



Minnesota Workers' Compensation
Insurers Association, Inc.
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February 28, 2002

ALL ASSOCIATION MEMBERS

Circular Letter No.02-1382

RE: Catastrophe Code 48

The Minnesota Department of Commerce has approved the captioned filing to be effective April 1, 2002.

This item establishes procedures for the reporting of claims arising out of the World Trade Center disaster of September 11, 2001. A new catastrophe code "48" has been established to identify all losses from this tragedy. This code will only be used for this event and should not be used for reporting of any other catastrophe claims. The claims reported under catastrophe code 48 will not be used in any experience or merit ratings.

The attached exhibits illustrate the changes in the Minnesota Unit Statistical Plan Manual and the Minnesota pages of the Experience Rating Plan Manual.

Please direct any questions you may have to our office at 952-897-1737 or e-mail us at info@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

MINNESOTA UNIT STATISTICAL PLAN MANUAL

SECTION ONE, PART IV

PRESENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
11. CATASTROPHE NUMBER	11. CATASTROPHE NUMBER
<p>Any accident resulting in two or more reported claims must be reported as a catastrophe. In reporting catastrophes, all claims (compensable as well as non-compensable and contract medical) resulting from this accident shall be designated by placing the numeral "1" in the column captioned Cat. No. opposite each claim. If there is more than one catastrophe under the policy, each succeeding catastrophe should be designated by means of a separate serial number "2," "3," etc. A separate series of catastrophe numbers shall be used for each policy.</p>	<p>Any accident resulting in two or more reported claims must be reported as a catastrophe. In reporting catastrophes, all claims (compensable as well as non-compensable and contract medical) resulting from this accident shall be designated by placing the numeral "1" in the column captioned Cat. No. opposite each claim. If there is more than one catastrophe under the policy, each succeeding catastrophe should be designated by means of a separate serial number "2," "3," etc. A separate series of catastrophe numbers shall be used for each policy.</p> <p><u>Exception: Catastrophe Number 48 must be reported for single and multiple claims associated with the September 11, 2001, World Trade Center tragedy.</u></p>

EXHIBIT II

MINNESOTA UNIT STATISTICAL PLAN MANUAL

SECTION ONE, APPENDIX A

PRESENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
CATASTROPHE NUMBER, SPECIFICATIONS	CATASTROPHE NUMBER, SPECIFICATIONS
An accident resulting in two or more reported claims. All claims resulting from this accident shall be designated by the numeral 1. Increase by 1 for each succeeding catastrophe.	An accident resulting in two or more reported claims. All claims resulting from this accident shall be designated by the numeral 1. Increase by 1 for each succeeding catastrophe. <u>Exception: Catastrophe Number 48 must be reported for single and multiple claims associated with the September 11, 2001, World Trade Center tragedy.</u>

EXHIBIT III
EXPERIENCE RATING PLAN MANUAL
PART TWO
OPERATION OF THE PLAN

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
D. PAYROLLS AND LOSSES	D. PAYROLLS AND LOSSES
1. PAYROLLS	1. PAYROLLS
The audited payrolls or other exposures for each classification in the experience period are those reported in accordance with the <i>Statistical Plan</i> Manual.	The audited payrolls or other exposures for each classification in the experience period are those reported in accordance with the <i>Minnesota Statistical Plan</i> Manual.
2. LOSSES	2. LOSSES
The incurred losses in the experience period are those reported in accordance with the <i>Statistical Plan</i> Manual. No loss shall be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.	The incurred losses in the experience period are those reported in accordance with the <i>Minnesota Statistical Plan</i> Manual. No loss shall be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.
For purposes of this Plan, losses incurred under a state workers compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage shall be subject to the respective accident limitations shown in the Tables of Weighting and Ballast Values.	SAME
NONE	<u>EXCEPTION:</u> All claims reported with Catastrophe Number 48 shall be excluded from experience rating calculations. Refer to the <i>Minnesota Statistical Plan</i> Manual, Part IV, Item 11 for definition of losses included under Catastrophe Number 48.

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EXPERIENCE RATING PLAN MANUAL
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PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
3. LIMITATION ON TOTAL LOSSES EMPLOYED IN A RATING	3. LIMITATION ON TOTAL LOSSES EMPLOYED IN A RATING
a. AN ACCIDENT INVOLVING ONE PERSON	a. AN ACCIDENT INVOLVING ONE PERSON
An accident involving an injury to one person shall be limited to the accident limitation in the Tables of Weighting and Ballast Values. The actual primary loss for such an accident is subject to the maximum primary value of \$5,000.	SAME
b. ACCIDENTS INVOLVING TWO OR MORE PERSONS	b. ACCIDENTS INVOLVING TWO OR MORE PERSONS
Accidents involving injuries to two or more persons shall be limited to the multiple claim accident limitation in the Tables of Weighting and Ballast Values, which is twice the normal accident limitation. The actual primary loss for such accidents is limited to \$10,000—twice the normal maximum primary value.	SAME
c. DISEASE LOSSES	c. DISEASE LOSSES
Disease losses for each policy year shall be limited to triple the accident limitation shown in the Tables of Weighting and Ballast Values, plus 120% of the risk's total expected losses for the experience period. For each policy year, the actual primary loss for disease losses is limited to \$10,000—twice the normal maximum primary value, plus 40% of the risk's total expected primary losses for the experience period.	NONE

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PRESENT MINNESOTA EXCEPTION:	PROPOSED MINNESOTA PHRASEOLOGY:
c. DISEASE LOSSES	c. DISEASE LOSSES
Disease losses for each policy year shall be limited to triple the accident limitation shown in the Table of Weighting and Ballast Values plus 40% of the risk's total expected losses for the experience period. The actual primary loss for disease losses is limited to \$20,000—twice the normal maximum primary value, plus 40% of the risk's total expected primary losses for the rating period.	SAME
PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
Note: To determine the limitation on total disease losses employed in a rating as described in c., the following procedure shall apply:	SAME
<ul style="list-style-type: none"> (1) Latest policy year— Combine the disease losses of all policies within the experience period, having an effective date within 24 months prior to and valued at least 3 months prior to the experience rating date. (2) Middle policy year— Combine the disease losses of all policies having an effective date more than 24 months, but not exceeding 36 months prior to the experience rating date. (3) Earliest policy year— Combine the disease losses of all policies within the experience period, having an effective date more than 36 months prior to the experience rating date. 	SAME

EXHIBIT III
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PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
4. REVISION OF LOSSES	4. REVISION OF LOSSES
Submission of revised unit reports to the rating organization, for purposes of automatically recalculating the current and up to two preceding experience modifications is required under the following circumstances:	SAME
<ul style="list-style-type: none"> a. Originally reported loss values were incorrect due to a clerical error b. The claimant or carrier has made a third party recovery and the third party has not filed a liability-over claim. c. The third party in b. above does file a liability-over claim but settlement of such claim does not result in its recovery against the insured. d. Where the originally reported claim is noncompensable as determined by: <ul style="list-style-type: none"> (1) Official ruling denying benefits under the Workers' Compensation Law. (2) A claimant's failure to file for benefits during the period of limitation allowed by Workers' Compensation Law. (3) A claimant's failure to prosecute his claim when a carrier contends, prior to valuation date, that the claimant is not entitled to benefits under the Workers' Compensation Law. e. A paid or anticipated recovery from a special fund becomes known to the carrier. 	SAME
<p>Exception: The <i>Statistical Plan</i> Manual provides that if a decrease in loss value due to subrogation or special fund recovery is less than 10% of the gross incurred cost of the claim, revised unit reports are not submitted.</p>	NONE

EXHIBIT III
EXPERIENCE RATING PLAN MANUAL
PART TWO
OPERATION OF THE PLAN

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
<p>For purposes of this rule's application to subrogation and special fund recovery situations:</p> <ul style="list-style-type: none"> (1) the current experience modification is that in effect when the revised loss value is determined by the insurance provider. (2) The recalculation of experience modifications is limited to the five most recent modifications for a given risk. <p>Application of revised experience modifications calculated according to a., b., c., d., and e. above is subject to Rule E.6 of Part Three of this Plan.</p>	<p>SAME</p>
PRESENT MINNESOTA EXCEPTION:	PROPOSED MINNESOTA PHRASEOLOGY:
<p>f. If a claim is settled between a normal valuation date and the next rating effective date and if the settlement results in an aggravated inequity, then the experience modification factor must be revised if requested by either the insurer or insured. An "aggravated inequity" includes, but is not limited to, the following situations:</p> <ul style="list-style-type: none"> (1) the expected loss for the insured is less than \$50,000 and the primary value of the claim changed by more than \$2,500 or (2) the expected loss for the insured is greater than \$50,000 and either the primary value of the loss has changed by more than five percent of the expected loss or the total value of the claim has changed by more than \$50,000. 	<p>SAME</p>

EXHIBIT III
EXPERIENCE RATING PLAN MANUAL
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OPERATION OF THE PLAN

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
NONE	<u>g. Where a claim should have been reported with Catastrophe Number 48.</u>
5. THIRD PARTY CASES	5. THIRD PARTY CASES
When a risk's incurred losses for which a third party claim has been made, the inclusion of such losses in the experience rating calculation shall be as follows:	SAME
<ul style="list-style-type: none"> a. Unsettled claims—Losses shall be included in the experience rating calculation. b. Settled claims—Losses shall be included but must be adjusted prior to use in the experience rating calculation. The incurred loss shall equal the loss prior to settlement minus the amount recovered from others, plus expenses incurred in obtaining the recovery. <p>In cases where recovery expense exceeds recovery amount, the incurred loss shall equal the loss prior to settlement.</p>	SAME
6. LIABILITY-OVER CASES	6. LIABILITY-OVER CASES
When a risk's incurred losses include liability-over claims, the inclusion of such losses in the experience rating calculation shall be as follows:	SAME
a. Where settled liability-over claims result in no payment to a third party, the experience rating calculation shall include any allocated claim adjustment expense incurred in defending such claims. This expense is subject to the Employers Liability Accident Limitation in the Tables of Weighting and Ballast Values.	SAME

EXHIBIT III
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PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
<p>b. Where settled liability-over claims result in payment to a third party, no change is made in the loss valuation used in the calculation of the current experience modification. At the next normal valuation date, the calculation shall include the settlement amount plus any allocated claim adjustment expense incurred in defending such claims. This expense and settlement is subject to the Employers Liability Accident Limitation in the Tables of Weighting and Ballast Values.</p>	<p>SAME</p>

EXHIBIT IV
EXPERIENCE RATING PLAN MANUAL
STATE SPECIAL RULES
MINNESOTA ASSIGNED RISK PLAN

PRESENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
MERIT RATING PLAN	MERIT RATING PLAN
Non-Experience Rated Employers	Non-Experience Rated Employers
Non-experience rated employers will receive a credit or debit depending on:	SAME
<ol style="list-style-type: none"> 1. the number of years they have been insured with the Assigned Risk Plan, and 2. the number of lost time claims they have had within the applicable rating period. 	SAME
Depending on the above criteria, the following credits/debits will apply:	SAME
<p>A. Non-experience rated employers who have been insured with the Assigned Risk Plan for the last three consecutive years will be subject to the following schedule based on lost time claims during the applicable rating period:</p> <p>0 lost time claims – 33% credit 1 lost time claim – no credit or debit 2 or more lost time claims – 10% debit</p> <p>B. Non-experience rated employers who have not been insured with the Assigned Risk Plan for the last three consecutive years will be subject to the following schedule based on lost time claims during the applicable rating period:</p> <p>0 lost time claims – 10% credit 1 lost time claim – no credit or debit 2 or more lost time claims – 10% debit</p>	SAME

EXHIBIT IV
EXPERIENCE RATING PLAN MANUAL
STATE SPECIAL RULES
MINNESOTA ASSIGNED RISK PLAN

PRESENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
NONE	<u>EXCEPTION: All claims reported with Catastrophe Number 48 shall be excluded from merit rating calculations.</u>
Experience Rated Employers	Experience Rated Employers
Will not be subject to Merit Rating.	SAME