

TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE

CHAPTER 5. INDUSTRIAL COMMISSION OF ARIZONA

- A. Annually, by September 15, premium calculation rates and a schedule of Deviation Rates shall be calculated and approved by the Commission at a public rate hearing. The premium calculation rates and the schedule of Deviation Rates shall be effective the following calendar year.
- B. The Deviation Rate applicable to a Self-Insurer relates directly to the Self-Insurer's safety record, which is measured by the Self-Insurer's Experience Modification Rating specific to Arizona for the prior year. The schedule of Deviation Rates will include the Experience Modification Rate ranges that apply to each Deviation Rate.
- C. The Experience Modification Rate for purposes of determining the Deviation Rate shall be calculated as follows:
1. In the first year of self-insurance, the Experience Modification Rate is set at 1.00;
 2. In the second and third years of self-insurance, the Division calculates the Experience Modification Rate based upon the payroll and loss data accumulated by the Self-Insurer during its entire term of self-insurance; and
 3. In the fourth year of self-insurance and all following years, the Division calculates the Experience Modification Rate based upon the payroll and loss data of the prior three tax years.
- D. If the Division cannot calculate an Experience Modification Rate in the second and all following years because the Self-Insurer does not have any injuries, the Self-Insurer shall receive the highest Deviation Rate.
- E. The lowest Deviation Rate included in the schedule of Deviation Rates shall not be less than 10%.

Historical Note

New Section made by final rulemaking at 28 A.A.R. 3435 (October 28, 2022), with an immediate effective date of October 5, 2022 (Supp. 22-4).

R20-5-1535. Basis for Definitions, Classifications, Rating Procedures, and Plans

The Division may use the definitions, classifications, and rating procedures specified in rating plans filed by a Rating Organization or developed by the Division to calculate the net taxable premium under A.R.S. §§ 23-961 and 23-1065.

Historical Note

New Section made by final rulemaking at 28 A.A.R. 3435 (October 28, 2022), with an immediate effective date of October 5, 2022 (Supp. 22-4).

R20-5-1536. Fixed Premium Plan; Eligibility; Formula; Necessary Information

- A. Except as provided in R20-5-1539, a Self-Insurer shall use a Fixed Premium Plan for purposes of premium taxes required under A.R.S. §§ 23-961 and 23-1065 if the Self-Insurer's annual net taxable premium does not exceed \$100,000.
- B. Except as provided in R20-5-1539, a Self-Insurer may elect to use a Fixed Premium Plan for purposes of premium taxes required under A.R.S. §§ 23-961 and 23-1065 if the Self-Insurer's annual net taxable premium exceeds \$100,000.
- C. The Division shall calculate the net taxable premium under a Fixed Premium Plan as follows: [(payroll multiplied by the applicable Payroll Classification Rate) multiplied by (1 minus the Deviation Rate)] less premium discounts.
- D. The Fixed Premium Plan applies only to operations and payroll in Arizona. The Self-Insurer shall combine all operations in Arizona to calculate the premium taxes required under A.R.S. §§ 23-961 and 23-1065.
- E. A Self-Insurer shall provide the following in support of using a Fixed Premium Plan:

1. Completed Annual Payroll Report Form for the current tax year;
2. Completed Annual Medical Report Form for the current tax year;
3. Completed Annual Injury Report Forms for current and prior three tax years; and
4. Completed Quarterly Tax Payment Form.

Historical Note

New Section made by final rulemaking at 28 A.A.R. 3435 (October 28, 2022), with an immediate effective date of October 5, 2022 (Supp. 22-4).

R20-5-1537. Ex-Medical Plan; Eligibility; Formula; Necessary Information

- A. Except as provided in R20-5-1539, a Self-Insurer may elect to use an Ex-Medical for purposes of premium taxes required under A.R.S. §§ 23-961 and 23-1065 if the Self-Insurer's annual net taxable premium exceeds \$100,000 and the Self-Insurer operates a medical facility with a program for providing medical, surgical, or hospital services to a majority of the employees of the Self-Insurer or the employees of the members of a Self-Insurance Pool that complies with the requirements of A.R.S. § 23-1070.
- B. The Division shall calculate the net taxable premium under an Ex-Medical Plan on a Payroll Classification Code basis as follows: [(payroll multiplied by the Payroll Classification Rate) multiplied by (1 minus the Deviation Rate) multiplied by (1 minus the D-Ratio)] less premium discounts.
- C. The Ex-Medical Plan applies only to operations and payroll in Arizona. The Self-Insurer shall combine all operations in Arizona to calculate the premium taxes required under A.R.S. §§ 23-961 and 23-1065.
- D. A Self-Insurer shall provide the following in support of using an Ex-Medical Plan:
1. The completed forms required in R20-5-1536(E); and
 2. Completed Annual Hospital Report Form for the current tax year.

Historical Note

New Section made by final rulemaking at 28 A.A.R. 3435 (October 28, 2022), with an immediate effective date of October 5, 2022 (Supp. 22-4).

R20-5-1538. Guaranteed Cost Plan; Eligibility; Formula; Necessary Information

- A. Except as provided in R20-5-1539, a Self-Insurer may elect to use a Guaranteed Cost Plan for purposes of premium taxes required under A.R.S. §§ 23-961 and 23-1065 if the Self-Insurer's annual net taxable premium exceeds \$100,000.
- B. The Division shall calculate the net taxable premium under a Guaranteed Cost Plan, using the most recent year's data, as follows: [(payroll multiplied by the Payroll Classification Rate) multiplied by (the Experience Modification Rate specific to Arizona) multiplied by (1 minus the Deviation Rate)] less premium discounts.
- C. The Guaranteed Cost Plan applies only to operations and payroll in Arizona. The Self-Insurer shall combine all operations in Arizona to calculate the premium taxes required under A.R.S. §§ 23-961 and 23-1065.
- D. The Experience Modification Rate specific to Arizona for purposes of determining the net taxable premium under a Guaranteed Cost Plan shall be calculated in the manner described in R20-5-1534(C). If the Division cannot calculate an Experience Modification Rate in the second and all following tax years because the Self-Insurer does not have any injuries, the Experience Modification Rate shall be set at 1.00.