

January 8, 2002

**ALL ASSOCIATION MEMBERS**

Circular Letter No. 02-1378

**Re: WCRA Announces Rate Reduction**

The following is a reprint of an article written by Carl "Buzz" Cummins, Acting President of the Workers' Compensation Reinsurance Association, announcing a 12% rate reduction by the WCRA. We are providing this information to our membership for their convenience. Please direct any questions you may have regarding its content to Buzz Cummins at the numbers referenced at the end of the article.

**Press Release**

Thursday December 27, 11:13 am Eastern Time

**Workers' Compensation Reinsurance Association Reduces Rates by 12 Percent**

**WCRA Will Also Continue to Cover Acts of Terrorism**

ST. PAUL, Minn.--(BUSINESS WIRE)--Dec. 27, 2001--The Workers' Compensation Reinsurance Association (WCRA) today announced that it is reducing the reinsurance rates it charges to self-insured Minnesota employers and insurance companies by an average of 12 percent.

The rate reductions have been adopted by the WCRA Board of Directors and approved by Minnesota Commissioner of Labor and Industry Shirley Chase. The rate reductions will range from five percent to 19 percent depending on the retention limit selected by each insurer or self-insured employer.

Carl Cummins, acting WCRA president, said that the association is able to reduce its rates because they are based solely on the workers' compensation claims experience of Minnesota employers. "Global reinsurance markets have been hardening through much of this year, and since the events of Sept. 11, industry sources indicate that private re-insurers are raising rates by 10 percent to 80 percent."

Minnesota law requires all workers' compensation insurers and all self-insured employers to purchase reinsurance coverage for large claims from the WCRA, a not-for-profit, tax-exempt association created by the Legislature in 1979. Cummins noted that one of the reasons the WCRA was formed was to ensure the reliable availability of workers' compensation reinsurance in the state. "These reduced WCRA reinsurance rates will help stabilize the workers' compensation insurance market for Minnesota employers at a time when there is great instability in the national property and casualty insurance markets."

The WCRA also announced that it would continue to provide reinsurance coverage for any future terrorism losses. Last week, the Minnesota Department of Commerce said it would approve commercial insurance policies that exclude terrorism coverage.

According to state law, the WCRA is required to provide 100 percent indemnification for losses sustained by its members in each loss occurrence in excess of the retention limit selected by each member. Cummins said, "By continuing to provide reinsurance for losses resulting from terrorist acts, the WCRA will provide greater stability in the Minnesota workers' compensation market than in many other states by helping to ensure that insurance coverage is available for Minnesota employers."

The WCRA has reserves of \$1 billion available to meet its claims obligations. In addition, since 1992, it has made surplus distributions of \$1.23 billion to Minnesota employers and its insured members. The association recently completed a distribution of \$42.2 million in surplus funds to more than 99,000 Minnesota employers.

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