



AMERICAN ACADEMY *of* ACTUARIES

March 10, 2007

Mr. John Purple, Chair
Casualty Actuarial (C) Task Force
National Association of Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108-2604

Re: Comments re: Large Deductible Subgroup Survey Proposal for State Page Reporting

Dear Mr. Purple:

The Workers' Compensation Subcommittee of the American Academy of Actuaries (hereinafter WC Subcommittee) is pleased to see that the Casualty Actuarial Task Force (CATF) is considering surveys of the industry and state regulators regarding the bases in use for taxes and assessments today and data being collected with respect to large deductible coverages. We have previously recommended such an effort, and we believe that compiling this kind of inventory will provide a useful reference for CATF in deciding whether to propose a standard reporting format for large deductible data and, if so, determining what information such a construct should contain.

Below are some modifications that we would respectfully propose for the state regulator and industry surveys.

For both the state regulator and industry surveys, we would substitute "considering" for the words "working on a proposal to address" in the first introductory line, and we would similarly replace "developing an appropriate reporting mechanism" with "our review" in the first line after the presentation of the text of the NAIC Recommendation #14. As presented, we feel that the language presupposes that new reporting forms and requirements pertaining to deductible coverages will be forthcoming, and we are concerned that this characterization in the survey may influence at least some responses.

With regard to the state regulator survey, we would suggest modifying question 1 as follows:

1. Does your state have any special calls or other available sources for large deductible data reporting?
Yes No

If so, please provide specimen copies of those calls and/or other sources and any related instructions or documentation explaining the data being requested and provided.

We would further suggest changing question 2 to read as follows:

2. Does your state have adequate information to monitor large deductible policies, either for assessment purposes or for market analysis purposes?
Yes No

If not, what additional information do you feel is needed for these purposes, and how would that information be helpful?

We are not certain how states would meaningfully contemplate the adoption of a potential and undefined "standard reporting format" at this juncture, and would be inclined to defer posing question 3 until the states can have a clear understanding of what the standard report (if such a report recommendation is forthcoming) would contain.

On the CATF teleconference held last month, mention was also made of needing to collect information on the applicability of state taxes and assessments to self-insured employers. With that in mind, we recommend that one additional question be added to the state regulator survey:

Is any data collected by the state pertaining to self-insureds and used for the purpose of levying taxes and/or assessments?

Yes No

If so, please list each tax or assessment for which self-insured data is collected, and identify the specific data fields or elements collected from self-insureds for purposes of each such tax or assessment.

With regard to the industry survey, we would suggest modifying question 1 to read as follows:

1. Please list and describe each tax or assessment that you currently pay in each state on workers' compensation business (including but not limited to premium taxes, second injury fund assessments, guarantee fund assessments, and assessments to fund workers' compensation administrative agencies). Include a description of the purpose of each of these taxes or assessments.

We would then change question 2 as follows:

2. For each tax or assessment listed in question 1, define the specific basis used for determining the amount of the tax or assessment (e.g., premium as reported on Page 15 of annual statement, calendar year indemnity payments, etc.) Specify whether large deductible business is included in the base, and, if so, whether the premiums and/or losses attributable to large deductible business are used net or gross of the effects of deductible credits and/or reimbursements.

We would suggest changing question 3 to read as follows:

3. What is/are the source(s) for the data used to levy each tax or assessment listed in response to question 1? Please provide reference to the source (e.g., Annual Statement, special call to the state, data reported to rating organization) and a description or specimen copy of the report form and requirements.

We would suggest that question 4 be changed to the following:

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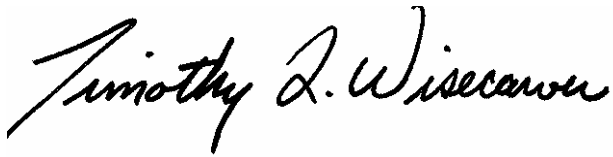
4. For each of the taxes and assessments listed in response to question 1, do you feel that the current assessment basis or bases is/are equitable?

For question 5, we would advocate the following:

5. Where your answer to question 4 is in the negative, explain why and describe the alternative approach that you feel would best address your concerns.

We appreciate CATF's efforts in providing a discussion forum on this topic and the opportunity to comment further here.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. Wisecarver". The signature is written in a cursive, flowing style.

Timothy L. Wisecarver, Chair
Workers' Compensation Subcommittee
American Academy of Actuaries