



Minnesota Workers' Compensation  
Insurers Association, Inc.  
7701 France Avenue South • Suite 450  
Minneapolis, MN 55435-3200

October 4, 2001

**ALL ASSOCIATION MEMBERS**

Circular Letter 01-1368

**RE: Large Risk Alternative Rating Option**

The Minnesota Department of Commerce has approved the above filing effective 12:01 A.M., November 1, 2001, applicable to new and renewal business only.

The Association was made aware of the need to update the Large Risk Alternative Rating Option (LRARO) in the *Retrospective Rating Plan Manual*.

During the 2001 Minnesota legislative session, the House and Senate passed an amendment to bill H.F. No. 1615, labeled H1615A2. This amends Minnesota Statute 79.56, Subd. 3 and reduces the eligibility threshold for large deductible rating plans. Minnesota Statute 79.56, Subd. 3 reads as follows:

(b) "Notwithstanding this subdivision, an employer that generates \$250,000 in annual written workers' compensation premium under the rates and rating plan of an insurer before the application of any large deductible rating plans, may be written by that insurer using rates or rating plans that are not subject to disapproval but which have been filed."

Association staff worked with industry representatives to update the language of the Large Risk Alternative Rating Option to bring it into compliance with Minnesota law. The new language clarifies the eligibility threshold for the LRARO within the State of Minnesota and reads as follows:

"A risk is eligible for the Large Risk Alternative Rating Option if the annual standard premium is in excess of \$250,000 in written Minnesota workers compensation premium as specified in Minnesota Statutes 79.56, sub. 3 provided that all plans must be filed with the Minnesota Department of Commerce."

Exhibits I, II and III illustrate the changes to Part I, Rule II.K., Part I, Rule III.E. and Part II, Rule I.A. of the *Retrospective Rating Plan Manual* to implement this filing. Please note that the proposed language contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. There may be an impact on premium as a result of not meeting the eligibility threshold.

Please direct any questions you may have concerning this item to one of our underwriters at 952-897-1737 or by e-mailing our office at [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

**A NOTICE TO MEMBERSHIP:**

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing only applies automatically to insurance companies who have filed a Limited Power of Attorney with our Commerce Department. A properly executed Limited Power of Attorney authorizes MWCIA to make filings on behalf of individual insurance companies. Any insurance company who has not filed a Limited Power of Attorney must independently submit the changes represented in each filing item to the Minnesota Department of Commerce for their approval.

EXHIBIT I

RETROSPECTIVE RATING PLAN MANUAL

PART I

RULE II. K.

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
DESCRIPTION OF THE PLAN	DESCRIPTION OF THE PLAN
K. LARGE RISK ALTERNATIVE RATING OPTIONS	K. LARGE RISK ALTERNATIVE RATING OPTIONS
<p>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by carrier and insured. It is an available option <del>for risk with an estimated annual standard premium in excess of \$1,000,000 individually or in any combination with General Liability, Hospital Professional Liability, Commercial Automobile, Crime, Glass or Workers Compensation.</del></p> <p><del>A different premium eligibility level may be used if filed by an individual insurance carrier, subject to regulatory approval.</del></p>	<p>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for <u>all risks subject to the annual standard premium in excess of \$250,000 in written Minnesota workers' compensation premium as specified in Minnesota Statute 79.56, subd.3 provided that all plans must be filed with the Minnesota Department of Commerce</u></p>

EXHIBIT II

RETROSPECTIVE RATING PLAN MANUAL

PART I

RULE III. E.

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
<b>ELIGIBILITY FOR THE PLAN</b>	<b>ELIGIBILITY FOR THE PLAN</b>
<b>E. LARGE RISK ALTERNATIVE RATING OPTIONS</b>	<b>E. LARGE RISK ALTERNATIVE RATING OPTIONS</b>
<p>A risk is eligible for the Large Risk Alternative Rating Option if the <del>estimated standard premium individually or in any combination with General Liability, Hospital Professional Liability, Commercial Automobile, Crime, Glass or Workers Compensation exceeds an average of \$1,000,000 annually for the term of the plan.</del></p> <p><del>A different premium eligibility level may be used if filed by an individual insurance carrier, subject to regularly approval.</del></p>	<p>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for <u>all risks subject to the annual standard premium in excess of \$250,000 in written Minnesota workers' compensation premium as specified in Minnesota Statute 79.56, subd.3 provided that all plans must be filed with the Minnesota Department of Commerce</u></p>

**EXHIBIT III**

**RETROSPECTIVE RATING PLAN MANUAL**

**PART II**

**OPERATION OF THE PLAN**

<b>PRESENT NCCI PHRASEOLOGY:</b>	<b>PROPOSED MINNESOTA PHRASEOLOGY:</b>
<b>OPERATION OF THE PLAN</b>	<b>OPERATION OF THE PLAN</b>
<b>I. How Premium Is Determined Under the Plan</b>	<b>I. How Premium Is Determined Under the Plan</b>
Retrospective Premium is computed on the basis of the formulas in I-A and D of the Plan.	Same
<b>A. The Retrospective Premium Formula.</b>	<b>A. The Retrospective Premium Formula.</b>
The premium for a risk subject to this Plan is determined by the following retrospective premium formula:	Same
Retrospective Premium =	Retrospective Premium =
1. Basic Premium Plus	Same
1. Converted Losses or Converted Loss plus Allocated Loss Adjustment Expense	Same
2. The sum of 1 = 2 is multiplied by the Tax Multiplier	Same
This formula produces a retrospective premium which shall be subject to the Minimum Retrospective Premium and the Maximum Retrospective Premium.	Same.
If the risk to which the Plan is applied includes more than one legal entity, a single retrospective premium is computed on the basis of the combined entities, not individually for each entity.	Same.

EXHIBIT III

RETROSPECTIVE RATING PLAN MANUAL

PART II

OPERATION OF THE PLAN

<p><del><b>Note:</b> Risk with an estimated annual standard premium in excess of \$1,000,000 individually or in any combination with General Liability, Hospital Professional Liability, Commercial Automobile, Crime, Glass or Workers Compensation may be rated under the Large Risk Alternative Rating Option. This option provides that such risk may be Retrospective rated as mutually agreed upon by carrier and insured.</del></p>	<p><u>A risk is eligible for the Large Risk Alternative Rating Option if the annual standard premium is in excess of \$250,000 in written Minnesota workers compensation premium as specified in Minnesota Statutes 79.56, subd.3 provided that all plans must be filed with the Minnesota Department of Commerce</u></p>
<p><del>A different premium eligibility level may be used if filed by an individual insurance carrier, subject to regulatory approval.</del></p>	