

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 58th Legislature (2021)

4 COMMITTEE SUBSTITUTE
5 FOR ENGROSSED
6 SENATE BILL NO. 524

By: Quinn of the Senate

and

Sneed of the House

7
8
9
10 COMMITTEE SUBSTITUTE

11 An Act relating to workers' compensation insurance;
12 amending 36 O.S. 2011, Section 995, as amended by
13 Section 18, Chapter 254, O.S.L. 2013 (36 O.S. Supp.
14 2020, Section 995), which relates to joint
15 underwriting and reinsurance; removing exception of
16 application of act to CompSource Mutual Insurance
17 Company; directing the Insurance Commissioner to
18 develop and administer an assigned risk plan
19 providing workers' compensation insurance to certain
20 employers; requiring plan include qualification and
21 termination terms; requiring that certain employers
22 receive coverage under plan; authorizing Commissioner
23 to designate third party to develop and administer
24 plan for certain time period; requiring Commissioner
 to contract with certain person to continue plan;
 requiring Commissioner to approve plan before
 implementation; requiring all private carriers to
 participate in plan; authorizing CompSource to
 provide coverage to certain persons for certain time
 period; repealing Sections 1, 2, 3, 4, 5, 6, 7, 8, 9,
 10, 11, 12 and 13, Chapter 254, O.S.L. 2013 (85 O.S.
 Supp. 2020, Sections 375.1, 375.2, 375.3, 375.4,
 375.5, 375.6, 375.7, 375.8, 375.9, 375.10, 375.11,
 375.12 and 375.13) and 85 O.S. 2011, Section 396, as
 amended by Section 46, Chapter 254, O.S.L. 2013 (85
 O.S. Supp. 2020, Section 396), which relate to the
 CompSource Mutual Insurance Company Act and

1 CompSource information not open to public inspection;
2 providing for codification; and providing an
3 effective date.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

5 SECTION 1. AMENDATORY 36 O.S. 2011, Section 995, as
6 amended by Section 18, Chapter 254, O.S.L. 2013 (36 O.S. Supp. 2020,
7 Section 995), is amended to read as follows:

8 Section 995. Joint Underwriting, Joint Reinsurance Pool and
9 Residual Market Activities.

10 A. ~~This section shall not apply to transactions involving~~
11 ~~CompSource Mutual Insurance Company.~~

12 ~~B.~~ Notwithstanding paragraph 3 of subsection A of Section 992
13 of this title, insurers participating in joint underwriting, joint
14 reinsurance pools or residual market mechanisms may in connection
15 with such activity act in cooperation with each other in the making
16 of rates, rating systems, policy forms, underwriting rules, surveys,
17 inspections and investigations, the furnishing of loss and expense
18 statistics or other information, or carrying on research. Joint
19 underwriting, joint reinsurance pools and residual market mechanisms
20 shall not be deemed an advisory organization.

21 ~~C.~~ B. Except to the extent modified by this section, joint
22 underwriting, joint reinsurance pool and residual market mechanism
23 activities are subject to the other provisions of the Property and
24 Casualty Competitive Loss Cost Rating Act.

1 ~~D.~~ C. If, after a hearing, the Commissioner finds that any
2 activity or practice of an insurer participating in joint
3 underwriting or a pool is unfair, is unreasonable, will tend to
4 lessen competition in any market or is otherwise inconsistent with
5 the provisions or purposes of the Property and Casualty Competitive
6 Loss Cost Rating Act, the Commissioner may issue a written order and
7 require the discontinuance of such activity or practice.

8 ~~E.~~ D. Every pool shall file with the Commissioner a copy of its
9 constitution, articles of incorporation, agreement or association,
10 bylaws, rules and regulations governing its activities, list of
11 members, the name and address of a resident of this state upon whom
12 notice, orders of the Commissioner, or process may be served, and
13 any changes in amendments or changes in the foregoing.

14 ~~F.~~ E. Any residual market mechanism, plan or agreement to
15 implement such a mechanism, and any changes or amendments thereto,
16 shall be submitted in writing to the Commissioner for consideration
17 and approval, together with such information as may be reasonably
18 required.

19 SECTION 2. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 608.2 of Title 36, unless there
21 is created a duplication in numbering, reads as follows:

22 A. The Insurance Commissioner shall develop and administer an
23 assigned risk plan to provide workers' compensation insurance
24 coverage to employers who are unable to procure coverage in the

1 voluntary market. In addition to the requirements of subsection B
2 of this section, the plan shall include, but not be limited to,
3 qualifications for and termination of coverage.

4 B. To qualify for coverage under the plan, an employer shall
5 have been declined coverage by at least two unaffiliated insurers
6 and shall provide documentation to the Commissioner that the
7 unaffiliated insurers are unwilling to provide coverage at any
8 premium level that is reasonably related to the risk presented by
9 the employer.

10 C. Any employer satisfying the requirements of subsection B of
11 this section, and any other qualifications established by the
12 Commissioner, shall be provided coverage at a premium level to be
13 determined or approved by the Insurance Commissioner. Premiums
14 shall be actuarially sound, consistent with industry standards for
15 classification and rate-making methodologies and calculated to
16 enable the plan to be self-sustaining and able to operate without
17 subsidies from employers and insurers in the voluntary market, to
18 the extent possible. Rates shall not be excessive, inadequate or
19 unfairly discriminatory, pursuant to Section 902 of Title 36 of the
20 Oklahoma Statutes.

21 D. The Insurance Commissioner may designate a third party,
22 including a private carrier or rating organization with substantial
23 experience in developing and administering similar programs in other
24 states, to develop and administer the assigned risk plan for a

1 three-year period beginning on the effective date of this act.
2 Following this period, the Commissioner shall contract with the same
3 or another qualified third party to continue the administration of
4 the assigned risk plan, provided, however, that the Commissioner
5 shall approve the plan prior to the plan becoming operative. The
6 plan established pursuant to this section shall require that all
7 private carriers participate as a condition of their authority to
8 transact business in this state.

9 E. Prior to the operation of the plan established pursuant to
10 the provisions of this section, but in no event later than January
11 1, 2023, CompSource Mutual Insurance Company, a private, domestic
12 mutual insurance company incorporated in this state and regulated by
13 the Insurance Department, successor-in-interest to CompSource
14 Oklahoma, shall serve as the residual market mechanism for those
15 insureds who would otherwise be in the assigned risk plan.

16 SECTION 3. REPEALER Sections 1, 2, 3, 4, 5, 6, 7, 8, 9,
17 10, 11, 12 and 13, Chapter 254, O.S.L. 2013 (85 O.S. Supp. 2020,
18 Sections 375.1, 375.2, 375.3, 375.4, 375.5, 375.6, 375.7, 375.8,
19 375.9, 375.10, 375.11, 375.12 and 375.13) and 85 O.S. 2011, Section
20 396, as amended by Section 46, Chapter 254, O.S.L. 2013 (85 O.S.
21 Supp. 2020, Section 396), are hereby repealed.

22 SECTION 4. This act shall become effective November 1, 2021.

23 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE, dated 04/01/2021 - DO
24 PASS, As Amended.