



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

February 14, 2003

ALL ASSOCIATION MEMBERS

Circular Letter 03-1400

RE: Terrorism Risk Insurance Act of 2002 – Manual Revisions

The Minnesota Department of Commerce has approved the above filing effective January 30, 2003.

Circular Letter 03-1397 announced that the Minnesota Department of Commerce had approved our filing of the Terrorism Risk Insurance Act of 2002 – Rate Filing and Unit Reporting, effective January 13, 2003. Circular Letter 03-1398 announced the Department's approval of our filing the Terrorism Risk Insurance Act of 2002 – Disclosure Notices and Endorsement WC 00 04 20, effective December 27, 2002. As a result, Association staff revised the language of the *Basic, Retrospective Rating Plan* and *Minnesota Statistical Plan Manuals* to conform to these two filings.

The attached exhibits illustrate the changes necessary to the *Basic, Retrospective Rating Plan* and *Minnesota Statistical Plan Manuals* to implement this filing. Please note the exhibits contain underlined and strikethrough text. The underlining indicates new or added text, while the strikethroughs indicate deleted text.

Member companies do not need to inform the Minnesota Department of Commerce when they are non-adopting these filings or if they are adopting them with a different effective date. However, member companies will need to make a filing with the Minnesota Department of Commerce if they are using independent forms, rates or rating plans.

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

EXHIBIT I

BASIC MANUAL

RULE VI

RATES, ADVISORY LOSS COSTS, AND PREMIUM DETERMINATION

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
RULE VI—RATES, ADVISORY LOSS COSTS, AND PREMIUM DETERINATION	RULE VI—RATES, ADVISORY LOSS COSTS, AND PREMIUM DETERINATION
D. EXPENSE CONSTANT	D. EXPENSE CONSTANT
4. Premium Discount, Experience Rating and Retrospective Rating	4. Premium Discount, Experience Rating, <u>Retrospective Rating, and Terrorism Risk Insurance Act</u>
The expense constant is not subject to premium discount, experience rating modification nor to retrospective rating adjustment.	The expense constant is not subject to premium discount, experience rating modification nor to retrospective rating adjustment <u>or additional charge for the Terrorism Risk Insurance Act of 2002.</u>

EXHIBIT II
BASIC MANUAL
RULE VII
PREMIUM DISCOUNT

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
RULE VII—PREMIUM DISCOUNT	RULE VII—PREMIUM DISCOUNT
C. DEFINITIONS	C. DEFINITIONS
1. Standard Premium	1. Standard Premium
<i>Standard Premium</i> means, for the purposes of this rule, the state premium determined on the basis of authorized rates, disease loadings, nonratable elements, aircraft seat surcharges, premium for increased limits of liability, any experience rating modification, any applicable schedule rating modification, and minimum premiums. The Expense Constant shall be excluded from determination of the standard premium.	<i>Standard Premium</i> means, for the purposes of this rule, the state premium determined on the basis of authorized rates, disease loadings, nonratable elements, aircraft seat surcharges, premium for increased limits of liability, any experience rating modification, any applicable schedule rating modification, and minimum premiums. The Expense Constant <u>and additional charge for the Terrorism Risk Insurance Act of 2002</u> , shall be excluded from determination of the standard premium.
Note: Statistical calls for ratemaking data contain a different definition of “Standard Premium.”	Note: Statistical calls for ratemaking data contain a different definition of “Standard Premium.”

EXHIBIT III

BASIC MANUAL

RULE XIV

DOMESTIC WORKERS—RESIDENCES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
RULE XIV—DOMESTIC WORKERS RESIDENCES	RULE XIV—DOMESTIC WORKERS RESIDENCES
E. ADVISORY LOSS COSTS, RATES, AND PREMIUM	E. ADVISORY LOSS COSTS, RATES, AND PREMIUM
5. None	5. <u>Terrorism Risk Insurance Act</u>
None	<u>Premium for the Terrorism Risk Insurance Act of 2002 does not apply to per capita classifications.</u>

EXHIBIT IV

BASIC MANUAL

STATE SPECIAL RATING PLANS AND PROGRAMS

CURRENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
NONE	TERRORISM RISK INSURANCE ACT OF 2002
None	<u>Premium for the Terrorism Risk Insurance Act of 2002 is calculated on the basis of total payroll according to Rule V. A risk's total payroll in each state is divided by units of \$100 and multiplied by the Terrorism Rate found in the Minnesota Ratemaking Report. The calculation is expressed as (Payroll/100 X Terrorism Rate = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, or retrospective rating.</u>
None	<u>Premium developed under this Act is not included in standard premium.</u>
None	<u>Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged a terrorism rate.</u>
None	<u>Expense constant and per capita charges are not subject to premium under this Act.</u>

EXHIBIT V

RETROSPECTIVE RATING PLAN MANUAL

PART ONE

DESCRIPTION OF THE PLAN

CURRENT PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
DESCRIPTION OF THE PLAN	DESCRIPTION OF THE PLAN
II. Definitions	II. Definitions
E. Standard Premium	E. Standard Premium
<p>For the purpose of this Plan, standard premium means the premium for the risk determined on the basis of authorized rates, any experience rating modification, loss constants where applicable, and minimum premiums. Determination of standard premium shall exclude:</p> <ol style="list-style-type: none"> 1. Premium Discount. 2. The Expense Constant. 3. Premium resulting from the Non-Ratable Element Codes listed in the Experience Rating Plan Manual. 4. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew. 5. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act. 	<p>For the purpose of this Plan, standard premium means the premium for the risk determined on the basis of authorized rates, any experience rating modification, loss constants where applicable, and minimum premiums. Determination of standard premium shall exclude:</p> <ol style="list-style-type: none"> 1. Premium Discount. 2. The Expense Constant. 3. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew. 4. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act. 5. <u>Premium developed by the Terrorism Risk Insurance Act of 2002.</u>

EXHIBIT VI
MINNESOTA STATISTICAL PLAN MANUAL
SECTION ONE
PART III
REPORTING INSTRUCTIONS

CURRENT PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
EXPOSURE AND PREMIUM	EXPOSURE AND PREMIUM
None	<u>18. Premium Not Subject to Experience Modification – Lines J, K and L</u>
None	<u>Terrorism Risk Insurance Act of 2002 Premium debit earned under the Terrorism Risk Insurance Act of 2002 – Certified Losses is reported on a hard copy unit report subsequent to experience modification on the line after the expense constant.</u>

EXHIBIT VII
MINNESOTA STATISTICAL PLAN MANUAL
SECTION ONE
PART VII
DATA VALUES AND STATISTICAL CODES

CURRENT PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
EXPOSURE INFORMATION CODES	EXPOSURE INFORMATION CODES
C. PREMIUM NOT SUBJECT TO EXPERIENCE MODIFICATION	C. PREMIUM NOT SUBJECT TO EXPERIENCE MODIFICATION
1. Expense Constant Code 0900	1. Expense Constant Code 0900
2. Premium Discount	2. Premium Discount
Stock Code 0063	Stock Code 0063
Non-Stock Code 0064	Non-Stock Code 0064
None	<u>3. Terrorism Risk Insurance Act of 2002- Certified Losses Code 9740</u>
INJURY DESCRIPTION CODES	INJURY DESCRIPTION CODES
Cause of Injury	Cause of Injury
None	<u>96. Terrorism (for use with an assigned Catastrophe Code only)</u>

EXHIBIT VIII

MINNESOTA STATISTICAL PLAN MANUAL

SECTION TWO

PART II

ANNUAL CALLS FOR EXPERIENCE

CURRENT PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
<p>There are six financial aggregate Calls that are submitted to MWCIA. These Calls are used directly for ratemaking in determining the overall rate level. The Policy Year and Calendar-Accident Year Calls are the major ratemaking Calls. They provide historical information on earned premium and aggregate claim data enabling MWCIA to analyze loss ratios and emerging claim patterns. Since rates for federal classes are calculated separately, this experience is NOT included in the two Calls. By collecting historical data on both Calls valued as of year-end, MWCIA is able to compare the current Call with Calls from past years in order to calculate loss development factors and trend factors necessary in determining an overall pure premium rate level change. Starting with the Calls due in 1988, both Calls are being expanded to include an additional seven years worth of data. An additional one year will be added with each year until 1999 when there will be 20 years of data on each Call.</p>	<p>There are <u>five</u> financial aggregate Calls that are submitted to MWCIA. These Calls are used directly for ratemaking in determining the overall rate level. The Policy Year and Calendar-Accident Year Calls are the major ratemaking Calls. They provide historical information on earned premium and aggregate claim data enabling MWCIA to analyze loss ratios and emerging claim patterns. Since rates for federal classes are calculated separately, this experience is NOT included in the Calls. <u>Also, premium generated and losses arising from the Terrorism Risk Insurance Act of 2002 are excluded from the standard financial calls.</u> By collecting historical data on Calls valued as of year-end, MWCIA is able to compare the current Call with Calls from past years in order to calculate loss development factors and trend factors necessary in determining an overall pure premium rate level change.</p>