

ATTENTION: FINANCIAL CALL REPORTING DEPARTMENT

December 6, 2006

ALL ASSOCIATION MEMBERS

Circular Letter No. 06-1498

RE: Reconciliation Report for Calendar Year Data Call #7 — MN Statistical Plan Manual Update

The Minnesota Department of Commerce has approved the above filing for use in the State of Minnesota effective January 15, 2007.

The purpose of the above Minnesota initiated filing item is to add an official *Reconciliation Report for Calendar Year Data* to MWCIA's *Financial Calls for Experience* in the **Minnesota Statistical Plan Manual**. This report reconciles data MWCIA uses for ratemaking with data reported on member carrier's National Association of Insurance Commissioners (NAIC) Annual State Statutory Page 14. Completion of a Reconciliation Report has been required in most states for several years. Due to a recent increase in the number of large risk rating and large deductible plans, the addition of terrorism premiums, and the desire to establish more accurate net to standard premium tolerances in our ACCEDE software, MWCIA Actuarial staff believed it prudent to begin requiring member carriers to officially reconcile their basic financial data calendar year premium and loss statistics to their Statutory Page 14 data. **Call for Experience #7 - Reconciliation Report with Calendar Year Data** should be valued as of December 31 of each year as part of the Annual Financial Calls for Experience Reports and is due on or before April 1st starting in 2007.

In reviewing the materials included as part of this filing, please note that Minnesota's Reconciliation Report contains differences from the reports currently in use in a number of other states. Exhibit I contains an example of the *Minnesota Reconciliation Report and Instructions for Completion* necessary to add this item to the **Minnesota Statistical Plan Manual**. Exhibit II illustrates additional rule changes necessary to implement the addition of Call #7 to the **Minnesota Statistical Plan Manual** as a result of this filing. Exhibit III illustrates changes necessary to add the *Reconciliation Report for Calendar Year Data* to various forms in the **Minnesota Statistical Plan Manual** used in connection with the filing of Calls #1 - #6. Exhibits IV and V illustrate the changes necessary in the Table of Contents and Index for this manual.

Please direct any questions you may have regarding this filing item to MWCIA's Actuarial Services Department at 952.897.1737 Option 3, or by emailing actuarial@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.

Call For Experience #7 – Reconciliation Report for Calendar Year Data**Filing Requirements****Reconciliation Report for Calendar Year Data Valued as of December 31 of each year—Due April 1 of the following year**

In accordance with the approved statistical program you are hereby requested to file on or before April 1 of each year, your Reconciliation Report for Calendar Year Data valued as of December 31 of the prior year.

The Reconciliation Report reconciles data that MWCIA uses for ratemaking with data reported on your company's National Association of Insurance Commissioners (NAIC) Annual State Statutory Page 14.

All questions or requests for additional information on this Call should be directed to the Actuarial Services Department of MWCIA.

A. General Instructions**1. Reconciliation Requirement**

The Call must reconcile data reported on your Exhibit of Premiums and Losses (Statutory Page 14) of your company's NAIC Annual Statement with calendar year data reported to MWCIA on the Calendar-Accident Year Call—Line U (Net Premium) and Line Z (losses).

2. Reconciliation Items

Certain items, reported in the Statutory Page 14 data of your company's NAIC Annual State, must be separately reported as reconciliation items since they are not included in the NCCI Calendar-accident year Call reported to MWCIA.

3. Reason for Difference

If the calendar year data from the MWCIA Calendar-Accident Year Call (Call #2) plus the Large Deductible Calendar-Accident Year Call (Call #5) adjusted for the reconciliation items does not equal the amount reported on the Exhibit of Premiums and Losses (Statutory Page 14) of your company's NAIC Annual Statement, you must provide a detailed explanation for the difference.

B. Row Instructions**Row 1—Calendar Year—Excluding Large Deductible Policies**

- For Net Earned premium, enter Calendar-Accident Year Call #2, Column 3, Line U amount.
- For Paid Losses, enter Calendar-Accident Year Call #2, Column 4, Line Z amount.
- For Incurred Losses, enter Calendar-Accident Year Call #2, Column 7, Line Z amount.

Row 2—Calendar Year—Large Deductible Policies

- For Net Earned premium, enter Large Deductible Calendar-Accident Year Call #5, Column 3, Line U amount.
- For Paid Losses, enter Large Deductible Calendar-Accident Year Call #5, Column 4, Line Z amount.
- For Incurred Losses, enter Large Deductible Calendar-Accident Year Call #5, Column 7, Line Z amount.

Row 3—Total (1) + (2)**Row 4—F-Classifications—Including Large Deductible Policies on a Net Basis**

- Include experience (premium and losses) for F-classifications.
- Do not include experience for non-F-classifications that have exposure under the United States Longshore and Harbor Workers' Act (USL&HW); such additional experience should be included in Rows 1 and 2.

Row 5—Maritime and Other FELA Classifications—Including Large Deductible Policies on a Net Basis

- Include premium and losses for Maritime and other FELA classifications for policies.

Row 6—National Defense projects Experience—Including Large Deductible Policies on a Net Basis

- Include premiums and losses for policies written under the national Defense Projects Rating Plan.

Row 7—Large Deductible Policies

(Difference between gross amounts reported to MWCIA and net amounts reported on your company's NAIC annual Statement)

- Report for losses only, not for premium.
- The direct incurred losses for large deductibles included on Line 2 should be reported on a gross basis.
- Since the losses reported on your company's NAIC Annual Statement are on a net basis, report the **difference** between gross losses reported to MWCIA and net losses reported on your company's NAIC Annual Statement as a reconciliation item on Line 7.
- For this Call, large deductible policies are defined by MWCIA as policies with deductibles of \$100,000 or more per claim, per accident, or in aggregate.

Row 8—Small Deductible Policies

(Difference between gross amounts reported to MWCIA and net amounts reported on your company's NAIC annual Statement)

- Report for losses only, not for premium.
- The direct incurred losses for small deductibles included on Line 1 should be reported on a gross basis.
- Since the losses reported on your company's NAIC Annual Statement are on a net basis, report the **difference** between gross losses reported to MWCIA and net losses reported on your company's NAIC Annual Statement as a reconciliation item on Line 8.
- For this Call, small deductibles are defined by MWCIA as deductibles of less than \$100,000, whether on a per claim, per accident, or aggregate basis.

Row 9—Excess Policies

- Report premium and losses for excess policies.

Row 10—Catastrophe Provision Premium (TRIA and DTEC)

- Include premiums for catastrophe provisions.

Note: Catastrophe Provisions include the following:

- TRIA (Terrorism Risk Insurance Act of 2002 and Terrorism Risk Insurance Extension Act of 2005) premium reported in Statistical Code 9740.
- DTEC (Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents) premium

Row 11—Total (3) + (4) + (5) + (6) – (7) – (8) + (9) + (10)**Row 12—Exhibit of Premiums and Losses (Statutory Page 14 data)**

- Report workers compensation earned premiums, paid losses and incurred losses from Statutory Page 14 of your company's NAIC Annual Statement.

Row 13—Calculate as Indicated (12) – (11)**Row 14—Reason for Difference—Premium Earned**

- Provide an explanation for the difference in Premium Earned.

Row 15—Reason for Difference—Losses Paid

- Provide an explanation for the difference in Losses Paid.
-

Row 16—Reason for Difference—Losses Incurred

- Provide an explanation for the difference in Losses Incurred.

EXHIBIT I

**MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
FOR REPORTING ON POLICIES EFFECTIVE JANUARY 1, 1996 AND AFTER**

**SECTION TWO
ORIGINAL PRINTING**

Effective January 15, 2007

**PART II
PAGE 187**

Please note that the date for reporting this data is on or before April 1 of each year. It is urged that every effort be made to comply with this reporting date as a delay in receiving this data will seriously hamper the MWCIA in its preparation of the Ratemaking Report. Please mail this Call to:

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

ATTN: Actuarial Services

EXHIBIT I

**MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
FOR REPORTING ON POLICIES EFFECTIVE JANUARY 1, 1996 AND AFTER**

**SECTION TWO
ORIGINAL PRINTING**

Effective January 15, 2007

**PART II
PAGE 188**

**MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
RECONCILIATION REPORT
CALENDAR YEAR 2006**

Carrier/Carrier Group _____ Carrier Code _____
 Submitted By _____ Title _____
 Date Submitted _____ Telephone No. _____
 E-Mail Address _____ State Code 22 _____
 State Minnesota _____

This is to certify the reconciliation of the 2006 Calendar Year data reported to MWCIA and the data reported on the Exhibit of Premiums and Losses (Statutory Page 14 Data) of the Annual Statement.

I. Data Reported to MWCIA	Direct Earned Premium	Direct Losses Paid	Incurred
(1) Industrial Classifications—Excluding Large Deductible Policies, Calendar-Accident Year Call, Line U, Column (3); Line Z, Column (4); and Line Z, Column (7)	_____	_____	_____
(2) Industrial Classifications—Large Deductible Policies, Large Deductible Calendar-Accident Year Call, Line U, Column (3); Line Z, Column (4); and Line Z, Column (7)	_____	_____	_____
(3) [(1) + (2)]	_____	_____	_____
II. Reconciliation Items			
(4) F-Classifications—Including Large Deductible Policies on a Net Basis	_____	_____	_____
(5) Maritime and Other FELA Classifications—Including Large Deductible Policies on a Net Basis	_____	_____	_____
(6) National Defense Projects—Including Large Deductible Policies on a Net Basis	_____	_____	_____
(7) Large Deductible Policies—Difference between gross amounts reported to MWCIA and net amounts reported on Annual Statement	N/A	_____	_____
(8) Small Deductible Policies—Difference between gross amounts reported to MWCIA and net amounts reported on Annual Statement	N/A	_____	_____
(9) Excess Policies	_____	_____	_____
(10) Catastrophe Provision Premium (TRIA and DTEC)	_____	N/A	N/A
(11) Total [(3) + (4) + (5) + (6) - (7) - (8) + (9) + (10)]	_____	_____	_____
III. Annual Statement			
(12) Exhibit of Premiums and Losses, (Statutory Page 14), Line	_____	_____	_____
IV. Difference—Explain Below			
(13) [(12) - (11)]	_____	_____	_____
V. Reason for Difference			
(14) Premiums Earned	_____	_____	_____
(15) Losses Paid	_____	_____	_____
(16) Losses Incurred	_____	_____	_____

EXHIBIT II

MINNESOTA UNIT STATISTICAL PLAN MANUAL

Effective January 15, 2007

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
SECTION TWO — REPORTING OF AGGREGATE FINANCIAL DATA	SECTION TWO — REPORTING OF AGGREGATE FINANCIAL DATA	
PART I — FILING REQUIREMENTS	PART I — FILING REQUIREMENTS	
<p>Six Calls for Experience required under the approved statistical program of MWCIA. These calls are due at MWCIA on various dates during March and April of each year. Refer to each Call for specific due dates.</p>	<p>Seven Calls for Experience required under the approved statistical program of MWCIA. These calls are due at MWCIA on various dates during March and April of each year. Refer to each Call for specific due dates.</p>	<p>UPDATES THE NUMBER OF ANNUAL CALLS.</p>
<p>All questions and requests for additional information on these Calls should be directed to the Actuarial Services Department of MWCIA.</p> <p>The following four elements are intended as carrier aids to successfully complete and control the Annual Calls for Experience.</p>	<p align="center">SAME</p>	
1.Acknowledgment Form	1.Acknowledgment Form	
<p>The Acknowledgment Form lists all 6 Calls, with the following three columns to check off for each Call: 1) you have experience to report, 2) you have no experience to report, and 3) you did not receive the Call. Carriers should return the Acknowledgment Form (and the No Experience to Report Form(s) as indicated) to MWCIA, Actuarial Services Department immediately. This form determines what Calls the MWCIA will expect from each carrier.</p>	<p>The Acknowledgment Form lists all Seven Calls, with the following three columns to check off for each Call: 1) you have experience to report, 2) you have no experience to report, and 3) you did not receive the Call. Carriers should return the Acknowledgment Form (and the No Experience to Report Form(s) as indicated) to MWCIA, Actuarial Services Department immediately. This form determines what Calls the MWCIA will expect from each carrier.</p>	<p>UPDATES THE NUMBER OF ANNUAL CALLS.</p>
<p>Retain a copy of the acknowledgment form for your records. The Acknowledgment Form must be mailed to:</p>	<p align="center">SAME</p>	
<p align="center">Actuarial Services Department Minnesota Workers' Compensation Insurers Association, Inc. 7701 France Avenue South, Suite 450 Minneapolis, Minnesota 55435</p>	<p align="center">SAME</p>	

EXHIBIT II

MINNESOTA UNIT STATISTICAL PLAN MANUAL

Effective January 15, 2007

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
PART II — ANNUAL CALLS FOR EXPERIENCE	PART II — ANNUAL CALLS FOR EXPERIENCE	
<p>There are five 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. Also, premium generated and losses arising from the Foreign Terrorism are excluded from the standard financial 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.</p>	<p>There are seven 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. Also, premium generated and losses arising from the Foreign Terrorism are excluded from the standard financial 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.</p>	<p>UPDATES THE NUMBER OF ANNUAL CALLS.</p>
PART IV — AUTOMATED CARRIER CALL ENTRY AND DATA EDIT (ACCEDE_®)	PART IV — AUTOMATED CARRIER CALL ENTRY AND DATA EDIT (ACCEDE_®)	
<p>With the release of the 1999 carrier call package was a copy of Automated Carrier Call Entry & Data Edit (ACCEDE_®), the latest software development of the MWCIA staff. ACCEDE_® enables carriers to submit financial data electronically for the five required financial calls, either individually, or on a group basis. ACCEDE_® also includes a powerful application for data edit prior to submission, increasing statistical integrity.</p>	<p align="center">SAME</p>	
<p>Starting with the 2003 Calls submitted in 2004, carriers may now report the Calls electronically via ACCEDE_® On-Line. Carriers that opt for this medium will have several tools available to them that will make this a very attractive alternative to the hard copy reporting. Possibly the most attractive feature of this</p>	<p align="center">SAME</p>	

EXHIBIT II

MINNESOTA UNIT STATISTICAL PLAN MANUAL

Effective January 15, 2007

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
<p>program is the edit package which will ensure that data will pass all MWCIA General and Basic edits currently performed on the Calls.</p>		
<p>All five of the Calls required by Minnesota may be submitted through ACCEDE[®] On-Line. They include:</p>	<p>Six of the Calls required by Minnesota may be submitted through ACCEDE[®] On-Line. They include:</p>	<p>UPDATES THE NUMBER OF ANNUAL CALLS.</p>
<p>Policy Year Call Due March 15* Calendar-Accident Year Call Due April 1 Large Deductible Policy Year Call Due March 15* Large Deductible Calendar-Accident Year Call Due April 1 Supplemental Call for Schedule Rating Adjustments Call Due April 15</p> <p>* Due March 15 if submitted on hard copy, April 1 if submitted electronically using ACCEDE[®] software.</p>	<p>Policy Year Call Due March 15* Calendar-Accident Year Call Due April 1 Large Deductible Policy Year Call Due March 15* Large Deductible Calendar-Accident Year Call Due April 1 Supplemental Call for Schedule Rating Adjustments Call Due April 15 Reconciliation Report – Calendar Year Data Due April 1</p> <p>* Due March 15 if submitted on hard copy, April 1 if submitted electronically using ACCEDE[®] software.</p>	<p>ADDS THE RECONCILIATION REPORT TO THE LIST OF ANNUAL CALLS.</p>
<p>ACCEDE[®] On-Line is available from our website at www.mwcia.org/accede.</p> <p>At no time will MWCIA be liable for any damages arising out of the use or inability to use the material recommended or presented in programs or in documentation. MWCIA is not responsible for any costs including, but not limited to, those incurred as a result of lost profits or revenue, or loss of use of computer software or hardware. Furthermore, MWCIA cannot assume liability for submissions of financial data that are late because of hardware or software failure associated with running ACCEDE[®]. Use of ACCEDE[®] is also subject to all terms and conditions contained in the user agreement incorporated in that software product.</p>	<p align="center">SAME</p>	

EXHIBIT II

MINNESOTA UNIT STATISTICAL PLAN MANUAL

Effective January 15, 2007

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
If you have any questions regarding ACCEDE®, please contact our Actuarial Services Department at 952-897-1737.	SAME	

EXHIBIT III

**MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
FOR REPORTING ON POLICIES EFFECTIVE JANUARY 1, 1996 AND AFTER**

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Issued January 15, 2007

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EXHIBIT IV

MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
FOR REPORTING ON POLICIES EFFECTIVE JANUARY 1, 1996 AND AFTER

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