

**BEFORE THE
SOUTH CAROLINA DEPARTMENT OF INSURANCE**

In the Matter of:)	Order No. 2018-01
)	
Self-Funded Rates for the Workers')	Corrective Action Order
Compensation Assigned Risk Plan)	
)	
_____)	

This matter comes before me pursuant to the provisions of S.C. Code Ann. § 38-73-540(C) (2015). Section 38-73-540(C) provides:

It is essential for maintaining the viability of the assigned risk plan to establish and maintain rates at a level which permits the plan to operate as a self-funded mechanism. The plan administrator shall maintain necessary rate making data in order to permit the actuarial determination of rates and rating plans appropriate for the business insured through the plan. All assigned carriers shall report their experience on business written under the plan to the plan administrator in a format prescribed by the plan administrator. The plan administrator shall monitor rate adequacy and plan results and shall notify the director of the Department of Insurance in the event that excessive losses are indicated so as to enable the director to take corrective action.

Accordingly, the National Council on Compensation Insurance Inc. (NCCI), as the Plan Administrator for the State of South Carolina, sent a letter to the Department on October 27, 2017, advising that excessive losses are indicated for the assigned risk plan and are jeopardizing the ability of the plan to operate as a self-funded mechanism. That notice is attached to this Order as Exhibit A.

The Department's property and casualty actuary, Will Davis, FCAS, MAAA, reviewed the notice and other supporting data received from the Plan Administrator. He recommended revised rates and rating values for South Carolina's assigned risk market based upon his analysis. These revised rates and rating values were also provided to, and reviewed by, the South Carolina Consumer Advocate, who has no objection to them.

When losses in a particular class (or classes) are excessive, there is a need to correct the class relativities to reflect higher expected losses. The fact that the resulting overall impact may be a decrease would not invalidate the NCCI's assertion that assigned risk losses are excessive requiring corrective action to revise the assigned risk rate level.

Based upon the information and recommendations provided to me, I hereby conclude that rates in the assigned risk plan are inadequate and corrective action is necessary to ensure that the assigned risk plan is self-funded and self-sustaining in accordance with the requirements of § 38-73-540(C).

I hereby adopt and approve the recommendations contained in the actuarial report provided by the Department's Actuary.

IT IS THEREFORE ORDERED THAT in calculating the revised rates and rating values for the industrial class codes in South Carolina's assigned risk market, a loss cost multiplier of 2.578 shall be applied to the April 1, 2018 South Carolina voluntary market loss costs.

IT IS FURTHER ORDERED THAT revised assigned risk rates for the federal and coal mine class codes shall be calculated via application of a loss cost multiplier calculated based on the same expense and differential provisions underlying the industrial class codes' 2.578 loss cost multiplier and reflecting the most recent federal assessment and benefit levels.

IT IS FURTHER ORDERED THAT the minimum premium multiplier used to calculate the minimum premium for each class be increased from 185 to 200.

IT IS FURTHER ORDERED THAT the maximum minimum premium in the assigned risk market be increased from \$1,250 to \$1,500.


Raymond G. Farmer
Director

Columbia, South Carolina

January 24, 2018

CORRECTIVE ACTION ORDER NO. 2018-01

Exhibit A: NCCI Letter Dated October 27, 2017

(SEE THE FOLLOWING PAGE)

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**National Council on
Compensation Insurance**

Amy Quinn
State Relations Executive
Regulatory Services Division

803-356-0851
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October 27, 2017

Ray Farmer, Director
South Carolina Department of Insurance
1201 Main Street, Suite 1000
Columbia, SC 29201

RE: South Carolina Assigned Risk Rates

Dear Director Farmer:

I am providing, pursuant to Title 38, Chapter 73, Section 540 (C) of the South Carolina Code of Laws, 1976, as amended, a formal notice that excessive losses are indicated in the South Carolina Assigned Risk Plan and as such are jeopardizing the ability of the plan to operate as a self-funded mechanism. This notice is provided by the National Council on Compensation Insurance Inc., ("NCCI") in its role as plan administrator of the South Carolina Assigned Risk Plan.

In an effort to enable you to take appropriate corrective action, NCCI has, upon your request, provided to you information regarding the South Carolina Assigned Risk Plan.

In order to move toward achieving the self-sustaining requirement of § 38-73-540(C) and to ensure the stability of the assigned risk workers compensation market, it is necessary to reflect a revision to the current assigned risk rate level.

Accordingly, NCCI requests that the South Carolina Department of Insurance take corrective action in accordance with and pursuant to Title 38, Chapter 73, Section 540 (C) of the South Carolina Code of Laws.

In the event you require additional information please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "A Quinn".

Amy Quinn
State Relations Executive

Attachment

Cc: Will Davis