DIRECTIVE 135  
(REVISED AND REISSUED)

TO: ALL GROUP SELF-INSURANCE FUNDS AUTHORIZED TO DO BUSINESS IN LOUISIANA

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

RE: USE OF DISCOUNTS AND CREDITS BY GROUP SELF-INSURANCE FUNDS FOR WORKERS’ COMPENSATION

DATE: AUGUST 4, 2020

Directive 135, originally issued on December 15, 1995, is hereby revised and reissued in order to incorporate amendments to La. R.S. 23:1196(A)(6) and to make technical revisions.

It has come to my attention that a clarification of the use of discounts and credits by group self-insurance funds for workers’ compensation is needed.

This clarification involves the proper interpretation of La. R.S. 23:1196(A)(6), which provides as follows:

A. Each fund established pursuant to R.S. 23:1195 shall:

   (6)(a) Not permit advance premium discounts to any member in excess of fifteen percent of the gross premium of the member, calculated in accordance with the applicable manual premium rate or rates approved by the department, plus or minus applicable National Council on Compensation Insurance or Insurance Data Resources Statistical Services, Inc. experience modifiers or other experience modifiers approved by the department. A fund which has been in existence for more than three years shall be permitted to establish a schedule rating plan which is subject to approval by the department.
For the purposes of Directive No. 135 (revised), the following terms shall have the following definitions:

1) Gross premium – premium determined by multiplying the payroll (segregated into the proper workers’ compensation job classifications) by the manual premium rates approved by the Commissioner.

2) Manual premium rates – workers’ compensation rates by job classification based on the National Council on Compensation Insurance loss costs or rates by job classification calculated by a qualified actuary based upon adequate loss histories of the fund which are filed with and approved by the Commissioner.

3) Standard premium – gross premium adjusted by experience modifiers.

4) Experience modifiers – modifiers based on National Council on Compensation Insurance or other experience modifiers approved by the Louisiana Department of Insurance (“LDI”), including scheduled debits and credits based on experience.

5) Normal premium – standard premium less allowed discount.

Therefore, I hereby order and direct that premium discounts shall be calculated as follows:

1) The gross premium shall be determined first.

2) Next, the standard premium shall be determined.

3) The advance premium discount for a member shall not exceed fifteen percent of the standard premium.

4) In accordance with La. R.S. 23:1199, rates must be filed on an actuarially justified class code basis with the LDI. A fund may use the rates ninety days after filing, in accordance with filing procedures of the LDI, unless the LDI disapproves the use of the rates within the ninety-day period.
Please be governed accordingly.

If there are any questions regarding this Directive, please contact the Deputy Commissioner for the Office of Financial Solvency, electronically at public@ldi.la.gov.

Baton Rouge, Louisiana, this 4th day of August, 2020.

[Signature]

JAMES J. DONELON
COMMISSIONER OF INSURANCE