

Bulletin 06-03

TO: All Workers' Compensation Insurers

FROM: Merle Scheiber, Director

RE: SD Schedule Rating Program

DATE: February 15, 2006

This bulletin will address the rules that are applicable to the South Dakota Schedule Rating Program effective March 1, 2006. The Schedule Rating Plan is optional.

Changes that have been made to the Schedule Rating Program are as follows:

- Risks of all premium sizes are eligible except minimum premium risks.
- A schedule credit or debit can be applied to a Workers Compensation new business proposal. Underwriting must document why the credit or debit is being applied. To complete the underwriting file a loss control inspection or survey must supplement the justification for the credit or debit within 60 days of the effective date of the new policy.
- The risk characteristics in determining any credit or debit under this plan have been expanded: Premises; Classification Peculiarities; Medical Facilities; Safety Devices; Employees-Selection, Training, Supervision; Management-Cooperation with Insurance Carrier; and Management-Safety Organization. The range of modification is listed in the Schedule Rating Table of the Basic Manual and the new version of the South Dakota Schedule Rating Worksheet attached to this bulletin.
- Insurers are required to complete the new version of the Scheduled Rating Worksheet and file a copy with the Division of Insurance. After the initial new version of the worksheet is filed with the Division it should be submitted only when updated or changed. A worksheet is not required if no schedule rating modification is applied. The worksheet can be accessed at <https://www.state.sd.us/eforms/secure/eforms/E1930V1-SDScheduleRatingWorksheet.pdf>. Insurers are required to submit the form electronically.
- A loss control inspection or survey must be completed for all eligible risks. This requirement can be met with a physical on-site inspection, telephone survey, or electronic survey. The loss control inspection or survey must be completed by the company and updated at renewal if the schedule rating modification changes.

This program is not applicable to residual market policyholders covered under the Workers Compensation Insurance Plan.

The amount of the schedule rating factor is subject to a 25% maximum. The credit or debit must be within the range for a specific risk characteristic as provided in this Plan.

Any withdrawal or reduction in credits or increase in debits requires an associated change in operations or exposures of the employer as reflected in the risk characteristics of the plan. No changes in the schedule rating factor can be made without appropriate underwriting justification and documentation.

The amount of the schedule rating factor is applied in a multiplicative manner after the application of the experience rating modification (if an experience rated risk) or Merit Rating Plan (if applicable) and before the application of premium discount and expense constant.

If the insured can correct the reason for any schedule debit to the satisfaction of the carrier, the debit may be removed effective on the date the documentation for the correction is received in the carrier's office.

****Safety Reviews.** Compliance with the Annual workplace safety review services as outlined under 58-20-21 must be met. Any employer whose policy premium is five thousand dollars or more, unless the employer has five or fewer employees shall have workplace safety reviews conducted by the employer's insurer at least once every three years. The safety review or survey may be done through telephonic, physical on-site, or electronic means should the insurer opt to do so. However as part of the recommendation for improved safety under this statute the insurer shall offer employers who meet the above requirements workplace safety review services annually. As part of the employer's right to require that the insurer perform an annual review they may also request that an inspection be performed on site of that employer.

****The South Dakota Merit Rating Plan is mandatory.** When an employer's premium is less than the amount necessary to qualify for interstate or intrastate experience rating, a merit rating plan shall apply to the South Dakota manual premium. It shall be based upon the number of claims paid by the insurer that is equal or greater than \$100 during the most recent three-year period for which statistics are available. The three years of statistical information must fall within the period that otherwise would have been used for an experience rating effective the most recent anniversary rating date of the insured as defined by the Basic Manual for Workers Compensation and Employers Liability Insurance.

All inquiries concerning this bulletin should be addressed to:

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SOUTH DAKOTA SCHEDULE RATING WORKSHEET

(Risk Name)

(Policy Number)

(Risk Identification Number)

(Policy Effective Date)

(Risk Address)

New or Renewal? _____

Specify whether physical on-site
Inspection, Telephone survey, or
Electronic survey _____

(Carrier and Code Number)

Date Completed _____

Carrier Address)

This worksheet must be e-mailed to:

patsy.mehlhaff@state.sd.us

(Carrier Telephone Number)

(Carrier Representative) Date

	Available Range of Modification (Credit to Debit)	Previous Year		Current Year		Reason/Basis
		Credit	Debit	Credit	Debit	
Premises	10% to 10%					
Classification Peculiarities	10% to 10%					
Medical Facilities	5% to 5%					
Safety Devices	5% to 5%					
Employees – Selection, Training, Supervision	10% to 10%					
Management – Cooperation With Insurance Carrier	5% to 5%					
Management- Safety Organization	5% to 5%					
	Total					Maximum 25%

South Dakota Estimated Standard Premium

3/1/06