IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

In Re:	)	
	)	
GREAT WEST CASUALTY	)	
COMPANY (NAIC # 11371)	)	**Market Conduct Exam No. 1109-49-TGT**
	)	

ORDER OF THE DIRECTOR

NOW, on this 16th day of November, 2012, Director John M. Huff, after consideration and review of the market conduct examination report of Great West Casualty Company (NAIC #11371) (hereafter referred to as "Great West"), report number 1109-49-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3) (a)[1] and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), does hereby adopt such report as filed. After consideration and review of the Stipulation, reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4).

This order, issued pursuant to §374.205.3(4), §374.280, and §374.046.15. RSMo (Cum. Supp. 2012), is in the public interest.

IT IS THEREFORE ORDERED that Great West and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Great West shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the Company in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that Great West shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000 as amended.

Voluntary Forfeiture of $37,250 payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 16TH day of NOVEMBER, 2012.

John M. Huff
Director

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

In Re:	)	
	)	
GREAT WEST CASUALTY	)	
COMPANY (NAIC # 11371)	)	**Market Conduct Exam No. 1109-49-TGT**
	)	

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and Great West Casualty Company (NAIC #11371) (hereinafter referred to as "Great West"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Great West has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of Great West and prepared report number 1109-49-TGT; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. In sixty eight (68) instances, Great West failed to file individual rating plans for large deductible workers compensation insurance policies in violation of §287.310[1] and §287.947.1;

2. In two (2) instances, Great West applied or used a schedule rating worksheet that included the disallowed category of "classification peculiarities" in violation of §§287.947, 287.950, and 287.955.1.

WHEREAS, the Division and Great West have agreed to resolve the issues raised in the

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

Market Conduct Examination Report as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Great West agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times, to reasonably assure that the errors noted in the above-referenced market conduct examination report do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Great West agrees to file individual rating plans for all active large deductible workers compensation policies with the Director within 30 days of the date of the order closing this exam.

2. Great West agrees to file individual rating plans for all large deductible, non-standard workers compensation policies with the Director not later than thirty (30) days after the effective date of each policy.

3. Great West agrees that it will not use schedule rating worksheets in Missouri that include the disallowed category of "classification peculiarities."

C. **Compliance.** Great West agrees to file documentation with the Division within 90 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation.

D. **Voluntary Forfeiture.** Great West agrees, voluntarily and knowingly, to surrender and forfeit the sum of $37,250, such sum payable to the Missouri State School Fund, in accordance with §374.280.

E. **Other Penalties.** The Division agrees that it will not seek penalties against Great West, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examination 1109-49-TGT.

F. **Waivers.** Great West, after being advised by legal counsel, does hereby

voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examination.

G. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

H. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

I. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

J. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall become effective only upon entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

K. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 11/9/12

Stewart Freilich
Legal Counsel
Division of Insurance Market Regulation

DATED: 11/6/12

President
Great West Casualty Company

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Property and Great West Business of

Great West Casualty Company
NAIC # 11371

MISSOURI EXAMINATION # 1109-49-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M42

November 9, 2012

Home Office
1100 West 29th Street
PO Box 277
South Sioux City, NE 68776-0277

TABLE OF CONTENTS

FOREWORD 3

SCOPE OF EXAMINATION 4

COMPANY PROFILE 5

EXECUTIVE SUMMARY 6

I. SALES AND MARKETING 7

A. Licensing of Agents, Agencies, and Brokers 7

B. Marketing Practices 7

II. UNDERWRITING AND RATING PRACTICES 8

A. Forms and Filings 9

B. Underwriting and Rating 9

C. Cancellations, Non-Renewals, Rescissions, and Declinations 12

III. COMPLAINTS 13

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY 14

A. Criticism Time Study 14

B. Formal Request Time Study 14

EXAMINATION REPORT SUBMISSION 15

FOREWORD

This is a targeted market conduct examination report of Great West Casualty Company, (NAIC Code # 11371). This examination was conducted at the DIFP offices located in St. Louis, Missouri.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products, or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" or "Great West" refers to Great West Casualty Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Division" refers to the Department of Labor, Division of Workers' Compensation;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "NCCI" refers to the National Council on Compensation Insurance, Inc., and;
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through May 31, 2011, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: complaints, underwriting, and terminations for workers compensation policies.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark for underwriting and trade practices is 10%. The NAIC benchmark error rate for claims practices is seven percent (7%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

"Great West Insurance Company ("Company") was incorporated under the laws of the State of Nebraska on March 22, 1956, as an insurer specializing in writing insurance for the trucking industry. The name was changed to Great West Casualty Company in 1962.

The Company writes multiple line casualty policies including physical damage, auto liability, general liability, cargo and workers' compensation. Starting out as a regional insurer, the Company is now licensed in all states except Hawaii and has five regional offices. The Company headquarters is located in South Sioux City, Nebraska. The Company's ultimate parent company is Old Republic International Corporation based in Chicago, Illinois."

While the Company is licensed in 49 states, Great West currently operates in only 34 states. Its products are distributed primarily through independent agencies and brokerages.

The Company is licensed by the DIFP under Chapter 379, RSMo, to write property and casualty insurance in Missouri as set forth in its Certificate of Authority.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Great West Casualty Company. The examiners found the following principal areas of concern:

- The Company failed to file 68 large deductible, non-standard (individual risk) rated policies with DIFP as required.

- Great West applied or used a schedule rating worksheet twice that included the disallowed category of "Classification Peculiarities".

The examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than $5.00 during the examination if any were found.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. SALES AND MARKETING

In this section of the report, the examiners report their findings regarding how the Company complied with the laws that monitor sales and marketing practices. Due to time and cost restraints, examiners reviewed a sample of the Company's licensing records and marketing materials.

The examiners discovered no errors during this review.

A. Licensing of Agents, Agencies, and Brokers

Missouri law requires the company to sell insurance products through individuals and entities that hold a current license from the DIFP. The purpose of a license is to protect the public by providing competent and trustworthy agents, brokers, and agencies.

During underwriting and rating reviews, examiners documented agencies, agents, and brokers involved in producing the business. The examiners randomly verified that the entities were properly licensed.

The examiners discovered no errors during this review.

B. Marketing Practices

Great West markets its products through an independent agency system distribution. Missouri law requires producers to be truthful and provide adequate disclosure while selling the insurance products.

The examiners discovered no errors during this review.

The Company also provides information about its products through the Internet where the Company maintains a web site at Great West.com. The examiners discovered no discrepancies when the examiners reviewed the site.

II. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general practice contrary to the law. Error rates indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners randomly selected the policies for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

Workers Compensation Review

Reviews are conducted to confirm that workers compensation carriers that issue large deductible, non-standard policies, in addition to traditional workers compensation policies, are in compliance with the rate filing requirements found in §§ 287.310, 287.947, RSMo, and in accordance with DIFP Bulletins 02-01 and 04-01.

Workers Compensation carriers are also evaluated to ensure total premiums are being reported as well as correct methods for determining assessments and remittance of the required second injury fund and administrative surcharges. The review includes carriers' deductible policy forms and rules for compliance with § 287.310 Subsection 4, RSMo, regarding the presumption that a net reporting plan is offered unless the insured elects a gross reporting plan.

NCCI statistical data is reviewed to analyze utilization of Individual Rate Premium Modification (IRPM), also known as schedule rating, in the form of applied debits or credits. Schedule rating is intended to be used to accurately rate an individual employer's business operation. Descriptions of the risk categories are to be based on loss-related factors that can be objectively determined.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language was not ambiguous or misleading and was adequate to protect the insured.

The following are the results of the reviews:

The examiners discovered that Great West failed to make a filing with DIFP for 68 large deductible, non-standard (individual risk) rated policies as required. The individual files are detailed in Section B, Underwriting and Rating of this report.

References: §§ 287.310 and 287.947.1, RSMo.

B. Underwriting and Rating

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

The following are the results of the reviews:

1. Workers Compensation

Field Size: 384

Sample Size: 110

Type of Sample: Random

Number of Errors: 23

Error Ratio: 20.9%

Within DIFP Guidelines: No

The examiners discovered the following errors during this review.

1. Great West failed to file the following 21 large deductible, non-standard (individual risk) rated policies with DIFP as required.

No	Policy No	Date Effective
1	WC18462J	2/1/2010
2	WC19628H	5/1/2009
3	WC19208J	4/1/2009
4	WC24826A	7/1/2010
5	WC18348K	10/1/2010
6	WC18348H	10/1/2007
7	WC25132A	4/1/2011
8	WC20088G	9/1/2008
9	WC23127D	9/1/2009
10	WC21252E	8/1/2009
11	WC21252D	8/1/2008
12	WC2152C	8/1/2007
13	WC21066F	8/1/2010
14	WC23491B	9/1/2008
15	WC15975Q	11/1/2010
16	WC15975P	11/1/2009
17	WC15975M	4/1/2007
18	WC19324H	2/1/2009
19	WC18115J	10/1/2009
20	WC18115I	10/1/2008
21	WC20865C	1/1/2007

References: §§ 287.310 and 287.947.1, RSMo.

2. In two instances, the Company applied or used a schedule rating worksheet that included the disallowed category of "Classification Peculiarities".

Policy No	Date Effective
WC24204B	3/1/2010
WC23765C	4/1/2010

References: §§ 287.947, 287.950, and 287.955.1, RSMo.

3. Although not counted in the error ratio, a computerized analysis revealed that Great West failed to file the following additional 47 large deductible, non-standard (individual risk) rated policies with DIFP as required.

No	Policy No	Date Effective
1	WC18462K	2/1/2011
2	WC18462I	2/1/2009
3	WC18462H	2/1/2008
4	WC18462G	2/1/2007
5	WC19628J	5/1/2011
6	WC19628I	5/1/2010
7	WC19628G	5/1/2008
8	WC19628F	5/1/2007
9	WC24787A	6/1/2010
10	WC24921A	10/1/2010
11	WC19208L	4/1/2011
12	WC19208K	4/1/2010
13	WC19208I	4/1/2008
14	WC19208H	4/1/2007
15	WC19208G	3/1/2007
16	WC20734E	7/1/2008
17	WC20734D	7/1/2007
18	WC21324C	4/1/2008
19	WC18348J	10/1/2009
20	WC18348I	10/1/2008

No	Policy No	Date Effective
21	WC24827A	7/1/2010
22	WC20199H	10/1/2009
23	WC20088H	9/1/2009
24	WC20088F	9/1/2007
25	WC23127E	9/1/2010
26	WC23127C	9/1/2008
27	WC23127B	9/1/2007
28	WC21252F	8/1/2010
29	WC20065F	6/1/2007
30	WC19927G	10/1/2008
31	WC19927F	10/1/2007
32	WC21066E	8/1/2009
33	WC21066D	8/1/2008
34	WC21066C	8/1/2007
35	WC20791G	9/1/2010
36	WC20791F	9/1/2009
37	WC20791E	9/1/2008
38	WC20791D	9/1/2007
39	WC17995H	5/1/2007
40	WC23491C	9/1/2009
41	WC23491A	9/1/2007
42	WC15975O	4/1/2009
43	WC15975N	4/1/2008
44	WC19324G	2/1/2008
45	WC19324F	2/1/2007
46	WC18115K	10/1/2010
47	WC20865D	1/1/2008

References: §§ 287.310 and 287.947.1, RSMo.

C. Cancellations, Non-Renewals, Rescissions, and Declinations

The examiners reviewed policies that the carrier terminated at or before the scheduled expiration date of the policies and policies that were rescinded by the Company after the effective date of the policy.

The following are the results of the reviews:

1. Workers Compensation – Cancellations, Non-Renewals, & Declinations

Field Size:	43
Sample Size:	43
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%
Within DIFP Guidelines:	Yes

The examiners discovered no errors during this review.

III. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the Company.

The examiners verified the Company's complaint registry, dated January 1, 2006, through May 31, 2011. The registry contained a total of two workers compensation complaints. They reviewed all that went through DIFP and one that did not come through the Department, but went directly to the Company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by 20 CSR 100-8.040(3)(D), effective 7/30/2008).

The examiners discovered no issues or concerns.

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	3	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0 %
Total	3	100 %

Reference: §375.205, RSMo and 20 CSR 100-8.040.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	6	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	6	100%

Reference: §374.205, RSMo and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Great West Casualty Company (NAIC #11371), Examination Number 1109-49-TGT. This examination was conducted by Gary T. Meyer, Gary Bird and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated June 28, 2012. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

11/19/2012

Jim Mealer — Date

Chief Market Conduct Examiner

RECEIVED
SEP 13 2012
MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Sent via e-mail to stewart.freilich@insruance.mo.gov
and by Certified Mail – Return Receipt Requested

September 11, 2012

Missouri Department of Insurance,
Financial Institutions & Professional Regulation
ATTN: Stewart Freilich, Legal Counsel
301 West High Street, Room 530
P.O. Box 690
Jefferson City, Missouri 65102-0690

Re: Great West Casualty Company, NAIC No. 11371
Draft Market Conduct Exam Report No. 1109-49-TGT

Dear Mr. Freilich:

Great West Casualty Company (the "Company") received the Draft Market Conduct Examination Report (the "Report") on August 10, 2012.

The Company has carefully reviewed the Report and respectfully disagrees with some of its findings. The Company's areas of disagreement are:

II. Underwriting and Rating Practices/Workers' Compensation Review

A. Forms and Filings – Results

"The examiners discovered that Great West failed to make a filing with DIFP for 68 large deductible, non-standard (individual risk) rated policies as required. The individual files are detailed in Section B. Underwriting and Rating of this report."

B. Underwriting and Rating – Results

1. *"Great West failed to file the following 21 large deductible, non-standard (individual risk) rated policies with DIFP as required."*
2. In two instances, the Company applied or used a schedule rating worksheet that included the disallowed category of "Classification Peculiarities".

RESPONSE:

Large Deductible Policies

At all times during the exam period the Company had on file with the DIPF an approved "Special Plan Optional Deductible Plan" ("Plan") stating the Company's methodology for the rating of large deductible policies.

The Company has acknowledged that it did not file an individual rating filing for each large deductible policy because it did not believe that such a filing was required. The approved Plan stated the methodology for application of the large deductible credit and the policies were rated pursuant to the Company's filed Missouri rates.

The Company's filed and approved Plan provides that state specific rates and rating values are used to determine the large deductible premium, Section F. Rating Procedure, Plan states the methodology the Company uses to calculate deductible premium:

$$\text{Deductible Premium} = \frac{(\text{Ins. Elements} + \text{Aggregate Limitation} + \text{Fixed Expenses})}{(1 - \text{Variable Expenses})}$$

All factors used in the rating process required by the Missouri DOI to be filed have been filed, i.e., the Insurance Elements, which is defined in the filed and approved Plan as the "latest Insurer/Bureau Retrospective Rating Plan – Option V insurance elements for loss limitation (Excess Loss Premium Factor), were filed with the Missouri DOI. The applicable Missouri laws and regulations do not require the filing of variable and fixed expenses. A copy of the Company's filed and approved Special Plan Optional Deductible Plan is enclosed.

Thus, the Company rates multi-state large deductible policies using state specific rates and rating values to determine the required deductible premium and deductible credit. The Missouri premium, as well as all other state premiums, was calculated pursuant to the filed rates and applicable payrolls. The state rating values on a multi-state policy are weighted by the state premium and the weighted average of these rating values are used to calculate the deductible premium and deductible credit for the entire large deductible multi-state policy.

Even though the Company believes such a filing may not be required, the Company will begin filing a Missouri Large Deductible Notice of Election for each Missouri large deductible policy.

Large Deductible - Missouri Only Policies

Two policies listed in the Report, WC19927F and WC19927G, issued to O & S Trucking, Inc., are not "multi-state large deductible" policies as referenced in Bulletin 02-01, i.e., these policies provided 3.A. coverage for only the state of Missouri. Consequently, these policies are not subject to the large deductible guidelines announced in the Bulletin which on pages 3 & 4 respectively, states:

> "The Department is willing to allow a similar, individual-rating option for large deductible plans, but with an (sic) number of conditions. First, the employer must have operations in one or more states in addition to Missouri…."
> "Insurers may individually rate large deductible, multi-state employers, if the employer agrees to such a rating. …..

The deductible credit was determined by the provisions of the filed Plan and the filed Missouri rates for these two policies.

Schedule Rating Worksheet

WC24204B

The Company acknowledges that originally the underwriter inadvertently used an old Schedule Rating Worksheet for this policy. The Company regrets this error and has taken measures to ensure that this error does not recur.

This error was corrected, however, when at some point the underwriter realized his error and modified the old Worksheet by applying the 5% debit in the disallowed category to the allowed category of "Premise/Work Environment". The debit was still appropriate due to the insured's business consisting of 100% multi load drops, i.e., the insured motor carrier hauled only "LTL" – less than truckload goods which created more exposure given the multiple times the drivers were required to drop off partial truckloads of plants. Unlike other types of employment, the work environment of a truck driver consists of mainly the tractor and the locations the driver has to load and unload goods. The Premises/Work Environment category is defined in the Schedule Rating Table as:

> Physical condition, hazards controlled, housekeeping, documented inspection and preventive maintenance (including records of corrective action), industrial hygiene, ergonomics, workplace design, workflow, resource distribution, administrative controls.

A motor carrier whose drivers exclusively haul a full truckload for shippers have a different work environment than that of this insured whose drivers had to deliver multiple loads.

Additionally, the Worksheet was corrected by the underwriter to account for the fact that the "new" Worksheet changed the name of the category of "Employees-Selection, Training, Supervision" to "Employees," and the categories of "Management-Cooperation with Insurance Carrier" and "Management-Safety Organization" were combined and renamed as "Management/Safety Organization".

WC23765C

The Company's new Schedule Rating Worksheet which deleted the "classification peculiarities" was approved for use effective January 1, 2010. It is accurate that upon renewal of the prior policy (WC23765B) the underwriter used the old Worksheet. This was done; however, as he believed he needed to in order to accurately reflect the prior years' credits/debits. No credit/debit was applied to the disallowed category, however, so such usage had no effect on the renewed policy WC23765C.

The Company thanks the Department and the examiners for their courtesy and professionalism throughout the examination process. Please do not hesitate to contact me with any questions or if you need any additional information.

Sincerely,

GREAT WEST CASUALTY COMPANY

Karen M. McCarthy, CPCU, ARM, ARC
Asst. Vice President & Sr. Legal Counsel
Regulatory, Operations & Compliance Dept.
1100 W. 29th St.
South Sioux City, NE 68776
PH: 800.228.8602 x7219 FAX: 402.241.4226
k.mccarthy@gwccnet.com

Enclosure – Special Plan - Optional Deductible Plan

cc: Jim Jensen
Hugh Fugleberg
Marshall Hunzelman
Thomas Olson
Terry Keime
Jon Determan

SPECIAL PLAN
OPTIONAL DEDUCTIBLE PLAN

This rule applies to deductibles in excess of those placed on file by the NCCI or other Bureaus.

A. General

The optional deductible plan offers an employer many of the advantages of self-funding a workers compensation program without the associated disadvantages of self-administration. It provides the same guarantees to an injured worker that the traditional insurance program would. The insurers liability to an injured worker is unaffected by the optional deductible plan. Since we expect to be reimbursed, the insured will receive a premium reduction.

B. Coverage

The coverage is provided by a standard workers' compensation and employers liability policy with the appropriate endorsement attached. The endorsement requires the employer to reimburse the insurer for losses it pays up to the deductible amount. Nothing in the endorsement relieves the insurer of its obligations under a states Workers' Compensation Law should the insured employer fail to reimburse the insurer. Failure on the part of the employer to reimburse the insurer will result in the deletion, with proper notice, of the endorsement from the policy and the loss of the premium reduction credit from the date the endorsement was deleted.

C. Application

The application of the optional deductible plan is dependent on the mutual agreement between the insurer and the insured. The deductible applies to indemnity and medical benefits under Part One of the policy, damages under Part Two, payments under Part Three and loss adjustment expense. The deductible applies to each accident for all bodily injury by accident and to each employee for bodily injury by disease.

D. Amounts

The plan is subject to a minimum total Standard Premium of at least $100,000. The minimum deductible amount is $25,000.

E. Security

An escrow fund from the employer sufficient to support anticipated claim payments is required. As security for ultimate claim payments, an irrevocable letter of credit in a form and on a bank acceptable to the insurer is also required.

F. Rating Procedure

The deductible premium shall be calculated as follows:

$$\text{Deductible Premium} = \frac{(\text{Ins. Elements} + \text{Aggregate Limitation} + \text{Fixed Expenses}}{(1 - \text{Variable Expenses})}$$

The manual modified premium is the premium developed by applying the exposure base to the applicable insurer/bureau filed and approved rates(s), adjusted by the experience modification.

Fixed and variable expenses consist of the latest insurer expenses for general, loss adjustment, residual market, commission, taxes and profit indications.

Insurance elements consist of the latest insurer/Bureau Retrospective Rating Plan - Option V insurance elements for loss limitation (Excess Loss Premium Factor) and aggregate limitation (Insurance charge), if any, that correspond to the per accident deductible limit and the aggregate deductible limit. Based on individual policyholder and/or state characteristics, the underwriter may adjust the fixed and variable expenses, and/or insurance elements.

G. Policy Preparation

The calculated credit for the selected deductible(s) shall be entered in Item 4 of the Information Page immediately below the total standard premium entry. The premium shown on the Information Page, schedules and endorsements is an estimate. The final premium will be determined after the policy ends by using the actual, not the estimated, payroll and the proper classifications and rates that lawfully apply to the business and work covered by this policy.

H. Unit Statistical Reporting

For unit statistical reporting, it is required that gross incurred losses (prior to application of the deductible) be reported. Total payrolls and audited standard premiums shall also be reported. Such total payrolls and losses will be used in the experience ratings of the employer.

I. Financial Reporting

Case estimates will be required in accordance with established procedures. Losses within the deductible and the reimbursements for them will offset each other. Accordingly, only the loss amounts in excess of any deductible will be reported. Similarly, premiums net of the deductible credit will be reported. Additionally, deductible experience, both premiums and losses, will be reported separately on a gross and "first dollar" basis, respectively.

J. Premium Discount/Retrospective Rating

Risks subject to this Plan are not eligible for retrospective rating or premium discounts.

K. Claim Handling

The insurer is responsible for total loss payment as required by the applicable State Workers' Compensation Law. Loss reimbursement statements will be provided by the insurer on a monthly basis. Loss reimbursements will be effected for as long as loss payments are made under the deductible policy. Payment for life table cases may be commutated at the option of the insurer using a present value calculation determined by the insurer based upon average life expectancy.

The insured also has the option of including Allocated Loss Adjustment Expense (ALAE) within the deductible/aggregate limit. The insured may pay the ALAE in full or have the insurer retain all ALAE. This same option applies to the loss supervision fees/loss handling fee. The loss supervision fee/loss handling fee includes all costs of handling claims by the insurer *excluding* the ALAE.

SPECIAL PLAN
OPTIONAL DEDUCTIBLE PLAN
MISSOURI EXCEPTION

This rule applies to deductibles in excess of those placed on file by the NCCI or other Bureaus.

D. Amounts

The plan is subject to a minimum total Standard premium of at least $100,000. The minimum deductible amount is $25,000. The deductible will not exceed 40% of the premium.