

ORDER R97-03

WITHDRAWAL OF APPROVAL OF INDUSTRIAL INDEMNITY THREE-YEAR POLICY PLAN ENDORSEMENT

The Director of the Division of Insurance does hereby find as follows:

Background:

1. On June 30, 1989, the Director of the Division of Insurance approved a three-year policy plan endorsement submitted by Industrial Indemnity. This endorsement provides that a schedule rating expense credit will be applied to a workers' compensation policy if the insured renews coverage with Industrial Indemnity for a three-year period. If the insured cancels coverage during this three-year period, the schedule rating expense credit is removed from all policies, retroactive to the inception date of the three-year policy plan.
2. Schedule rating is a prospective method of rating used to reflect characteristics of the risk that affect expected losses and are not otherwise accounted for in the rates. Retroactive removal of a schedule credit is not an appropriate use of schedule rating.
3. The Director has received similar filings from other insurers, all of which have been disapproved. The disapproval was based on AS 21.36.290, which states that a policy written for a term longer than one year is considered to have been written for successive policy periods or terms of one year. The removal of a schedule credit after a policy period or term due to actions on a subsequent policy is a violation of AS 21.36.290.

THE DIRECTOR HEREBY ORDERS:

- A. Under the authority of AS 21.42.120(c), the Director hereby withdraws approval of Industrial Indemnity Endorsement 1XD05 R1 (04/72), Three-Year Policy Plan Endorsement. Effective April 1, 1997, this endorsement is no longer approved.
- B. Any policies currently written with a credit in accordance with this endorsement may remain in effect until they expire. However, if an insured elects to cancel a policy containing this endorsement, the expense credit may not be removed from the

canceled policy or from any previous policies.

Date: March 6, 1997.

Marianne K. Burke
Director of Insurance