

## **Retrospective Rating Program Exception Criteria and Evaluation Pilot Rule-Making for Common Ownership rule (WAC 296-17B-770)**

1) Based on the work and input of the Retro Advisory Committee (RAC) Common Ownership Workgroup, exceptions to WAC 296-17B-770 may be granted under the following situations:

- a) Two or more companies are commonly owned, but are sufficiently managed independently so that the exception is consistent with the purpose of the Retrospective Rating Program.
  - For example, firms have separate management, are separated by structure or location, training requirements, safety requirements, etc.
- b) The covenants or by-laws of the sponsoring entity prohibit the inclusion of the type of business for membership in the association:
  - For example, Retro Group of franchise restaurant owners, but a similar sub-account is not a restaurant.
- c) A sub-account was recently acquired or purchased, or newly identified, and is not yet ready to enroll.
  - For example, the owner has requested more time to evaluate and implement safety programs and requests permission to enroll in an upcoming quarter.

2) Exception Request and Evaluation:

- a) To request an exception, the employer, the sponsoring organization (Retro Group) and/or their Third Party Administrator (TPA) must submit the request on the Common Ownership Pilot Exception Request Form. Documentation to support the Exception Request must be included if applicable, such as proof of management structure, business locations, photographs, association by-laws or underwriting criteria, membership agreements, employer affidavit, claims management policy, outline of intention to enroll in future quarter, etc.
- b) If related sub-account(s) are identified by the employer, Retro Group and/or TPA ahead of an enrollment quarter, requests for exception must be submitted on or before the deadline for enrolling new member applications.
- c) If L&I Retro staff identify similar sub-accounts through the enrollment process, we will notify the employer, Group and/or TPA and allow 10 business days to complete and submit the Common Ownership Pilot Exception Request Form and supporting documentation if applicable.

- d) Requests for exception and supporting documentation will be verified and evaluated by the L&I Retrospective Rating Staff and Program Manager and the decision to allow the account not to enroll will be based on review of the documentation and information submitted. The Department will communicate the decision in writing and include the basis for the decision.
- e) Once review of the account(s) and documentation is complete, we will communicate decisions in writing to the employer, Group and/or TPA. Along with other department staff, Retro staff will monitor all related sub-accounts' claims activity and provide at least quarterly updates to the Department leadership, the RAC, and pertinent workgroups.
- f) Accounts considered as part of the exception process will be monitored throughout the pilot to ensure accurate claim assignment.
- g) The exceptions granted under 1a and 1b are effective for the 12 month Retro coverage period.
- h) Exceptions under section 1c will be granted for no more than two quarters. When the exception period has expired, the Retro participant must immediately enroll the exempted account or the enrolled account will be disenrolled.

3) Other situations will not be granted an exception, including the following:

- a) A related sub-account does not voluntarily elect to participate
- b) A related sub-account is not a dues paying member of the sponsoring organization – for reasons other than covenants or by-laws or structure of the sponsoring association
- c) A related sub-account cannot meet the association's requirements for KOS (Kept on Salary) or other incentive programs
- d) A related sub-account may not have any employees, sub-account is for the owner/officers
- e) The owner does not want to pay additional dues/fees to join trade association just to join Retro

As part of the pilot program, the Department will be collecting information on situations for possible exception not already identified. Exceptions cannot be granted during the pilot, however, this information will be evaluated as part the pilot. Retro participants are encouraged to send that information to the Department.

4) This pilot is in effect starting with the October 1, 2015 enrollment, and will continue through the enrollment effective July 1, 2017, unless terminated sooner by the Department. Exceptions granted before the pilot termination date will remain in effect through the applicable coverage period unless otherwise specified.

Proposed Exception Scenarios for Pilot – Acceptable? Y/N	Yes	No
<p>Account xxx,xxx-00 is currently enrolled in Retro. During re-enrollment, account #xxx,xxx-01 is identified by the department as a similar sub account of xxx,xxx-00. The Retro Group has talked with the owner and the owner does not want to enroll account xxx,xxx-01 in Retro. The sub-account is a property management company that pays minimal wages and very small premium. They don't feel that the additional fees (association membership dues) they would be required to pay to enroll the sub account are cost effective for such a small company. Based on these facts, the Retro group does not feel that account xxx,xxx-01 should be required to enroll.</p>		<p>✓</p>
<p>Account xxx,xxx-00 is currently enrolled in Retro. Account # xxx,xxx-01 is a similar sub account of xxx,xxx-00. Account # xxx,xxx-01 does not meet the Retro group's underwriting criteria. According to the most recent premium and loss data provided to the Retro group by L&amp;I, this account pays less than \$500 in premium and has had a couple years of very high claim severity. Based on this, the Retro group does not feel this company is a good risk for our program and should not be forced to enroll this company in Retro.</p>		<p>✓</p>
<p>Two companies (A and B) have been in business and enrolled in Retro for many years. A and B were purchased by a holding company along with 2 other similar companies that formerly were all competitors (C and D). All four companies should not be forced to join because of new ownership structure. All 4 companies are managed independently and the ownership is strictly financial (holding company). (Exception Category Type 1a)</p>	<p>✓</p>	
<p>Company A has an excellent safety record and has been in a Retro Group for years. A second company is purchased by Company A's owner. Company A is located in Woodinville and Company B is located in Longview. The newly purchased company does not have the same safety requirements and training in place and therefore not a good candidate (yet) for Retro. Company A should not be forced to leave Retro because of the newly acquired company. (Exception Category Type 1a)</p>	<p>✓</p>	
<p>A McDonald's restaurant was part of The McDonald's Retro Group for many years. One of the McDonald's owners purchased a liquor store, and during re-enrollment of the group and its current members, the liquor store was identified as a similar sub-account. The liquor store was required to join Retro or the McDonald's could not remain in Retro. The liquor store was not like the restaurants in the Group, did not meet the requirements of the Group Bylaws. The liquor store was required to join another Retro Group or enroll as an individual. (Exception Category Type 1b)</p>	<p>✓</p>	

Proposed Exception Scenarios for Pilot – Acceptable? Y/N	Yes	No
<p>The department identified a commonly owned, similar sub-account to an account that is enrolled in a Retro group. The group was unaware of this account and ownership structure, and would like one quarter/two quarters to work with owner regarding the other account to improve their performance before bringing in to the group. (Exception Category Type 1c)</p>	✓	
<p>One firm is in Retro and is able to meet the Retro Group/Association’s requirements to be part of their retro group (such as a Kept on Salary requirement) but financially another commonly owned business is not able to fulfill all of those same requirements. The 2<sup>nd</sup> firm should not be forced to join the Retro group and the first firm shouldn’t be required to stay out when they are ready and able to fulfill the Retro group/Association requirements.</p>		✓
<p>Company A and Company B are commonly owned and have similar risk classes assigned. Company A submits an application for enrollment in Retro but the owner does not want Company B enrolled because Company B currently does not have any employees. According to the owner, it’s just him and his father and they are officers and haven’t elected for coverage.</p>		✓
<p>Company B is a similar sub account of Company A. The Retro group spoke with the owner of the companies and he does not want to enroll Company B in Retro. According to the owner, all of the employees are reported in Company A. Based on the most recent premium and loss history that L&amp;I sent the Retro group for Company B, there were no hours were reported in the past 4 quarters. Based on this information, Company B should not be forced to enroll.</p>		✓
<p>The department identified xxx,xxx-03 as a similar sub account of xxx,xxx-02 which has been enrolled in Retro. The Retro group has spoken with the company about enrolling the -03 sub account. The owner does not want to enroll the -03 account in the program because the -03 account reports minimal hours to L&amp;I and pays very little in premium. The enrollment fee and membership dues required to enroll this company in Retro don’t make financial sense for the company. Based on this, this account should not be forced to enroll.</p>		✓