



Evaluating Retro Groups

When considering joining a Retrospective Rating (Retro) group, it is important to choose a group that best fits the needs of your company. Below are questions that will help you determine which group is right for you.

What about enrollment?

Given the potential for refunds or assessments, it's important to take the time to understand what enrollment actually means. This minimizes the potential for misunderstandings at adjustment time.

If you enroll in a group plan, the sponsoring association will typically ask you to sign at least two documents:

1. An *Application for Group Membership*, which is a single-page agreement generated by L&I. This will include the name of the group, coverage period, and general provisions of enrollment.
2. An association administrative contract, which is generated by the group and provides the details of how the group is to be administered. L&I is not a party to or involved in the creation of this contract. *Be sure you read the fine print!*

What is their enrollment deadline?

Although the deadline for submitting applications from the group to L&I falls on the 15th of the month, most groups have an earlier internal deadline prior to the beginning of the coverage period to allow ample time for evaluating and organizing their enrollment package.

What underwriting criteria does the group use?

Groups can deny enrollment or re-enrollment to any otherwise eligible company or firm they feel is not a "good risk." The group may consider a company's:

- L&I experience modification factor.
- Past retrospective "loss ratios."
- Claim frequency and severity rates.
- Loss control programs in place.

Some groups might not do this type of screening but may instead work hard on educating and motivating all their members during the retrospective year. It might be important to you as a prospective member to know the types of firms that are being admitted into your group.

How much is the group risking?

Make sure the group isn't risking more than you could afford to be assessed if the group doesn't perform well.

How has the group performed historically?

- How many years has the group been enrolled in Retro?
- How many coverage periods have resulted in refunds (or assessments)?
- What has been the average percentage refund (or assessment)?

How are refunds/assessments distributed among group members?

L&I calculates an aggregate refund or assessment for the group. It is up to the group to distribute the refund or assessment among members. There is no one best distribution method, but it is important to know up front what method is being used so that there are no surprises later on. Common distribution methods include:

- **Pro-rated:** Group members end up with the same percentage refund or assessment as the group as a whole earned regardless of their individual claim performance.
- **Merit-rated:** A member's share of the refund or assessment is based on their own claim performance.
- **Hybrid:** Refunds are partially merit-rated and partially pro-rated.

When will refunds be distributed to group members?

Each coverage year undergoes three adjustments. The first retrospective adjustment from L&I is made about 10 months after the coverage period ends. The second and third adjustments occur on an annual basis thereafter. Depending on the group, refunds can be:

- Distributed after each adjustment.
- Held until the second adjustment has been completed.
- Held until the third and final adjustment has been completed.
- Distributed only after first and third adjustments.

How are association membership dues and Retro group administrative fees determined?

Association dues or administrative fees may be based on the following:

- Flat fees charged up front.
- Percentage of the members' quarterly L&I premium.
- Percentage deducted from any refunds or added on to any assessments.
- Any combination of these.

What services are provided by the group to its members in order to promote accident prevention and claims management?

- Does the association have its own safety and claims management specialists?
- Do they contract with a third-party administrator?
- Do they provide educational opportunities for members?

Are there any exit clauses if you discontinue your enrollment with a group?

When considering leaving a group, there may be costs tied to the remaining adjustments of your participative years in the group. Your obligations to the group may continue for up to three years after you have left. Make sure you know these obligations.

For more information

An L&I Retro Coordinator can assist you with your questions. Contact us now:

- 360-902-4851
- Email to Retro@Lni.wa.gov
- On the Web at www.Retro.Lni.wa.gov
- Or contact a Retro group you are considering