



Minnesota Workers' Compensation
Insurers Association, Inc.
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Minneapolis, MN 55435-3200

August 11, 2004

To: ALL ASSOCIATION MEMBERS

Circular Letter No. 04-1424

RE: Revision of Experience Rating Plan Manual Table References

The Minnesota Department of Commerce has approved the above filing to become effective July 22, 2004.

The purpose of this filing is to revise all references to the ELR, D Ratio, Weighting Value, and Ballast Value Tables in the *Experience Rating Plan Manual* to the **Minnesota Annual Ratemaking Report**. Additionally, this filing takes care of a couple of housekeeping items that came to our attention in the preparation of this filing.

For Minnesota, the **only** ELR, D Ratio, Weighting Value, and Ballast Values Tables that appear in the Experience Rating Plan Manual are located on the "Assigned Risk Plan" pages. Tables containing this information for voluntary carriers are located in MWCIA's current **Minnesota Annual Ratemaking Report**. To help member carriers remember the proper location of this information in Minnesota, the *Experience Rating Plan Manual* is being revised to change all references to these tables in Minnesota to MWCIA's **Annual Ratemaking Report**.

The attached exhibit illustrates the changes necessary to the *Experience Rating Plan Manual* to implement the above filing. Inasmuch as these changes are intended merely to clarify, there is no impact on current premium levels as a result of this filing. In examining the exhibit pages associated with this filing, please note the proposed language on the exhibit pages contain underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. In cases where a Minnesota exception already exists, Column 1 illustrates the original NCCI language and Column 2 illustrates the current MN exception language with the new changes.

Should you have any questions regarding this item, please call one of MWCIA's Underwriting staff at 952.897.1737 or send an email to 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

EXPERIENCE RATING PLAN MANUAL

PRESENT ERP MANUAL LANGUAGE	PROPOSED MN EXCEPTION LANGUAGE ERP MANUAL
PART TWO	PART TWO
OPERATION OF THE PLAN	OPERATION OF THE PLAN
B. EXPLANATION OF TERMS	B. EXPLANATION OF TERMS
1. EXPECTED LOSS RATE	1. EXPECTED LOSS RATE
The Expected Loss Rate is the factor used to determine the amount of expected losses by classification for each \$100 of payroll. These factors can be obtained from the Tables of Expected Loss Rates and Discount Ratios in this Plan.	The Expected Loss Rate is the factor used to determine the amount of expected losses by classification for each \$100 of payroll. <u>These factors are located on the Pure Premium Base Rate Schedule in the current <i>Minnesota Ratemaking Report</i>.</u>
3. DISCOUNT RATIO	3. DISCOUNT RATIO
The Discount Ratio is the factor used to determine the amount of expected losses for each classification that are Expected Primary Losses. These factors can be obtained from the Tables of Expected Loss Rates and Discount Ratios.	The Discount Ratio ('D Ratio') is the factor used to determine the amount of expected losses for each classification that are Expected Primary Losses. <u>These factors are located on the Pure Premium Base Rate Schedule in the current <i>Minnesota Ratemaking Report</i>.</u>
8. WEIGHTING VALUE	8. WEIGHTING VALUE
This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses. The Weighting Value is a value between .07 and .63 which increases as expected losses increase. These values may be obtained from the Tables of Weighting and Ballast Values in this Plan.	This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses. The Weighting Value is a value between <u>.04 and .80</u> which increases as expected losses increase. <u>These values are shown on the Table of Weighting Values in the current <i>Minnesota Ratemaking Report</i></u>
9. BALLAST VALUE	9. BALLAST VALUE
This value is a stabilizing element designed to limit the effect of any single loss on the experience modification. It is added to both the actual primary losses and expected primary losses. The Ballast Value increases as expected losses increase. These values may be obtained from the Tables of Weighting and Ballast Values in this Plan.	This value is a stabilizing element designed to limit the effect of any single loss on the experience modification. It is added to both the actual primary losses and expected primary losses. The Ballast Value increases as expected losses increase. <u>These values are located on the Table of Ballast Values in the current <i>Minnesota Ratemaking Report</i>.</u>
C. EXPERIENCE TO BE USED IN A RATING	C. EXPERIENCE TO BE USED IN A RATING
8. UNITED STATES LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE	8. UNITED STATES LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE
b. Classifications subject to the USL&HW Act, but not followed by the letter "F" in the Table of Expected Loss Rates and Discount Ratios , have their expected losses determined by applying the USL&HW Act Expected Loss Factor in that table , to the state expected loss rate.	b. Classifications subject to the USL&HW Act, but not followed by the letter "F" <u>on the Pure Premium Base Rate Schedule in the current <i>Minnesota Ratemaking Report</i></u> , have their expected losses determined by applying the USL&HW Act Expected Loss Factor in that <u>schedule</u> to the <u>Minnesota</u> expected loss rate.

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D. PAYROLLS AND LOSSES	D. PAYROLLS AND LOSSES
2. LOSSES	2. LOSSES
The incurred losses in the experience period are those reported in accordance with the <i>Statistical Plan</i> . 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 Manual</i> . No loss shall be excluded from the experience of a risk on the grounds that the employer was not responsible for the accident that caused such loss.
Exception: Losses reported with Catastrophe Number 48 will be excluded from experience rating calculations. Catastrophe Number 48 claims include all workers compensation claims directly attributable to the September 11, 2001 attacks with accident dates of September 11 through September 14, 2001. This rule applies to experience modifications with anniversary rating dates of May 27, 2002 through June 14, 2006.	NONE
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 <u>Table of Weighting and Ballast Values</u> .	For purposes of this Plan, losses incurred, under the <u>Minnesota</u> workers compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage shall be subject to the respective accident limitations shown on the <u>Table of Weighting Values in the current <i>Minnesota Ratemaking Report</i></u> .
NONE	Exception: All claims reported with Catastrophe Number 48 shall be excluded from experience rating calculations. Refer to Minnesota Statistical Plan Manual, Part IV, Item 11 for definition of losses included under Catastrophe Number 48.
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 <u>Tables of Weighting and Ballast Values</u> . The actual primary loss for such an accident is subject to the maximum primary value of \$5,000.	An accident involving an injury to one person shall be limited to the accident limitation <u>shown on the Table of Weighting Values in the current <i>Minnesota Ratemaking Report</i></u> . The actual primary loss for such an accident is subject to the maximum primary value of \$5,000.
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 <u>Tables of Weighting and Ballast Values</u> , 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.	Accidents involving injuries to two or more persons shall be limited to the multiple claim accident limitation <u>shown on the Table of Weighting Values in the current <i>Minnesota Ratemaking Report</i></u> , 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.
C. DISEASE LOSSES	C. DISEASE LOSSES
Disease losses for each policy year shall be limited to triple the accident limitation shown in the <u>Table of Weighting and Ballast</u>	Disease losses for each policy year shall be limited to triple the accident limitation shown on the <u>Table of Weighting Values in the</u>

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<p>Values plus 120% 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 insured's total expected primary losses for the experience period.</p>	<p><u>current Minnesota Ratemaking Report</u> plus 40% of the risk's total expected losses for the experience period. The actual primary loss for disease losses is limited to <u>\$10,000</u>\$20,000—twice the normal maximum primary value, plus 40% of the risk's total expected primary losses for the rating period.</p>
<p>Note: To determine the limitation on total disease losses employed in a rating as described in c., the following procedures shall apply:</p>	<p>SAME</p>
<p>(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.</p>	<p>SAME</p>
<p>(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.</p>	<p>SAME</p>
<p>(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.</p>	<p>SAME</p>
<p>6. LIABILITY OVER CASES</p>	<p>6. LIABILITY OVER CASES</p>
<p>When an insured's incurred losses include liability-over claims, the inclusion of such losses in the experience rating calculation shall be as follows:</p>	<p>SAME</p>
<p>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.</p>	<p>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 <u>shown on the Table of Weighting Values in the current Minnesota Ratemaking Report.</u></p>
<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>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 <u>shown on the Table of Weighting Values in the current Minnesota Ratemaking Report.</u></p>

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PRESENT ERP MANUAL LANGUAGE	PROPOSED MN EXCEPTION LANGUAGE ERP MANUAL
PART FOUR	PART FOUR
SPECIAL RULES FOR RISKS WITH MULTI-STATE OPERATIONS	SPECIAL RULES FOR INSUREDS WITH MULTI-STATE OPERATIONS
GENERAL EXPLANATION	GENERAL EXPLANATION
3. EXPLANATION OF TERMS	3. EXPLANATION OF TERMS
a. WEIGHTING VALUES	a. WEIGHTING VALUES
Each state's Weighting Value shall be determined based on the total expected losses of the risk. Use the Table of Weighting and Ballast Values for each state.	Each state's Weighting Value shall be determined based on the total expected losses of the insured. Use the Table of Weighting and Ballast Values for each state. <u>In Minnesota, these tables are located in the current <i>Minnesota Ratemaking Report</i>.</u>
An average Weighting Value for the risk is determined by the following procedure: (1) Multiply each state's Weighting Value by the state's expected losses. (2) Add the product for all states in (1). (3) Divide the total in (2) by the insured's total expected losses.	SAME