



Division of Insurance

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ORDER NUMBER R 02-06

November 8, 2002

**ORDER REGARDING WORKERS COMPENSATION INSURANCE PLAN
SERVICING CARRIERS**

BACKGROUND

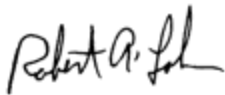
- A) Alaska National Insurance Company (ANIC) has acted as the sole servicing carrier for the Alaska Workers Compensation Insurance Plan (WCIP) since 2000 and has provided service in accordance with the requirements and standards of the Servicing Carrier Contract between ANIC and the National Council on Compensation Insurance (NCCI), the plan administrator.
- B) ANIC became the sole servicing carrier in 2000 when all other servicing carriers for WCIP had withdrawn from the market.
- C) The director wishes to ensure that ANIC continues to provide high quality services for assigned risk policyholders in Alaska.
- D) It is essential to have continuity in the provision of services in the Alaska market.
- E) It is in Alaska's interest to have more than one WCIP servicing carrier, as long as the continuity, quality, and cost effectiveness of services are maintained.
- F) The director has instructed the NCCI in its role as plan administrator to conduct a solicitation for servicing carriers in Alaska who would be eligible to provide services in accordance with the provisions and standards of the WCIP.
- G) NCCI has completed this solicitation and has identified three qualified servicing carriers. The director intends to implement a smooth transition to multiple servicing carriers in a manner that maintains the continuity, quality, and cost effectiveness of WCIP services with the least disruption to the current workers compensation insurance market in Alaska.
- H) The WCIP plan of operation, filed and approved under 3 AAC 30.030, requires the director's review and approval of the criteria used to select servicing carriers.

THEREFORE, THE DIRECTOR ORDERS:

- 1) NCCI as the plan administrator, shall enter into a new three-year contract with no more than three insurers to act as servicing carriers for the term January 1, 2003 through December 31, 2005.

- 2) NCCI shall maintain the existing servicing carrier allowance for the length of the three-year term, subject to an annual review by NCCI and the division of servicing carrier expenses for the designated servicing carriers. Further, NCCI, in its professional discretion and expertise, shall manage new assignments, renewals of existing WCIP policies, and future quotas with no more than three servicing carriers in such a way that the continuity, quality, and cost effectiveness of Alaska WCIP services are maintained.
- 3) In order to maintain continuity of service, each servicing carrier shall offer renewals to their assigned risk policyholders in accordance with WCIP standards during the term of their servicing carrier contract. New business shall be assigned to each of the servicing carriers on a quota basis as determined by the plan administrator. If three insurers agree to become servicing carriers, to the extent possible, the new business assignments for the first year should result in approximately 10 percent of the total assigned risk premium going to each of the two new servicing carriers. This percentage will increase to no more than 20 percent of the total assigned risk premium for each new servicing carrier by the end of the third year.
- 4) NCCI shall include terms in the servicing carrier contracts to provide that, in addition to any remedies available to the plan administrator under the Servicing Carrier Contract or the WCIP, the director may, in his discretion, order a servicing carrier to remedy any performance deficiencies, seek a court order of specific performance, cancel this agreement for failure to meet performance or eligibility criteria in the Servicing Carrier Contract, or impose any other applicable penalties under Alaska insurance law.

This order is effective November 8, 2002.



Robert A. Lohr
Director