

APA-1
03/11

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control No. Department or Agency
Rule No.
Rule Title:
 New Amend Repeal Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety?

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare?

Is there another, less restrictive method of regulation available that could adequately protect the public?

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree?

Is the increase in cost, if any, more harmful to the public than the harm that might result from the absence of the proposed rule?

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public?

Does the proposed rule have an economic impact?

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975, and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.

Signature of Certifying Officer
Date (DATE FILED)
(STAMP)

APA-2
07/04

Alabama Department of Industrial Relations
Workers' Compensation Division

NOTICE OF INTENDED ACTION

AGENCY NAME: Department of Industrial Relations

RULE NO. & TITLE: 480-5-3-.06 Group Self Insurance-Definitions

INTENDED ACTION: Amend Rule 480-5-3-.06

SUBSTANCE OF PROPOSED ACTION:

The above rule is being amended to include a definition for Actuarially Determined Rates.

TIME, PLACE, MANNER OF PRESENTING VIEWS:

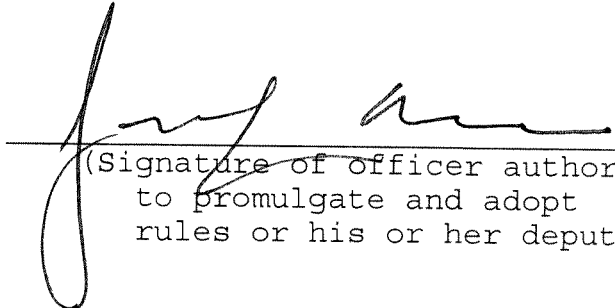
Written or oral comments may be submitted to the Department of Industrial Relations, Workers Compensation Division, 649 Monroe Street, Montgomery, AL 36131, (800)528-5166

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

Written/Oral comments must be received by the Department no later than June 8, 2012.

CONTACT PERSON AT AGENCY:

Charles DeLamar or Steve Garrett,
(800) 528-5166/Charles.delamar@dir.alabama.gov



(Signature of officer authorized
to promulgate and adopt
rules or his or her deputy)

ALABAMA DEPARTMENT OF INDUSTRIAL RELATIONS
ADMINISTRATIVE CODE

RULE

Division: Workers' Compensation
Chapter: General
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480-5-3-.06 Definitions. When used in these Rules and Regulations, the following words and phrases shall have the following meanings, respectively, unless the context clearly indicates a different meaning:

(a) Actuarial Report - A document or other presentation prepared as a formal means of conveying professional conclusions and recommendations of an Actuary.

(b) Actuary - A participant in good standing of the Casualty Actuarial Society or a participant in good standing of the American Academy of Actuaries which has been approved by its Casualty Practice Council.

(c) Actuarially Determined Rates - The most current NCCI classification loss costs multiplied by a single LCM and where individual classification rates are further adjusted based on the claims history of the classification for the Fund. The Minimum Credibility Standard for adjusting a NCCI loss cost is 50%, which requires the approximate expected loss equivalent of 250 lost time claims within the NCCI classification within a five year period (i.e., an average of approximately 50 lost time claims per year).

~~(e)~~ (d) Administrative Code - The Alabama Department of Industrial Relations Administrative Code, promulgated pursuant to Code of Ala. 1975, §41-21-1, which is a collection of the Administrative Rules of the Department.

~~(d)~~ (e) Administrative Fund - An amount or percentage of the annual contribution plus the investment earnings of a Fund which are not needed to satisfy the Specific or Aggregate Excess Insurance retention and not otherwise required to pay incurred claims.

~~(e)~~ (f) Administrator - An individual, who is an Alabama resident, engaged by the Fund's Board of Trustees to carry out

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the policies established by the Board of Trustees and to provide day-to-day management of the Fund.

~~(f)~~ (g) Aggregate Excess Insurance - Insurance which provides payment on behalf of or reimburses a Fund for its payment of benefits on claims incurred during a policy period in excess of the aggregate retention amount up to the excess insurer's limit of liability.

~~(g)~~ (h) Annual Contribution - The total annual contribution determined by multiplying the payroll for each applicable workers' compensation job classification by the appropriate annual contribution rate.

~~(h)~~ (i) Audited Financial Statement - A report summarizing the financial condition of the Fund on any date or for any period in conformity with these Rules and generally accepted accounting practices (GAAP), statutory accounting practices (SAP or STAT) or governmental accounting principals.

~~(i)~~ (j) Board of Trustees - The Fund's Trustees as a group.

~~(j)~~ (k) Bylaws - Rules and regulations adopted by a Fund for its internal governance.

~~(k)~~ (l) Certified Public Accountant (CPA) - An accountant or accounting firm in good standing with the American Institute of CPA's and, in those states where they are licensed to practice, meets the criteria for independence as set forth by the standards of the American Institute of CPA's and the Alabama Board of Public Accountancy.

~~(l)~~ (m) Claims Fund(Loss Fund) - That percentage or amount of earned and collected contribution allocated to pay the annual claims liability of a Fund.

~~(m)~~ (n) Common Interest Employers - Employers engaging in the same or similar business or economic activity, or owned or controlled by the same interest and members of the same sponsoring Association.

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~~(n)~~ (o) Contribution - Any consideration paid to a Fund by a Participant for coverage under the Fund.

~~(o)~~ (p) Department - The Department of Industrial Relations of the State of Alabama.

~~(p)~~ (q) Director - The Director of the Department of Industrial Relations of the State of Alabama or the Director's official designee.

~~(q)~~ (r) Discount - The amount by which the approved contribution requirement can be reduced by a Fund, pursuant to the Director's approval.

~~(r)~~ (s) Dividend - Any monies held by a Fund which are not required for expenses or claims reserves and which the Director has authorized in writing for the Fund to distribute.

~~(s)~~ (t) Experience Modification (MOD) - A factor applied to the contribution to reflect a variation from the average risk.

~~(t)~~ (u) Experience Rating Plan - A formula used to predict future loss experience by utilizing past experience.

~~(u)~~ (v) Fund - A not-for-profit unincorporated trust consisting of two (2) or more Common Interest Employers who enter into an agreement to pool their Workers' Compensation liabilities for the purpose of qualifying as a Self-Insurer under the Law and these Rules and possessing a valid Certificate of Approval from the Director.

~~(v)~~ (w) Fund Year - The elected period of coverage, up to twelve (12) months in duration, pursuant to which a Fund extends coverage to its Participants .

~~(w)~~ (x) Group Self Insurance (GSI) Number - The certificate number given to each employer by the Department that is a participant in a group fund.

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~~(x)~~ (y) Insolvent - A condition arising when, pursuant to audited financial statements, claims reserves evaluations and actuarial reports, a Fund is determined by the Director to have insufficient funds to meet its financial obligations while maintaining appropriate reserves for reported claims and incurred but not reported claims.

~~(y)~~ (z) Joint and Several Liability - The Participants in a Fund binding themselves both jointly and individually so that all are liable together and each Participant is liable separately for the obligations of the Fund as a whole.

~~(z)~~ (aa) Law - The Alabama Workers' Compensation Law, as codified and amended.

~~(aa)~~ (bb) Net Contribution - Contribution derived from adjusting the standard contribution by any advance contribution discount.

~~(bb)~~ (cc) Participant - An employer who participates in a Fund.

~~(cc)~~ (dd) Participant Application - A form approved by the Director on which an employer initially applies for participation in a Fund.

~~(dd)~~ (ee) Participation Agreement - A form, approved by the Director, which constitutes a contract between the Participant and the Fund, setting forth the rights, duties and responsibilities of the Fund and the Participant.

~~(ee)~~ (ff) Reserves - Amounts set aside for ultimate financial exposure on a claim.

~~(ff)~~ (gg) Retrospectively Rated Plan - A final contribution calculated on the experience of the Participant during the term of the certificate (including developments after the term of the certificate) and the stipulated formula. The adjustment involves either the payment of a return contribution to the Participant or an additional contribution by the Participant.

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~~(gg)~~ (hh) Security Deposit - A certificate of deposit issued by an Alabama bank, corporate or government bond or note, surety bond, or cash given by a Fund to the Director in order to assure the payment of workers' compensation benefits under the Law.

~~(hh)~~ (ii) Service Company - A legal entity which has obtained approval in accordance with these Rules to contract with a Fund for the purpose of providing services necessary to fulfill all or a portion of the Fund's and its Participant's obligations.

~~(ii)~~ (jj) Specific Excess Insurance - Insurance which provides that the excess insurer pays on behalf of or reimburses a Fund for its payment of benefits on each occurrence in excess of the retention up to the amount of the excess insurer's limit of liability.

~~(jj)~~ (kk) Sponsoring Association - A corporation, unincorporated association or other legal entity engaged in substantial non-profit activity for the benefit of its Participants other than the sponsorship of a Fund operated pursuant to these Rules which is a qualified tax-exempt organization under Section 501(c)(6) or other applicable tax-exemption provision of the Internal Revenue Code and which shall have been in existence in Alabama for at least five years prior to the date of application to form a self-insurers fund.

~~(kk)~~ (ll) Trustee - A person who is a resident of the State of Alabama, selected by a Fund according to its Bylaws or trust agreement to serve on the Board of Trustees that directs the administration of a Fund. Trustees must be, during the term of holding office, a member of the Fund or an employee of a member.

Author: Wilbon S. Spates, Chief, Workers' Compensation Division

Statutory Authority: Code of Ala. 1975, §25-2-2(6).

History: Amended Rule: ~~Filed October 9, 1997; effective November 13, 1997.~~ Filed _____, 2012; effective _____, 2012.