

SECOND REGULAR SESSION

HOUSE BILL NO. 1471

93RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE YATES.

Read 1st time January 19, 2006 and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

4515L.01I

AN ACT

To repeal sections 287.896 and 374.790, RSMo, and to enact in lieu thereof one new section relating to workers' compensation insurance.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 287.896 and 374.790, RSMo, are repealed and one new section
2 enacted in lieu thereof, to be known as section 287.896, to read as follows:

287.896. 1. [Within forty-five days of August 28, 1993, the director of the department
2 of insurance shall approve a plan of operation for a new residual market that will guarantee] **In**
3 **addition to the provisions of sections 287.900 to 287.920, the Missouri employers mutual**
4 **insurance company established in section 287.902 shall operate as the insurer for any**
5 **Missouri employer that is in good faith entitled to but who is unable to procure such**
6 **coverage through ordinary methods. The company shall provide** insurance coverage and
7 quality loss prevention and control services for **such** employers [seeking coverage through the
8 plan. The new residual market shall begin operation January 1, 1994].

9 2. [All insurers authorized to write workers' compensation and employers' liability
10 insurance shall participate in such plan providing for the equitable apportionment among them
11 of insurance which may be afforded applicants who are in good faith entitled to but who are
12 unable to procure such insurance through ordinary methods, except that all employers that have
13 expiring annual premiums greater than two hundred fifty thousand dollars must negotiate a
14 retrospective rating plan with their insurer that is acceptable to the director of the department of
15 insurance. The rates, supplementary rate information and policy forms to be used in such a plan

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16 and any future modification thereof must be submitted to the director for approval at least
17 seventy-five days prior to their effective date. Such rates shall be set by the director after hearing
18 so that the amount required in premiums, together with reasonable investment income earned on
19 those premiums, is not excessive, inadequate or unfairly discriminatory and is actuarially
20 sufficient to apply claims and losses and reasonable operating expenses of the insurers. Nothing
21 contained herein shall prevent the director from including a merit rating plan for nonexperienced
22 rated employers within the residual market plan. The director shall adopt within the plan a
23 system to distribute any residual market deficit through an assessment on insurance carriers
24 authorized to write workers' compensation insurance in proportion to the respective share of
25 voluntary market premium written by such carrier.

26 3. The director shall disapprove any filing that does not meet the requirements of this
27 section. A filing shall be deemed to meet such requirements unless approved, disapproved or
28 modified by the director within seventy-five days after the filing is made. In disapproving a
29 filing made pursuant to this section, the director shall have the same authority and follow the
30 same procedures as in disapproving a rate filing pursuant to the requirements for filings in the
31 voluntary market. The designated advisory organization may make and file the plan of operation,
32 rates, rating plans, rules and policy forms under this section.

33 4.] The director shall [establish by rule standards to] assure that any employer insured
34 [through the plan] **under this section** shall receive the same quality of service in the areas of
35 employee classification, safety engineering, loss control, claims handling and claim reserving
36 practices as do employers which are voluntarily insured as provided in section 287.123. [The
37 standards established by the director pursuant to this subsection shall also specify the procedures
38 and grounds under which an employer insured through the plan shall be assigned an insurer, and
39 the method by which such employers shall be informed of such procedures and grounds. All
40 insurers of the residual market shall process applications, conduct safety engineering or other
41 loss control services and provide claims handling within the state of Missouri or adjoining
42 states.]

2 [374.790. The department of insurance shall prepare and submit a plan
3 to the general assembly by September 1, 1993, to reduce the number of
4 employers insured through the residual market. The department shall specifically
5 examine and address in its plan the following topics:

6 (1) The use of an employer's experience modification factor and the
7 appropriate level thereof as an objective criterion in determining eligibility for
8 coverage;

9 (2) The maximum amount of such coverage an insurer would be required
to issue, expressed as a percentage of its voluntary business;

10 (3) Providing a system of incentives to insurers to voluntarily cover
11 employers which had been insured through the residual market by reducing the
12 amount of coverage required to be provided by such insurer under the plan;

13 (4) The effect of the implementation of such plan on the competitive
14 voluntary insurance workers' compensation market in Missouri in terms of the
15 number of insurers actively competing, the availability of coverage by
16 classification and pricing by classification;

17 (5) Permitting insurers to file separate rates by classification for
18 employers which they may be required to insure under such plan;

19 (6) Requiring that only agents which have been appointed by such insurer
20 may submit applications for coverage under such plan;

21 (7) The results of this plan in other jurisdictions where it has been
22 implemented in either workers' compensation or other lines of insurance;

23 (8) Requiring nonexperienced rated employers or employers not eligible
24 for experience rating, as a condition to receive coverage, to utilize the insurer's
25 managed care medical program and to comply with the insurer's loss control or
26 safety engineering program.

27
28 Upon receipt of the plan, the general assembly shall, by concurrent resolution
29 disapprove such plan by September 24, 1993. If the plan is not disapproved it
30 shall be implemented by rule on January 1, 1994. If the plan is not submitted to
31 the general assembly under the provisions of this section, it shall not be
32 implemented by rule.]

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