

Order 92-57

Written application of the independent insurance agents of Arkansas request to modify the workers compensation premium rate calculations for logging and lumbering classification (code 2702)

April 3, 1992

Now on this 3rd day of April, 1992, there comes before the Commissioner of Insurance the written application of the INDEPENDENT INSURANCE AGENTS OF ARKANSAS ("IIAA") dated March 16, 1992, by and through its authorized representative, Mr. Ron Lensing; such filing has been made pursuant to the dictate of Ark. Code Ann. s 23-67-119(1)(F) and requests that the Commissioner modify those certain Orders Number 91-30, 91-30A, and 91-30B entered by him on August 2, 1991, August 20, 1991 and November 25, 1991 respectively, all dealing with Class 2702 (Logging and Lumbering).

The "grievance" filed by the IIAA asserts that as a result of: (i) the above-referenced Orders and, (ii) the implementation of RULE AND REGULATION 54, which imposes a twenty-five per cent (25%) rate differential on all employer risks placed in the Arkansas Workers Compensation Assigned Risk Plan ("WCIP"), there has been an "unfairly discriminatory" impact upon Class 2702 loggers from which the IIAA requests relief on its behalf and on behalf of employers within such class. The IIAA asserts that the combined impact of these actions, both occurring within a very short period of time, is to increase the premium cost for these employers (most of whom must be placed in the WCIP because of the lack of a competitive voluntary market for this business) by several hundred per cent and to place them and the agents who service them in grave economic peril.

Based upon the matters set forth in said written application and grievance, the written notification by the National Council on Compensation Insurance that it does not object to the relief requested by the IIAA and does not wish a hearing, and after further consideration thereof, the Commissioner has determined to amend and modify the referenced Orders in the manner hereinafter set forth:

ACCORDINGLY, THE COMMISSIONER FINDS AS FOLLOWS:

1. The Commissioner retains jurisdiction over the parties to this cause, over the filings made by the National Council on Compensation Insurance, and over the subject matter of Orders Number 91-30, 91-30A, 91-30B, the same having been entered on August 2, 1991, and August 20, 1991 and November 25, 1991, respectively.
2. That in the calendar year 1991 the following Orders were entered by the Insurance Commissioner having the specified impact, viz:

| ORDER NO. AND DATE | IMPACT: |
|---|---|
| <p>a) Order No. 91-30 factors of August 2, 1991; Logging and</p> <p>from</p> <p>\$29.25 per</p> | <p>(i) eliminated the use of "Upset Payroll" in connection with Code 2702 -- Lumbering;</p> <p>(ii) reduced the manual rate for that Code \$64.24 per \$100.00 of payroll to \$100.00 of payroll;</p> |
| <p>b) Order No. 91-30A program (at of August 22, 1991; before the manual</p> | <p>(i) implemented a two year transition \$21.94 and \$24.86, respectively) full implementation of the new \$29.25 rate for all employers in Class 2702;</p> |
| <p>c) Order No. 91-30B with of November 25, 1991; after March with Factors" then at the through employers with after 1991 their the \$100.00 the transitional</p> | <p>(i) provided that Class 2702 employers coverages issued or renewed on or 1, 1991 and through August 2, 1991 payroll based upon the "Upset in effect be allowed to continue such \$64.24 rate per \$100.00 of payroll December 31, 1991;</p> <p>(ii) provided that those Class 2702 coverages issued or renewed on or August 3, 1991 through December 31, should have the option of having premium calculated upon: (i) payroll determined by the "Upset Factors" at previous payroll rate of \$64.24 per of payroll, OR (ii) actual payroll at \$21.94 per \$100.00 of payroll</p> |

and
1,
policies
March 1,
payroll and
91-30

rate approved in Order No. 91-30A;

(iii) established that on and after January 1992, the rate to be charged for all with effective dates on and after 1991 shall be based upon actual at the rates specified in Orders No. and 91-30A.

3. That, among other things, Rule and Regulation 54 promulgated effective February 1, 1992, provided that all employers whose workers compensation insurance is provided through the WCIP, including Class 2702, be subject to a 25 per cent (25%) rate differential over and above otherwise specified manual rates.

4. That it is anticipated, based upon past experience, that at some point of June or July 1992 the National Council on Compensation Insurance will apply for a further rate increase affecting all classes.

5. That it is inherently unfairly discriminatory to subject many of those employers within Class 2702 to so many upward revisions in actual premiums paid in such a short span of time.

6. That the National Council on Compensation Insurance, by letter from its counsel Nick Thompson to the Commissioner dated April 2, 1992, states that it does not object to the relief requested by the IIAA and waives any hearing that might otherwise be required pursuant to the IIAA written application to the Commissioner.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. That the advisory manual rate of \$21.94 per \$100.00 of payroll for Code 2702 be and it hereby is extended through June 30, 1992, so that said rate shall be applicable for all policies issued or renewed between March 1, 1991 and June 30, 1992 (excluding quoted "upset factor" cases and options allowed during the applicable time frame as set forth in Order No. 91-30B); provided HOWEVER, that within the WCIP with the 25 per cent differential applied, the rate for policies issued or renewed between February 1, 1992 and June 30, 1992 shall be \$27.43 per \$100.00 of actual payroll.

2. That the advisory manual rate for all policies issued or renewed between July 1, 1992 and June 30, 1993 be and it hereby is declared to be \$24.86 per \$100.00 of actual payroll; provided, HOWEVER, that within WCIP with the 25 per cent rate differential applied the

rate for policies issued or renewed between July 1, 1992 and June 30, 1993, shall be \$31.08 per \$100.00 of actual payroll; and

3. That except insofar as herein above set forth and expressly modified each and every aspect of Orders 91-30, 91-30A and 91-30B be and they hereby are ratified and confirmed in all respects.

Lee Douglass
Insurance Commissioner
