public hearing thereon. In such event, the
7 department shall give notice of the hearing.

8 (4) If the department disapproves a prospective loss
9 cost or final rate filing, it shall promptly give notice of
10 such disapproval to the insurer or rating organization that
11 made the filing, stating the respects in which it finds that
12 the filing does not meet the requirements of this chapter. If
13 the department approves a filing, it shall give prompt notice
14 thereof to the insurer or rating organization that made the
15 filing, and in which case the filing shall become effective
16 upon such approval or upon such subsequent date as may be
17 satisfactory to the department and the insurer or rating
18 organization that made the filing.

19 Section 4. Subsection (1) of section 627.211, Florida
20 Statutes, is amended to read:

21 627.211 Deviations; workers' compensation and
22 employer's liability insurances.--

23 (1) Every member or subscriber to a rating
24 organization shall, as to workers' compensation or employer's
25 liability insurance, adhere to the filings made on its behalf
26 by such organization; except that any such insurer may make
27 written application to the department for permission to file a
28 uniform percentage decrease or increase to be applied to the
29 premiums produced by the rating system so filed for a kind of
30 insurance, for a class of insurance which is found by the
31 department to be a proper rating unit for the application of

1 such uniform percentage decrease or increase, or for a
2 subdivision of workers' compensation or employer's liability
3 insurance:

4 (a) Comprised of a group of manual classifications
5 which is treated as a separate unit for ratemaking purposes;
6 or

7 (b) For which separate loss adjustment expense
8 provisions are included in the filings of the rating
9 organization.

10
11 Such application shall specify the basis for the modification
12 and shall be accompanied by the data upon which the applicant
13 relies. A copy of the application and data shall be sent
14 simultaneously to the rating organization.

15 Section 5. This act shall take effect July 1, 1999.

16
17 *****

18 SENATE SUMMARY

19 Allows rate filing organizations to make workers'
20 compensation filings with the Department of Insurance
21 containing prospective loss costs, but not final rates or
22 multipliers for expenses and profit. Requires insurers to
23 independently file the final rates it will use and its
24 multiplier for expenses and loss costs. Provides for the
25 effective date of filings made with the department.
26 Authorizes rating organizations to file supplementary
27 rate information and final rates for the residual market.
28 Provides different procedures for prospective loss costs
29 filings and final rate filings. Revises standards for an
30 insurer that files for a deviation from the filings made
31 by a rating organization.