



## **SUMMARY OF COMPETITIVE STATE FUNDS SURVEY**

The following are explanations of asterisk's that appear on the survey, and additional comments from survey participants that clarify responses. Of the 19 other competitive states contacted, Idaho, Louisiana, and New York did not respond. Totals are summarized after each question, with appropriate comments.

Question #1: Are you regulated by your state insurance department or by your state legislature?

- ◆ 14 states are regulated by their state insurance department
- ◆ Pennsylvania is regulated by both their state insurance department and their legislature

Follow-up to Question #1: If only partially regulated by the insurance department, from what items of regulations are you exempt?

- ◆ Maryland - We are subject to full financial regulation under the same statutes that apply to all insurers. We are not subject to rate review or regulation. Our rates are set by our Board of Directors
- ◆ Hawaii - Exempt from State Surplus Requirements until 2008
- ◆ Arizona - The Insurance Department cannot take control of State Compensation Insurance Fund (SCF) in case of insolvency. Their obligation is to inform the Board of SCF and the Legislature that SCF is insolvent. SCF is subject to all other laws under Title 20 (the insurance code)

Question #2: Do you function as or are you structured as a domestic mutual insurer?

- ◆ 11 states responded yes
- ◆ 5 states responded no
- ◆ Arizona – SCF has quasi corporate status and our courts have deemed SCF to have been created in the manner of a trust for the benefit of our policyholders and their injured workers

Question #3: Are you a member of the guaranty fund in your state?

- ◆ 8 states responded yes
- ◆ 8 states responded no



- ◆ Maryland - By statute we will be in the Guaranty Fund when we fully meet the RBC standard. It is anticipated that this will occur within the next 3 years.
- ◆ Hawaii - Will join in 2008
- ◆ Arizona - There is no specific WC guaranty fund. It is incorporated into the special fund that also pays for uninsured employers, defunct self-insured and insurers whose bonds or collateral have been exhausted, and the second injury fund. The industrial commission administers it. There is also a guaranty fund for other P&C lines, administered by the insurance department. SCF is not a member of this fund.

Question #4: Does the guaranty fund have full liability for the state fund or limited liability?

- ◆ 7 states responded that the guaranty fund has full liability
- ◆ 1 state responded that the guaranty fund has no liability
- ◆ 1 state responded that the guaranty fund has limited liability
- ◆ For 7 states the question was not applicable
- ◆ Texas - Claims occurring 1-1-2000 and later

Question #5: Do you pay premium taxes?

- ◆ 10 states responded yes
- ◆ 6 states responded no

Question #6: If so, what is the percentage of premium?

- ◆ Varies - please see survey

Question #7: Do you report your financials on a calendar year or fiscal year basis?

- ◆ All states report on a calendar year basis

Question #8: Do you prepare your financials on a GAAP, GASB or statutory basis?

- ◆ 9 states prepare their financials on a statutory basis
- ◆ 6 states prepare their financials on a GAAP and statutory basis
- ◆ 1 state prepares their financials on a GAAP, GASB and statutory basis
- ◆ Colorado - Insurance department examines on statutory basis. For 2001 we prepared GAAP statements as well.



- ◆ Arizona - We report statutory to insurance department and GAAP to auditor general
- ◆ California - GAAP also for some reviewers

Question #9: Do you follow NCCI advisory forms and loss costs, or do you have exceptions?

- ◆ 7 states responded yes
- ◆ 9 states responded no
- ◆ Maryland - We are not an NCCI state but instead use our own experience.
- ◆ Colorado - Very few exceptions (e.g. horse racing)
- ◆ California - We have an independent Bureau in CA, so we have no NCCI relationship. We generally follow industry forms and loss cost recommendations but deviate when we feel it appropriate.
- ◆ Rhode Island - We do have unlimited consent to rate authority for both debits and credits.
- ◆ Pennsylvania - Independent Rating Bureau/File annual statement based on NCCI forms
- ◆ Minnesota - We have an independent data service organization in MN and we generally follow its pure premiums as our base; our MN data service org generally follows NCCI advisory forms but there are Minnesota modifications for compliance with MN law. We generally follow our own DSO's advisory forms.
- ◆ Oklahoma - Board of CompSource sets rates

Question #10: If so, are the exceptions filed with the insurance department?

- ◆ 3 states responded yes
- ◆ 2 states responded no
- ◆ For 11 states the question was not applicable
- ◆ Kentucky - We file our own rates with the DOI

Question #11: Which of the following relationships does your state fund have to state government?

Question #11a: Are your employees state employees?

- ◆ 4 states responded yes
- ◆ 12 states responded no



Question #11b: Do your employees participate in the state retirement plan?

- ◆ 9 states responded yes
- ◆ 7 states responded no

Questions #11c: Do your employees participate in state health insurance plans and other benefits?

- ◆ 5 states responded yes
- ◆ 11 states responded no

Question #11d: If your employees participate in state government insurance plans, does your state provide any additional benefits or coverages?

- ◆ 2 states responded yes
- ◆ 4 states responded no
- ◆ For 10 states the question was not applicable

Question #11e: If you have non state provided health insurance plans and other benefits, or provide additional benefits or coverage, do you handle in-house or use a third party administrator?

- ◆ 8 states responded that they use a third party administrator
- ◆ 2 states responded that they handle in-house
- ◆ For 6 states the question was not applicable

Question #11f: Are you part of the state computer system and network?

- ◆ 1 state responded yes
- ◆ 15 states responded no

Question #11g: Are you a component unit of state government financial reporting?

- ◆ 4 states responded yes
- ◆ 11 states responded no
- ◆ California responded yes & no
- ◆ Arizona - The Auditor General reports our financials as part of the states. We believe this is incorrect for them to do since our statute relieves the state from any liability for SCF. The good faith and credit of Arizona does not apply to SCF.
- ◆ California - No oversight - summary data only
- ◆ Pennsylvania - Part of states annual GAAP audit



Question #11h: Are general liability and property casualty insurance obtained through your state government plan?

- ◆ 3 states responded yes
- ◆ 13 states responded no

Question #11i: Are you part of the state government telecommunications system?

- ◆ 1 state responded yes
- ◆ 15 states responded no

Question #11j: Are you subject to punitive damages?

- ◆ 10 states responded yes
- ◆ 4 states responded no
- ◆ Missouri responded "possibly"
- ◆ Colorado - Not beyond penalties set forth in State WC Act
- ◆ Rhode Island - We are subject to all the provision under our state workers' compensation act and follow the decision of the court.
- ◆ Minnesota - We have no particular exemptions as an organization from them.

Question #11k: Do you pay federal taxes?

- ◆ 2 states responded yes
- ◆ 14 states responded no

Question #11l: Does your state fund own its office building?

- ◆ 9 states responded yes
- ◆ 7 states responded no
- ◆ Missouri - Own field offices, own land from home office
- ◆ Colorado - We are erecting a new building for occupancy in late fall, 2002. Currently leasing office space.
- ◆ California - Multiple ones

Question #11m: Do you use the state government contracts for purchase of supplies or equipment?

- ◆ 3 states responded yes
- ◆ 13 states responded no



Question #11n: Do you participate in your state's record retention plans?

- ◆ 3 states responded yes
- ◆ 13 states responded no

Question #11o: Do you use your state government mail services?

- ◆ 1 state responded yes
- ◆ 15 states responded no

Question #11p: Do you handle your own investment of assets or are investment services provided by your state government?

- ◆ 13 states responded that they handle their own investment of assets
- ◆ 2 states responded that investment services are provided by their state government
- ◆ 1 state replied that they do both
- ◆ Colorado - Legislation pending to transfer to Pinnacol upon our reaching adequate surplus level.
- ◆ Pennsylvania - Handle own investment long term, Investment services provided by state government short term