

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

# SENATE BILL 1331

AN ACT

AMENDING SECTION 20-359, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-359.01; RELATING TO WORKERS' COMPENSATION RATE FILINGS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-359, Arizona Revised Statutes, is amended to  
3 read:

4 20-359. Deviations from filed workers' compensation rates

5 A. Every insurer shall adhere to the filings made by the rating  
6 organization of which it is a member, except that any member insurer may  
7 file with the director:

8 1. A uniform percentage decrease or increase **IN ANY RATE FILING** to  
9 be applied to the statewide rate portion of ~~the rating organization's~~ **THAT**  
10 rate filing.

11 2. A subclassification rate related rule that deviates from the  
12 rules or **ANY** schedule rating plan filed by the insurer's rating  
13 organization. An insurer shall not apply a deviation and a schedule  
14 rating plan within the same ~~insurance company~~ **RATE FILING**.

15 B. Each deviation filed shall be on file with the director for a  
16 waiting period of at least thirty days before it becomes effective. On  
17 written application by the insurer making the filing, the director may  
18 authorize a filing to become effective before the waiting period expires.  
19 A deviation that is filed pursuant to subsection A, paragraph 1 of this  
20 section and that is not disapproved by the director expires the following  
21 December 31 at midnight in this state unless the director terminates the  
22 deviation sooner. A deviation that is filed pursuant to subsection A,  
23 paragraph 2 of this section continues until the insurer withdraws the  
24 deviation or the director determines that the deviation no longer meets  
25 the standards prescribed in section 20-356, paragraph 1. At any time the  
26 director may require an insurer to actuarially support a deviation. The  
27 insurer that files the deviation shall simultaneously send a copy of the  
28 filing to the rating organization of which it is a member and to any  
29 designated rating organization.

30 C. A rating organization shall notify the director if the  
31 organization disapproves any deviation relating to workers' compensation  
32 insurance. The director shall notify the industrial commission of the  
33 disapproval within ten days of receipt of the disapproval from the rating  
34 organization.

35 Sec. 2. Title 20, chapter 2, article 4, Arizona Revised Statutes,  
36 is amended by adding section 20-359.01, to read:

37 20-359.01. Requirements for workers' compensation tiered rate  
38 filings

39 **A. SUBJECT TO THE OTHER PROVISIONS OF THIS ARTICLE, AN INSURER**  
40 **TRANSACTIONING WORKERS' COMPENSATION INSURANCE MAY FILE WITH THE DIRECTOR A**  
41 **RATE FILING FOR WORKERS' COMPENSATION INSURANCE THAT PROVIDES FOR A PLAN**  
42 **WITH MORE THAN ONE RATE TIER FOR THAT INSURER OR A GROUP OF INSURERS UNDER**  
43 **COMMON MANAGEMENT IF THE FILING COMPLIES WITH THE FOLLOWING REQUIREMENTS:**

- 1           1. EACH TIER IS ESTABLISHED CONSISTENT WITH UNDERWRITING RULES THAT  
2 ARE BASED ON CRITERIA THAT WOULD LEAD TO A LOGICAL DISTINGUISHING OF  
3 POTENTIAL RISK.
- 4           2. SUPPORTING ACTUARIAL ANALYSIS OR OTHER INFORMATION IS PROVIDED  
5 THAT SHOWS A CLEAR DISTINCTION BETWEEN THE FOLLOWING FOR EACH TIER:  
6           (a) EXPECTED LOSSES AND EXPENSES.  
7           (b) ACTUAL LOSSES AND EXPENSES.
- 8           B. AN INSURER FILING TIERED RATINGS PURSUANT TO THIS SECTION SHALL  
9 FILE WITH THE DIRECTOR AN UPDATE OF THE ACTUARIAL ANALYSIS OR OTHER  
10 INFORMATION REQUIRED UNDER SUBSECTION A, PARAGRAPH 2 OF THIS SECTION AT  
11 LEAST EVERY THREE YEARS.
- 12           C. AN INSURER USING TIERED RATINGS MAY APPLY UNDERWRITING EXPERTISE  
13 AND JUDGMENT IN THE TIER PLACEMENT PROCESS IF THE UNDERWRITING EXPERTISE  
14 AND JUDGMENT:  
15           1. IS APPLIED IN A CONSISTENT MANNER.  
16           2. WHEN APPLIED, IS FAIR, REASONABLE AND FULLY DOCUMENTED.