

STATE OF OKLAHOMA

2nd Session of the 45th Legislature (1996)

HOUSE BILL NO. 2699

By: Rice

AS INTRODUCED

An Act relating to workers' compensation; amending Section 3, Chapter 1, 2nd Extraordinary Session, O.S.L. 1994 (36 O.S. Supp. 1995, Section 902.3), which relates to calculation of workers' compensation premiums; adding requirements for experience rating plans; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 3, Chapter 1, 2nd Extraordinary Session, O.S.L. 1994 (36 O.S. Supp. 1995, Section 902.3), is amended to read as follows:

Section 902.3 A. Workers' compensation premiums shall be calculated on a basis that, as nearly as is practicable, after the effects of experience rating and other applicable rating plans have been considered, the sum of expected losses and expected expenses as a percentage of premium shall be the same for high and low wage-paying employers in the same job classification.

B. The experience rating plan shall contain reasonable eligibility standards, provide adequate incentives for loss prevention, and provide for sufficient premium differentials so as to encourage safety. The uniform experience rating plan shall be

the exclusive means of providing prospective premium adjustment based upon measurement of the loss-producing characteristics of an individual insured. An insurer may submit a rating plan or plans providing for retrospective premium adjustments based upon an insured's past experience. Such system shall provide for retrospective adjustment of an experience modification and premiums paid pursuant to such experience modification where a prior reserved claim produced an experience modification that varied by greater than fifty percent (50%) from the experience modification that would have been established based on the settlement amount of that claim. The rating plan shall prohibit an adjustment to the experience modification of an employer if:

1. The total medical cost does not exceed Five Hundred Dollars (\$500.00);
2. The employer pays all of the total medical costs;
3. There is no lost time from the employment; and
4. No claim is filed.

C. The State Board for Property and Casualty Rates and the Board of Managers of the State Insurance Fund shall:

1. Determine the extent to which high wage-paying employers are paying premiums higher than those which would produce the same ratio of expected losses and expenses to premiums as for employers paying lower wages;
2. Determine whether this effect is primarily seen in certain types of job classifications;
3. Investigate alternatives and modifications to the current method of computing workers' compensation premiums, including wage rate recognition plans used in other states, split classifications, wage rate caps, and hours worked;
4. Conduct a hearing or hearings on this matter, including consideration of other alternatives; and

5. Adopt rules by January 1, 1996, to become effective on July 1, 1996, unless disapproved by the Legislature, to equalize, as nearly as is practicable, expected losses and expenses as a percentage of workers' compensation premiums for high and low wage-paying employers in the same job classification. If the effect is found to be primarily seen in certain types of job classifications, the rules shall be adopted to apply only to such types of job classifications. The adopted rules shall be subject to legislative review and shall be promulgated as permanent rules pursuant to the Administrative Procedures Act. The agency rule report required by the Administrative Procedures Act shall include a rule impact statement together with an actuarial analysis of the proposed rule describing in detail the classes of persons who most likely will be affected by the proposed rules; the classes of persons who will benefit from the adopted rules; and the probable economic impact of the proposed rules upon the affected classes of persons. The actuarial analysis shall be prepared by an independent actuary selected by the State Board of Property and Casualty Rates. The rules shall not be invalidated on the ground that the contents of the rule impact statement or the actuarial analysis are insufficient or inaccurate.

~~C.~~ D. The cost of the premium adjustment plan shall be allocated among all employers purchasing workers' compensation insurance from all carriers, including the State Insurance Fund.

SECTION 2. This act shall become effective November 1, 1996.

45-2-8001

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