Filing at a Glance

Company: Companion Property & Casualty Insurance Company

Product Name: Workers Compensation	SERFF Tr Num: CMPX-125952578	State: Arkansas
TOI: 16.0 Workers Compensation	SERFF Status: Closed	State Tr Num: EFT $100
Sub-TOI: 16.0002 Employers Liability WC	Co Tr Num: P#08254 R/R	State Status: Fees verified and received
Filing Type: Rate/Rule	Co Status:	Reviewer(s): Betty Montesi, Carol Stiffler
	Author: SPI CompanionPCGroup	Disposition Date: 12/18/2008
	Date Submitted: 12/17/2008	Disposition Status: Approved
Effective Date Requested (New): 02/01/2009		Effective Date (New): 02/01/2009
Effective Date Requested (Renewal):		Effective Date (Renewal):

State Filing Description:

General Information

Project Name: AR WC Large Deductible Filing 1/1/09	Status of Filing in Domicile:
Project Number: P#08254 R/R	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 12/18/2008	
State Status Changed: 12/18/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

Companion Property and Casualty Insurance Company wishes to submit its Large Deductible Plan for approval. The following information is included in the filing:

Explanatory Memorandum

Large Deductible Rating Procedure

Rating Sample

The form associated with the request has been filed under company filing number P#08254-Forms.

Company and Contact

Filing Contact Information

LaTonya Ivey, Regulatory Compliance Analyst II
latonya.ivey@companiongroup.com
P.O. Box 100165
(803) 795-7770 [Phone]
Columbia, SC 29202
(803) 870-8983[FAX]

Filing Company Information

Companion Property & Casualty Insurance Company	CoCode: 12157	State of Domicile: South Carolina
P.O. Box 100165	Group Code: 661	Company Type:
Columbia, SC 29202	Group Name:	State ID Number:
(800) 845-2724 ext. [Phone]	FEIN Number: 57-0768836	

Filing Fees

Fee Required?	Yes
Fee Amount:	$100.00
Retaliatory?	No
Fee Explanation:	Filing Fee
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Companion Property & Casualty Insurance Company	$100.00	12/17/2008	24588691

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	12/18/2008	12/18/2008

Disposition

Disposition Date: 12/18/2008
Effective Date (New): 02/01/2009
Effective Date (Renewal):
Status: Approved
Comment:

Company Name:	**Overall % Rate Impact:**	**Written Premium Change for this Program:**	**# of Policy Holders Affected for this Program:**	**Premium:**	**Maximum % Change (where required):**	**Minimum % Change (where required):**	**Overall % Indicated Change:**
Companion Property & Casualty Insurance Company	0.000%	$0	0	$0	0.000%	0.000%	0.000%

SERFF Tracking Number:	*CMPX-125952578*	*State:*	*Arkansas*
Filing Company:	*Companion Property & Casualty Insurance Company*	*State Tracking Number:*	*EFT $100*
Company Tracking Number:	*P#08254 R/R*		
TOI:	*16.0 Workers Compensation*	*Sub-TOI:*	*16.0002 Employers Liability WC*
Product Name:	*Workers Compensation*		
Project Name/Number:	*AR WC Large Deductible Filing 1/1/09/P#08254 R/R*		

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Explanatory Memo	Approved	Yes
Supporting Document	Cover Letter	Approved	Yes

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	Neutral
Overall Percentage of Last Rate Revision:	0.000%
Effective Date of Last Rate Revision:	09/01/2008
Filing Method of Last Filing:	Prior Approval

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Companion Property & Casualty Insurance Company	0.000%	0.000%	$0	0	$0	0.000%	0.000%

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty

Review Status: Approved 12/18/2008

Comments:

Attachment:

AR - NAIC P&C TRANSMITTAL DOCUMENT.PDF

Satisfied -Name: NAIC Loss Cost Filing Document for Workers' Compensation

Review Status: Approved 12/18/2008

Comments:

Attachments:

Large Deductible Rating Procedure.PDF

Rating Sample.PDF

Bypassed -Name: NAIC loss cost data entry document

Review Status: Approved 12/18/2008

Bypass Reason: n/a

Comments:

Satisfied -Name: Explanatory Memo

Review Status: Approved 12/18/2008

Comments:

Attachment:

Explanatory Memo.PDF

Satisfied -Name: Cover Letter

Review Status: Approved 12/18/2008

Comments:

Attachment:

Cover Letter.PDF

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
	h. Subject Codes	

3.	Group Name	Group NAIC #
		661

4.	Company Name(s)	Domicile	NAIC #	FEIN #	State #
	Companion Property & Casualty Insurance Company	SC	12157	57-0768836	

5.	Company Tracking Number	P#08254

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Will Davis P.O. Box 100165 Columbia SC 29202	Manager of Actuarial Services	800-845-2724	803 865-3155	willie.davis@companiongroup.com

7.	Signature of authorized filer	
8.	Please print name of authorized filer	Will Davis

Filing Information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	16.0 Workers Compensation			
10.	**Sub-Type of Insurance (Sub-TOI)**	16.0002 Employers Liability WC			
11.	**State Specific Product code(s) (if applicable) [See State Specific Requirements]**				
12.	**Company Program Title** (Marketing Title)	Workers Compensation			
13.	**Filing Type**	☐ Rate/Loss Cost ☐ Rules ☒ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description)			
14.	**Effective Date(s) Requested**	New:	2/1/09	Renewal:	
15.	**Reference Filing?**	☐ Yes ☒ No			
16.	**Reference Organization** (if applicable)				
17.	**Reference Organization # & Title**				
18.	**Company's Date of Filing**	12/16/08			
19.	**Status of filing in domicile**	☐ Not Filed ☐ Pending ☒ Authorized ☐ Disapproved			

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Property & Casualty Transmittal Document

20.	**This filing transmittal is part of Company Tracking #**	P#08254

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

Companion Property and Casualty Insurance Company wishes to submit its Large Deductible plan for approval. The following information is included in the filing:

Explanatory Memorandum
Large Deductible Rating Procedure
Rating Sample

The form associated with the request has been filed under company filing number P#08254-Forms.

22.	**Filing Fees** (Filer must provide check # and fee amount if applicable.) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #:
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

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Participation in the Large Deductible Plan (the Plan) is accomplished by attaching the Maryland Large Deductible Endorsement Form (WC 99 03 01) to the standard Workers Compensation and Employers Liability Policy.

To be eligible for the Plan, the minimum annual Workers Compensation audited standard premium for all states combined is $500,000. The minimum deductible available under the Plan is $100,000.

The workers compensation large deductible premium equals:

DP = (EEL + ALC + FE + LBA) ÷ (1.0 – VER), where:

A. EEL = Expected Excess Loss

1. Standard Premium
2. Deductible
3. Excess Loss Factor for Deductible (From NCCI's Retrospective Rating Manual)
4. Hazard Group
5. Hazard Group Differential (From NCCI's Retrospective Rating Manual)
6. Expected Loss Ratio (ELR) *
7. Retrospective Rating ELR
8. Loss Elimination Ratio (A3 ÷ A7)
9. Expected Losses (A1 × A6)
10. Expected Limited Losses ([1.0 – A8)] × A9)
11. Expected Excess Losses (A9 – A10)

* The Expected Loss Ratio (ELR) is equal to 73.5%. The underwriter may increase or decrease this value to reflect individual policyholder characteristics based on the company's loss forecast for the individual risk and state characteristics based on benefit level changes mandated by law change.

B. ALC = Aggregate Limit Charge

1. Aggregate Limit **
2. Expected Losses (A9)
3. Loss Group Adjustment Factor (1.0 + [0.8 × A8]) ÷ (1.0 – A8)
4. Losses to Determine Expected Loss Group (A1 × A5 × A7 × B3)
5. Expected Loss Group, NCCI's Table of Insurance Charges
6. Entry Ratio in Table of Insurance Charges (B1 ÷ A10)
7. Insurance Charge
8. Aggregate Limit Charge (A10 × B7)

** The Aggregate Limit selected may not be less than 100% of standard premium.

C. FE = Fixed Expenses and Terrorism

1. Loss Adjustment Expense Factor ***
2. Loss Adjustment Expense (A9 × C1)
3. Other Fixed Expense and Risk Charge Factor ****
4. Fixed Expenses and Risk Charge (A1 × C3)
5. Payroll ($00)
6. Terrorism Charge per $100 Payroll
7. Terrorism Charge (C5 × C6)
8. Total Fixed Expenses (C2 + C4 + C7)

*** The Loss Adjustment Expense (LAE) Factor is equal to 11.9%. The underwriter may increase or decrease this value to reflect individual policyholder characteristics based on experience and favorable/unfavorable cooperation of the individual policyholder. The underwriter may also adjust this factor to reflect state characteristics based on company claim expenses in the state.

**** The Other Fixed Expense (e.g., other underwriting and policy issuance expenses) and Risk Charge Factor is equal to 8.5%. The underwriter may adjust this value to reflect individual policyholder characteristics based on expected cost of service requested by the individual policyholder, billing arrangements, security arrangements, company costs and operating expenses in the covered state. Companion uses third party administrators (TPA's), and all contracts for claims handling are between Companion and the TPA's. As such, company costs include expenses involved in using TPA's.

D. LBA = Loss Based Assessments

1. Assessment Rate, for items based on Losses
2. Expected Excess Losses (A11)
3. Loss Based Assessments (D1 × D2)

E. VER = Variable Expense Ratio

1. Acquisition Ratio and Profit & Contingency *****
2. State Tax & Premium-based Assessment Rates
3. Other Variable Expenses *****
4. Industrial Commission Operations Fund Surcharge
5. Total Variable Expense Ratio (E1 + E2 + E3 + E4)

***** The Acquisition Ratio and Profit & Contingency loading is equal to 15.0% and consists of 8.5% for Commission and Brokerage, 2.0% for Other Acquisition

Expenses, and 4.5% for Profit and Contingency. The Other Variable Expense loading is equal to 3.0%.

F. DP = Deductible Policy Premium

Premium = (A11 + B8 + C8 + D3) ÷ (1.0 – E4)

Definitions for Items Included in Rating Procedure

A. **Expected Excess Losses** – the component of the deductible premium to cover losses and ALAE in excess of the deductible limit.

A1 – **Standard premium** – the product of the manual loss cost, the loss cost multiplier, the exposure for the risk, and any applicable experience modification factor

A3 – **Excess Loss Factor for Deductible** – NCCI's filed workers' compensation retrospective rating excess loss and ALAE factor in the state for the loss limit selected

A5 – **Hazard Group Differential** – from NCCI's Retrospective Rating Manual, State Special Rating Values Page RR1

A6 – **Expected Loss Ratio** – the standard premium expected loss and ALAE ratio at current rates for full coverage

B. **Aggregate Limits Charge** – the component of the deductible premium to cover the amount of losses and ALAE expected to exceed the established aggregate limit. Similar to retrospective rating, the charge for the aggregate limit is found in the Table of Insurance Charges in NCCI's Retrospective Rating Manual using the most recent Expected Loss Groups for the entry into the Table of Insurance Charges. The Aggregate Limit selected may not be less than 100% of audited standard premium.

C. **Fixed Expenses and Terrorism** – the component of the deductible premium to cover expenses that do not vary with the final premium, and the terrorism charges. This includes unreimbursed loss adjustment expenses, TPA expenses, loss control, audit expenses, other general expenses, foreign and domestic terrorism, and a risk charge. The risk charge includes items such as insurance risk, credit risk, and characteristics of the risk not reflected elsewhere.

D. **Loss Based Assessments** – the component of the deductible premium to cover assessments which are based on the losses incurred.

E. **Variable Expense Ratio** – the component of the deductible premium that loads the Expected Excess Losses, Aggregate Limits Charge, Fixed Expenses, and Loss Based Assessments for expenses and surcharges that are expected to be a function of the final deductible premium. This includes acquisition expenses, premium-based taxes and assessments, and profit & contingency.

F. **Deductible Premium** – the premium charged to the policyholder for workers' compensation deductible coverage under the Plan.

Requiring that the employer provide collateral to secure reimbursement of the applicable deductible helps to protect the solvency of the insurer.

Large Deductible Policy - Arkansas
Sample Premium Calculation

A. EEL = Expected Excess Losses

1	Standard Premium (at Full Coverage)	467,657
2	Deductible	500,000
3	ELPF for Deductible	0.109
4	Hazard Group	C
5	Hazard Group Differential	1.260
6	Expected Loss Ratio	0.768
7	Retrospective Expected Loss Ratio	0.768
8	Loss Elimination Ratio (A3 ÷ A7)	0.142
9	Expected Losses (A1 × A6)	359,161
10	Expected Limited Losses ([1 - A8] × A9)	308,160
11	Expected Excess Losses (A9 - A10)	51,001

B. ALC = Aggregate Limits Charge

1	Aggregate Limit	None
2	Expected Losses (A9)	359,161
3	Loss Group Adjustment Factor (1 + [(0.8 × A8]) / (1 - A8)	1.298
4	Losses to Determine Expected Loss Group (A1 × A7 × A5 × B3)	587,400
5	Expected Loss Group	41
6	Entry Ratio in Table of Insurance Charges (B1 ÷ A10)	—
7	Insurance Charge	—
8	Aggregate Limit Charge (A10 × B7)	0

C. FE = Fixed Expenses and Terrorism

1	Loss Adjustment Expense Factor	0.119
2	Loss Adjustment Expense (A9 × C1)	42,740
3	Other Fixed Expense and Risk Charge Factor	0.085
4	Fixed Expenses and Risk Charge (A1 × C3)	39,751
5	Payroll ($00 Omitted)	398,200
6	Terrorism Charge per $100 Payroll	0.032
7	Terrorism Charge (C5 x C6)	12,742
8	Total Fixed Expenses and Terrorism (C2 + C4 + C7)	95,233

D. LBA = Loss Based Assessments

1	Assessment Rate, for items based on Losses	0.000
2	Expected Losses (A9)	359,161
3	Loss Based Assessments (D1 × D2)	0

E. VER = Variable Expense Ratio

1	Acquisition Ratio and Profit & Contingency	0.150
2	State Tax & Premium-Based Assessment Rate	0.055
3	Other Variable Expense Ratio	0.030
4	Total Variable Expense Ratio (E1 + E2 + E3)	0.235

F. Large Deductible Policy Premium [(EEL + ALC + FE + LBA) / (1.0 - VER)] 191,156

[(A11 + B8 + C8 + D3) ÷ (1.0 - E4)]

Background

This program is designed for larger, financially secure employers that desire an alternative to self-insurance. A Large Deductible Plan allows savings due to safe work practices and other forms of loss control to be immediately realized by the employer. At the same time, employers participating in a Large Deductible Plan retain the services and financial stability provided by an insurance company. The security of employees is preserved because the insurer has the primary responsibility to pay all claim liabilities to injured employees.

Coverage

Coverage would be afforded via a standard Workers Compensation and Employers Liability Policy with the Deductible Endorsement attached.

Rating Structure

Rates would be determined on an individual risk basis similar to the pricing of specific excess and aggregate insurance with provision for insurer expenses and profit. Costs for losses not assumed by the insured would be included.

Deductible Amounts

A range of deductible amounts would be offered. Minimum deductible is $100,000 with minimum annual Workers Compensation premium of $500,000 for all states combined.

Deductible Application

The deductible amount would apply to both Part One (Workers Compensation) and Part Two (Employers Liability).

The deductible amount would apply separately to each person who sustains bodily injury by disease and separately to all bodily injury arising out of an occurrence.

The deductible amount would apply on a combined basis to benefits, damages, and allocated loss adjustment expense per occurrence or per disease as appropriate.

Deductible Aggregates

An aggregate would be available to limit the deductible amount assumed by the insured employer.

Companion Property & Casualty Group
Real Solutions. Real People. Real Smart.℠

P.O. Box 100165 | Columbia, South Carolina 29202-3165
(803) 735-0672 | (800) 845-2724
www.CompanionGroup.com

Companion Property & Casualty
Insurance Company

Companion Commercial
Insurance Company

Companion Third Party Administrators

Companion Specialty
Insurance Company

December 16, 2008

Commissioner Julie Benafield Bowman
Arkansas Department of Insurance
1200 West Third Street
Little Rock, AR 72201-1904

Attn: Property & Casualty Division

RE: Companion Property & Casualty Insurance Company NAIC#: 661-12157 FEIN#: 57-0768836
Workers Compensation - Rate and Rule Filing - AR WC Large Deductible Filing 2/1/09
Company Filing: P#08254
Proposed effective date for new business on and after February 1, 2009

Dear Commissioner Benafield Bowman:

Companion Property and Casualty Insurance Company wishes to submit its Large Deductible Plan for approval. The following information is included in the filing:

Explanatory Memorandum
Large Deductible Rating Procedure
Rating Sample

The form associated with the request has been filed under company filing number P#08254-Forms.

Please let me know if you need additional information.

Sincerely,

LaTonya Ivey
Regulatory Compliance Analyst II
Phone: 803-795-7770
Fax: 803-870-8983
Email: latonya.ivey@companiongroup.com

Competence. Caring. Character.

Companion Property & Casualty sets the national standard for value-added insurance products and solutions by providing superior service and security for our customers, employees and owners.

SM Service Mark of Companion Property & Casualty Group