



November 16, 2004

Circular 2004-15

To: All ICRB Members

Re: Indiana Pool Approval

On November 16, 2004, the Indiana Department of Insurance (IDOI) approved the ICRB filing titled "Indiana Assigned Risk Reinsurance Pool." The filing creates an Indiana workers compensation assigned risk pool (Indiana Pool) effective January 1, 2005. The Indiana Pool will replace Indiana participation in the National Workers Compensation Reinsurance Pool (National Pool).

The cornerstone of the proposed Indiana Pool is a fundamental change in the cash flow of assigned risk premiums and carrier assessments. The National Pool uses a cash flow approach wherein funds are distributed quarterly to all carriers in the State, less certain fixed expenses and losses paid. Over the ensuing years, these carrier distributions are "called back," to pay claims and ongoing expenses. Uncollectible sums owed by insolvent carriers are assessed against the remaining Members.

In contrast, the Indiana Pool will hold and invest funds at the Pool level, and make distributions to and assessments from Pool member companies based on operating surplus and losses, not cash flow. Although carriers will lose the opportunity to directly invest the funds while losses are maturing, they will not forfeit investment income. Rather, the ICRB will invest the funds on the carriers' behalf, while virtually eliminating the financial burden associated with carrier insolvencies.

All new and renewal multi-state Assigned Risk policies effective January 1, 2005 and after, that now include other National Pool states, will have to be written as Indiana-only. Such employers will need to submit one more application than done today.

The ICRB website contains more information. Go to www.icrb.net, click on the "CompClues" logo, and select the document titled "Assigned Risk: Indiana Pool."

Sincerely,

Ronald W. Cooper, CWCP
President

Attachment: Indiana Department of Insurance - Final Order Approving Plan of Operation for the Workers Compensation Assigned Risk Plan

STATE OF INDIANA)
)SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

Indiana Compensation Rating Bureau)
)
Plan of Operation)
Workers Compensation Assigned Risk Plan)

FILED

NOV 16 2004

STATE OF INDIANA
DEPT. OF INSURANCE

**FINAL ORDER APPROVING PLAN OF OPERATION
FOR THE WORKERS COMPENSATION ASSIGNED RISK PLAN**

On June 11, 2004, the Indiana Compensation Rating Bureau (ICRB) filed with the Department of Insurance (hereinafter the "Department") a revised Plan of Operation for the Workers Compensation Assigned Risk Pool.

NOW THEREFORE, the Commissioner hereby issues the following FINDINGS and CONCLUSIONS:

1. IC 27-7-2-28.1 requires that the Plan of Operation for the Workers Compensation Assigned Risk Plan and any modifications thereof be filed with and approved by the Department.
2. On June 11, 2004, the ICRB filed with the Department a Plan of Operation for the Workers Compensation Assigned Risk Plan. The Department reviewed the filing and provided significant comments to the ICRB on July 20, 2004, and September 17, 2004. The ICRB filed amended filings on August 12, 2004, and October 13, 2004. For purposes of this order these filings will be referred to as "the Filing".

3. Under the Filing, the Assigned Risk Pool will be amended effective January 1, 2005. A new Pool (hereinafter the "Indiana Pool") will be created to cover occurrences on or after January 1, 2005. The Plan will have an administrator and will be limited in all respects to Indiana risks. Occurrences before January 1, 2005, will continue to be covered by the current Assigned Risk Plan administered by the NCCI (hereinafter the "National Pool"). There will be no sharing of assets or liabilities between the National Pool and the Indiana Pool.
4. The National Pool will be placed into run off until all claims are completed. Each Pool will continue to file reports with the ICRB.
5. At the public hearing the Department received no objections to the Filing and its formation of the Indiana Pool.
6. At the public hearing, the Department did receive requests for a financial examination or audit of the National Pool. The Indiana Pool will not assume the liabilities of and will not share assets with the National Pool. The Indiana Pool will be a stand alone entity that is funded going forward. The financial condition of the National Pool is not relevant to the formation of the Indiana Pool. Therefore, it is not necessary to complete a financial examination or audit of the National Pool before approving the Filing or implementing the proposed Indiana Pool.
7. The Department acknowledges the requests for a financial examination or audit of the National Pool and will continue to consider these requests separate from the review of this Filing.

8. At the public hearing the Department received objections to the ICRB's process of selecting servicing carriers for the Indiana Pool. The Filing provides for the use of servicing carriers but the selection of the specific carrier(s) is not, and need not be, addressed in the Plan of Operation. The process the ICRB uses to select vendors is part of the management of the ICRB. Pursuant to IC 27-7-2-5, the management of the ICRB is vested in the duly elected officers or committees provided for in the bylaws of the ICRB. Any member company should comply with the provisions of the ICRB bylaws in objecting to or reviewing decisions of the officers and/or committees of the ICRB.
9. The ICRB has satisfied the concerns and/or questions of the Department in its review of the Filing.
10. The Department finds no cause to delay the review and approval of the Filing.

Based upon the FINDINGS AND CONCLUSIONS, the Commissioner hereby approves the Filing by the ICRB regarding the Plan of Operation for the Workers Compensation Assigned Risk Plan. A copy of the final version of the Filing is attached hereto as Exhibit A.

ALL OF WHICH IS ORDERED THIS 16th DAY OF NOVEMBER, 2004.



Amy E. Strati, Acting Commissioner
Indiana Department of Insurance