



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

July 18, 2005

ALL ASSOCIATION MEMBERS

Circular Letter No. 05-1454

RE: Increased Eligibility Requirements for Experience Rating in Minnesota

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2006. The purpose of this filing is to increase the premium eligibility requirements for an experience rating factor in Minnesota.

The current \$3,000/\$6,000 thresholds were established almost 20 years ago. Experience rated insured average premium size has increased over 100% during this time period. As average insured premium has grown, the number of less actuarially credible employers qualifying for experience rating has swelled. This has the tendency of producing larger fluctuations in modification factors from one year to the next among these smaller insureds. To protect these employers from volatile experience modification changes, and to improve the overall homogeneity and operation of the plan, the eligibility thresholds need to be increased.

Starting with ratings effective January 1, 2006, premium eligibility will increase from \$3,000/\$6,000 to \$4,000/\$8,000, with an additional increase to \$5,000/\$10,000 effective January 1, 2007. Further adjustments in the eligibility thresholds will be effected in \$500/\$1,000 increments for each 10% increase over the 2005 average annual premium size. This latter feature would begin by using data from 2005-2006, and would become effective on or after January 1, 2008.

Exhibit I illustrates the proposed changes to the ***Experience Rating Plan Manual***. Please note, this exhibit contains underlined and strikethrough text. The underlining indicates new or added text, while the strikethroughs indicate deleted text.

Please direct any questions you may have regarding this filing item to MWCIA's Member & Customer Services staff at 952.897.1737 (Option 1) or via email at info@mwcia.org.

EXHIBIT I

**EXPERIENCE RATING PLAN MANUAL
APPENDIX PAGE A-1**

CURRENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

TABLE OF PREMIUM ELIGIBILITY AMOUNTS BY STATE			TABLE OF PREMIUM ELIGIBILITY AMOUNTS BY STATE		
A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or latest two years of the experience period produced a premium of at least that amount shown in Column A. Or, if more than two years, an average annual premium of at least the amount shown in Column, B is required.			A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or latest two years of the experience period produced a premium of at least that amount shown in Column A. Or, if more than two years, an average annual premium of at least the amount shown in Column, B is required.		
State	Column A	Column B	State	Column A	Column B
Minnesota	\$6,000	\$3,000	<u>*Effective 1-1-06</u> Minnesota	<u>\$8,000</u>	<u>\$4,000</u>
			<u>*Effective 1-1-07</u> Minnesota	<u>\$10,000</u>	<u>\$5,000</u>
			<u>*Effective 1-1-08 and Subsequent</u> <u>Incremental changes for each 10% increase over the 2005 average annual premium size:</u>	<u>+\$1,000</u>	<u>+\$500</u>

*The effective date notations will appear at the bottom of Appendix Page A-1 as a footnote.