



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

August 14, 2002

ALL ASSOCIATION MEMBERS

Circular Letter No. 02-1390

RE: Large Risk Alternative Rating Option (LRARO)

The Minnesota Department of Commerce has approved the above filing effective 12:01 A.M., October 1, 2002, applicable to new and renewal business only.

During the 2002 Minnesota legislative session, the legislature made revisions to Minnesota Statute 79.56, subd. 3(b) which impacts the Large Risk Alternative Rating Option Rule. The current LRARO Rule states, in part:

“It is an available option for all risks subject to annual standard premium in excess of \$250,000 in written Minnesota workers' compensation premium...”

The new legislation added the following sentence to Minnesota Statute 79.56, subd. 3(b):

“For purposes of this paragraph, written workers' compensation premiums generated from states other than Minnesota are included in calculating the \$250,000 threshold for large risk alternative rating option plans.”

In order to bring the Large Risk Alternative Rating Option Rule into compliance with Minnesota law, new language was created to clarify that a risk may be eligible for the LRARO if they generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states.

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. to implement this filing into the Minnesota Exception Pages of the *Retrospective Rating Plan Manual*. Please note that the proposed language contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text.

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 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 agreement 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.

CURRENT MINNESOTA PHRASEOLOGY	PROPOSED MINNESOTA PHRASEOLOGY
II. DEFINITIONS	II. DEFINITIONS
K. Large Risk Alternative Rating Option	K. Large Risk Alternative Rating Option
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 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.	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 all risks <u>that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans</u> as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.

EXHIBIT II
RETROSPECTIVE RATING PLAN MANUAL
PART I
RULE III.E

CURRENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY
III. ELIGIBILITY FOR THE PLAN	III. ELIGIBILITY FOR THE PLAN
E. Large Risk Alternative Rating Option	E. Large Risk Alternative Rating Option
<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 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.</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 all risks <u>that generate \$250,000 or more in annual</u> written workers' compensation premium <u>from Minnesota and other states before the application of any large deductible rating plans</u> as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.</p>

EXHIBIT III

RETROSPECTIVE RATING PLAN MANUAL

PART II

CURRENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY
OPERATION OF THE PLAN	OPERATION OF THE PLAN
I. HOW PREMIUM IS DETERMINED UNDER THE PLAN	I. HOW PREMIUM IS DETERMINED UNDER THE PLAN
<p>Retrospective Premium is computed on the basis of the formulas in I-A and D of this section of the Plan.</p> <p>A. The Retrospective Premium Formula</p> <p>The Premium for a risk subject to this Plan is determined by the following retrospective premium formula:</p> <p>Retrospective Premium =</p> <ol style="list-style-type: none"> 1. Basic Premium Plus 2. Converted Losses or Converted Loss plus Allocated Loss Adjustment Expense 3. The Sum of 1 + 2 is multiplied by the Tax Multiplier <p>This formula produces a retrospective premium which shall be subject to the Minimum Retrospective Premium and the Maximum Retrospective Premium.</p> <p>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 legal entity.</p>	<p>SAME</p>
<p>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 Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.</p>	<p>A risk is eligible for the Large Risk Alternative Rating Option if <u>that risk generates \$250,000 or more in written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans</u> as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.</p>