

BEFORE THE SOUTH CAROLINA DEPARTMENT OF INSURANCE

In the Matter of:) Order No. 2022-05
)
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 12, 2022, advising that excessive losses for the assigned risk plan are indicated. 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. Based upon his analysis Of the applicable data, he recommended revising rates and rating values for South Carolina's assigned risk market. 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 some rates in the assigned risk plan are inadequate and corrective action is necessary to ensure that the assigned risk plan is self-funded and rates are maintained at an adequate level 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 3.236 shall be applied to the April 1, 2023, 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' 3.236 loss cost multiplier and reflecting the most recent federal assessment and benefit levels.

A handwritten signature in blue ink that reads "Michael Wise". The signature is written in a cursive style and is positioned above a horizontal line.

Michael Wise
Acting Director of Insurance

Columbia, South Carolina

December 22, 2022

CORRECTIVE ACTION ORDER NO. 2022-05

Exhibit A: NCCI Letter Dated October 12, 2022

(SEE THE FOLLOWING PAGE)



David E. Benedict, CPCU, AU, WCP Regulatory Division

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October 12, 2022
Michael Wise, Acting Director
South Carolina Department of Insurance Capital
Center
1201 Main Street, Suite 1000
Columbia, South Carolina 29201
RE: South Carolina Assigned Risk Rates

Dear Acting Director Wise:

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 § 38-73-540(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 black ink, appearing to read "D. E. Benedict", is written over a light blue horizontal line.

David E. Benedict
Senior State Relations Executive