



**OKLAHOMA INSURANCE DEPARTMENT**  
STATE OF OKLAHOMA

**BULLETIN NO. PC 2006-02**

**TO: ALL PROPERTY & CASUALTY INSURERS LICENSED TO WRITE  
ALL RATING AND ADVISORY ORGANIZATIONS  
WORKERS' COMPENSATION INSURANCE IN THE STATE OF OKLAHOMA  
Attention: State Filing Division**

**RE: WORKERS' COMPENSATION LARGE DEDUCTIBLE PLANS**

**FROM: OKLAHOMA INSURANCE DEPARTMENT**

**DATE: April 7, 2006**

**CONTENT OF THIS BULLETIN**

A large deductible plan is defined as a plan for workers' compensation insurance that includes a provision in workers' compensation policies that maintains an insurer's entire obligation for payment of an insured loss and provides that an insured employer will reimburse the insurer for the first part of that loss subject to an agreed upon amount. The Oklahoma Insurance Department finds that uniform guidelines are needed for workers' compensation insurance policies that include large deductible plans. This information results from a study conducted by the National Association of Insurance Commissioners, in conjunction with the International Association of Industrial Boards and Commissions. The Oklahoma Insurance Department finds that the use and approval of large deductible plans may help control workers' compensation insurance premiums and increase market availability for employers who meet specified financial requirements, and may increase the incentive for workers' compensation insureds to implement loss control programs. The State Board for Property and Casualty Rates previously issued guidelines for large deductible plans in Order 93-360, and by an Amendment to the Order dated May 18, 1995. The purpose of this Bulletin is to put in place guidelines with similar intent.

The Oklahoma Insurance Department has set criteria that will allow the approval, disapproval, or the approval with modifications, of large deductible plans that will not violate the provisions of the Oklahoma Insurance Code. The following guidelines for submission of workers' compensation large deductible plans are hereby adopted by the Oklahoma Insurance Department:

- The insurer shall use a standard workers' compensation and employers' liability policy approved for use in Oklahoma, pursuant to Title 85, Section 64.

- The insurer shall submit to the Department an endorsement that requires the insured to reimburse the insurer for losses the insurer pays up to the large deductible amount, pursuant to Title 36, Section 3610.
- The policy and/or endorsement shall not relieve the insurer of any obligations under Title 85, Section 64 should the insured fail to reimburse the insurer. The endorsement shall include a disclosure of the responsibilities of both the insured and the insurer under the large deductible plan, and shall include a statement that the failure to reimburse the insurer will not affect coverage for an eligible insured employee under the policy from the first dollar of the loss.
- If the large deductible endorsement is terminated, any additional premiums generated due to the deletion of the large deductible endorsement will be charged to the insured. Failure to reimburse any additional premiums may also be grounds for policy cancellation, consistent with the provisions of Title 36, Section 3639 and Title 85: 64 (G).
- The insurer may offer an annual aggregate large deductible amount.
- The deductible amount shall apply to indemnity and medical benefits.
- Based on an agreement between the insured and insurer, the large deductible amount may be applied to allocated loss adjustment expenses.
- The large deductible amount shall be selected from the estimated annual standard countrywide workers' compensation premium for that insured at the inception date of the policy. The amount of \$2,500.00 is the maximum small deductible, pursuant to Title 85: 64 (D). The large deductible begins above \$2,500.00. The maximum large deductible amount shall not exceed forty percent (40%) of the estimated annual standard countrywide workers' compensation premium, unless the insurer requires the employer to provide some type of secured collateral. The company must provide information regarding the type of secured collateral that the employer will be providing, to utilize a large deductible greater than the forty percent (40%) of the estimated annual standard premium, in their rule pages for the Large Deductible Plan.
- Premium development will be "A rated," and the insurer must comply with Section 365:15- 7-17 of the Oklahoma Administrative Code.

Effective immediately all **form filings** for large deductible plans must meet the standards outlined in this bulletin. Form filings must be submitted separately from the rate and/or rule filing.

- A. The form filing must also meet all other requirements of a complete filing, as described by Oklahoma Administrative Code § 365:15-1-3.

Effective immediately all **rate and rule** filings for large deductible plans must meet the standards outlined in this bulletin and shall include:

- A. An explanation of the general purpose behind offering the large deductible plan;
- B. A specific rule of eligibility for the plan. This rule must be uniform so as to allow any risk of a certain size or financial condition to be eligible;
- C. The plan must contain a minimum and maximum loss reimbursement amount, which can be either a flat dollar amount or a percentage of the premium.
- D. All factors used in the method or formula for determining the large deductible program must be described, and an illustrative example must be included.
- E. A description of other items for which the insured will be responsible or which would affect the underwriting or rating of the plan, such as letters of credit, surety bonds, etc.
- F. The filing must meet all other requirements of a complete filing, as described by Oklahoma Administrative Code § 365:15-7-3.

At the Commissioner's discretion, a large deductible filing may be submitted to an independent actuary for review, pursuant to Okla. Admin. Code § 365:15-7-18(d).

Insurers submitting workers' compensation large deductible plans must comply with Title 36, Section 612.2.

Statistics reported to a designated statistical agency for ratemaking purposes shall be reported as required by that statistical agency.

### **QUESTIONS**

Questions applicable to this bulletin should be submitted in written form to Marsha Finch at [marshafinch@insurance.state.ok.us](mailto:marshafinch@insurance.state.ok.us) of the Property and Casualty Division, or Oklahoma Insurance Department, P. O. Box 53408, Oklahoma City, OK 73152-3408.

The Oklahoma Insurance Department encourages readers of this bulletin to periodically check the Department's web site <http://www.oid.state.ok.us/> for news and updates to Bulletins and other relevant material.