



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

JANE DEE HULL
Governor

2910 NORTH 44th STREET, SUITE 210
PHOENIX, ARIZONA 85018-7256
(602) 912-8456 (Phone) (602) 912-8452 (FAX)

CHARLES R. COHEN
Director of Insurance

CIRCULAR LETTER 1999-1

TO: Insurance Rating Organizations Insurance Industry Representatives;
Insurance Trade Associations; Property & Casualty Insurers; and, Other
Interested Parties

From: Charles R. Cohen
Director of Insurance

Date: April 2, 1999

RE: **Administration of Workers' Compensation Laws; Arizona Revised
Statutes, Title 20, Chapter 2, Article 4**

The Arizona Department of Insurance (Department) administers the Arizona Revised Statutes, Title 20, Chapter 2, Article 4, which governs workers' compensation (WC) rates and rate-related activities. In Circular Letter 1998-3 (attached), dated June 3, 1998, the Department discussed plans for designating a statistical agent.¹

An Arizona Statistical Agent (ASA) has been designated, is in operation, and is performing as planned. The Department's has received a number of questions about the purpose of the ASA and how it will interact with WC rating organizations. Therefore, I thought it would be helpful to provide you with the attached newsletter from the ASA that answers the most frequently asked questions.

¹ A.R.S. § 20-371(D) states:

The director may designate one or more rating organizations or other agencies to assist him in gathering such experience and making compilations thereof, and the compilations shall be made available subject to reasonable rules promulgated by the director, to insurers and rating organization, but no insurer shall be required to file its experience with an organization of which it is not a member or subscriber.

Establishing the ASA to maintain a statewide WC data base when multiple rating organizations operate in the state is only one piece of the multiple rating organization puzzle. Remaining considerations about the classification system, the assigned risk plan, experience rating and other matters must still be addressed. I believe the best approach is for the Department to work with representatives of the affected industry.

Therefore, I have established a WC Task Force (Task Force) to recommend action to me after addressing the following questions, without limitation, together with any attendant issues:

1. Should rating organizations be required to adhere to one uniform, statewide classification system?
2. Should there be one statewide WC assigned risk plan to which the membership of each operating rating organization must belong or may there be as many assigned risk plans as there are rating organizations?
3. Should the state adopt a statistical plan that is different from statistical plans used by private rating organizations?
4. Should there be one statewide WC appeals board or should each rating organization have its own?
5. Should there be one uniform, statewide experience rating plan?
6. What issues must be considered if a rating organization cannot operate or goes out of business?

The Task Force is composed of industry and insurer representatives and Department personnel. Deloris Williamson, Assistant Director, Rates and Regulations Division, will chair the Task Force.

I envision that the Task Force will meet several times between about April 22 and June 30, 1999. I will ask the Task Force to provide me with a report that analyzes the issues and makes recommendations for action, including recommendations for any proposed legislation.

If you believe there may be other issues that should be addressed, please provide your input to the attention of Deloris Williamson. Her telephone number is (602) 912-8461, and her FAX number is (602) 912-8421.