



STATE OF WASHINGTON
Department of Labor and Industries

Retrospective Rating Program
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October 1, 2015

Dear Colleagues,

Currently, L&I's actuaries are reviewing and updating the **Insurance Charges Tables** to ensure fairness in the distribution of the Retro refunds among participants. As a part of the process to ensure fairness, *Oliver Wyman Actuarial Consulting* has been contracted to review the work of our actuaries.

We have received questions regarding the scope of the work and the types of updates that might be made as a result of this review. While the actuaries are still in the process of reviewing the tables and factors and determining what updates are needed, I have included information (attached) that outlines the scope of the work that Wyman has been contracted to review.

The **left** column of the table includes the scope of the work as outlined in the contract with Wyman. The **middle** column includes the relevant Washington Administrative Codes (WACs) affected by this work. The **right** column includes language outlining the specific area in each WAC that might be affected by this work.

Please contact me if you have any questions regarding this document, or any questions regarding the Insurance Tables study. I can be reached by email or telephone (see below).

Thank you.

Debbie Sanders
Enrollment Coordinator
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360-902-5256

Attachment

	Contract language	Washington Administrative Code (WAC)	Notes
1.1	Review proposed 2016 table of risk classification assignments to the nine hazard groupings.	296-17-901	Risk classes per hazard group
296-17B-560		Determining your <u>hazard group</u> and size group. (1) Each risk classification is assigned to a hazard group, as shown in WAC 296-17-901. To determine your hazard group, we will first multiply your standard premiums in each risk class by the hazard group index for that risk class. This is called the adjusted standard premium.	
296-17B-910– 296-17B-990		Insurance Charge Table // Insurance Savings Table -Based Plan, with -Single Loss Limits Hazard Group -	
1.2	Review proposed 2016 actuarial retrospective rating tables: <ul style="list-style-type: none"> • Insurance charge/savings. • Premium size groups. • Retrospective rating factors. <ul style="list-style-type: none"> ○ Expected loss ratio factors per fund. ○ Premium administration expense factor. ○ Loss adjustment expense factor. 	296-17-901	We will determine your size group based on your standard premiums using the table in WAC 296-17B-900
296-17B-300		Choosing loss limits <ul style="list-style-type: none"> • Single loss occurrence limit • Aggregate loss limits <ul style="list-style-type: none"> ○ Minimum loss ratio, maximum loss ratio • Restrictions on choice of limits 	
296-17B-440		Net insurance charge (Loss-based) your net insurance charge will be calculated using the following formula: $\frac{\text{Loss insurance charge factor} - \text{Loss insurance savings factor}}{[1.0 - (\text{Loss insurance charge factor} - \text{Loss insurance savings factor})]} \times \text{Incurred loss and expense charge}$ Your loss insurance charge factor and loss insurance savings factor will depend on your maximum and minimum loss ratio choice, size group and hazard group	
296-17B-560		Determining your hazard group and size group	
296-17B-830		Expected loss ratio factors <ul style="list-style-type: none"> • Accident Fund \ 81.2% • Medical Aid Fund \ 88.0% Separate factors will be calculated by fund and also by enrollment period at the time of each annual retrospective rating adjustment.	
296-17B-910– 296-17B-990		* See above	

	Contract language	Washington Administrative Code (WAC)	Notes
1.3	Review proposed 2016 largest minimum loss ratios and the smallest maximum loss ratios used in the Retrospective Rating Insurance Charge Tables.	296-17-901 296-17B-300 296-17B-440 296-17B-560 296-17B-830 296-17B-910– 296-17B-990	* See above
1.4	Review proposed 2016 minimum premium to participate as an Individual member.	296-17B-100	Individual retrospective rating <ul style="list-style-type: none"> • Have paid standard premiums at least equivalent to the minimum premium listed in size group 1, Table 1, WAC 296-17B-900, in the four calendar quarters prior to applying for enrollment
		296-17B-900	Retrospective rating plans standard premium size ranges <ul style="list-style-type: none"> • Size group number / Standard premium range
1.5	Review the experience of 2011 and 2012 enrollments to see whether the use of hazard groups and increasing the number of development factors from the previous five (5) factors used prior to 2008 have together improved the accuracy and fairness of Retrospective Rating.	296-17B	