

February 6, 2008

ALL ASSOCIATION MEMBERS

Circular Letter 08-1529

**RE: Item P-1405— Terrorism Risk Insurance Program Reauthorization Act of 2007
Endorsements
Item B-1405 — Terrorism Risk Insurance Program Reauthorization Act of 2007**

The Minnesota Department of Commerce has approved the above companion filings to become effective 12:01 a.m., January 1, 2008, for new and renewal policies in the State of Minnesota.

On December 26, 2007 President Bush signed the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) to extend the federal backstop for terrorism exposure until December 31, 2014. In addition, this bill broadens the definition of "terrorism" to include domestic terrorism acts and better defines the insurer's deductible provisions including a requirement to disclose the current government cap of \$100 billion on aggregate losses covered under the Act. Under the expanded bill, in the event of a major attack, carriers will pay 20% of their previous year's premiums plus co-pays of 15% of claims until the government's share reaches \$100 Billion. Carriers are required to repay the government for its share of losses through surcharges on future premiums.

The *Terrorism Risk Insurance Program Reauthorization Act Endorsement* (WC 00 01 13A) replaces the current *Terrorism Risk Insurance Extension Act Endorsement* (WC 00 01 13). Revisions to this endorsement include:

- changing the reference of TRIEA to TRIPRA
- updating the definition of "act of terrorism" to include domestic terrorism
- updating of insurer deductible provisions
- defining "Program Year"
- disclosure of the \$100,000,000,000 cap as required by Section 4 of TRIPRA
- incorporating new *Policyholder Disclosure Notice* information into the new endorsement

As a result of language changes to Endorsement WC 00 01 13 (replacement Endt. WC 00 01 13 A), the *Policyholder Disclosure Notice* Form and the *Foreign Terrorism Premium Endorsement* (WC 00 04 22) will no longer apply in Minnesota and have been withdrawn from the **Minnesota Forms Manual**. As a companion filing, Item B-1405 has been filed and approved at the same time as Item P-1405 to provide updates to the rules of the **Minnesota Basic Manual** and **Minnesota Statistical Plan Manual** pertaining to terrorism coverage in Minnesota.

A SPECIAL NOTE TO RATE-FILING PERSONNEL: TRIPRA now requires insurance companies to clearly state the portion of policy premium that is attributable to TERRORISM (both foreign and domestic) on the Information Page of each of their workers compensation policies. If carriers make this determination based on what they have currently filed and approved by the Department of Commerce, no further filings are necessary.

However, if an insurance company wishes to make changes in what they are charging for any TERRORISM exposure, a new filing would need to be made and approved by the Department of Commerce prior to use in Minnesota. This change would only apply to policies issued on or after the approved effective date.

IMPLEMENTATION OF P-1405:

The following chart illustrates MWCIA staff recommendations on how the endorsements in connection with Terrorism Insurance are to be applied in Minnesota:

POLICIES IN EFFECT BETWEEN DECEMBER 26, 2007 & DECEMBER 31, 2007 (OUTSTANDING ONLY)

Keep these existing endorsements on each policy:

- *Terrorism Risk Insurance Extension Act Endt* (WC 00 01 13)
- *Foreign Terrorism Premium Endorsement* (WC 00 04 22)
- NAIC *Policyholder Disclosure Notice* [in **MN Forms Manual**]

Add this new endorsement to each policy:

- *Terrorism Risk Insurance Program Reauthorization Act Endt* (WC 00 01 13 **A**)
Note: Please note that the revised and renamed *Terrorism Risk Insurance Program Reauthorization Endorsement* (WC 00 01 13**A**) must be attached to all new and renewal policies as of January 1, 2008. MWCIA also strongly recommends that policies in effect between December 26th and December 31, 2007 also be endorsed to add Endorsement WC 00 01 13 **A** in addition to Endorsement WC 00 01 13. *Based upon current information, however, MWCIA staff believe that multi-year policies that extend past January 1, 2008 should be endorsed to include the new Terrorism Risk Insurance Program Reauthorization Act Endorsement* (WC 00 01 13 **A**)

POLICIES EFFECTIVE ON OR AFTER 1-1-2008 (NEW & RENEWAL ONLY)

Each policy with Minnesota exposure should include:

- *Terrorism Risk Insurance Program Reauthorization Act Endt* (WC 00 01 13 **A**)
Note: Please keep in mind that the *Foreign Terrorism Premium Endorsement* (WC 00 04 22) and NAIC *Policyholder Disclosure Notice* are no longer applicable in Minnesota as the Disclosure Notice language now appears on Page 2 of the *Terrorism Risk Insurance Program Reauthorization Act Endorsement* (WC 00 01 13 **A**). Carrier staff should also be reminded that the *Domestic, Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement* (WC 00 04 21) is not an applicable endorsement in the State of Minnesota. **When writing Minnesota exposure only policies, therefore, carriers should refer to the instructions provided in the “Note” at the bottom of Page 2 of WC 00 01 13 **A** for proper guidance.**

IT IS IMPERATIVE THAT ALL MEMBER CARRIERS TAKE WHATEVER STEPS ARE NECESSARY TO ASSURE THAT MINNESOTA PREMIUM CHARGES FOR TERRORISM ACT COVERAGE ARE CLEARLY IDENTIFIED FOR TRIPRA USING CODE 9740 UNDER ITEM 4 OF THE POLICY INFORMATION PAGE FOR ALL MINNESOTA EXPOSURE ONLY POLICIES THAT ARE EFFECTIVE ON OR AFTER JANUARY 1, 2008.

Item P-1405 Exhibits I-A, I-B, and I-C illustrate the changes necessary to the **Minnesota Forms Manual** to implement Item P-1405 in Minnesota and Item B-1405 Exhibits I and II illustrate the changes necessary to the **Minnesota Basic Manual** and **Minnesota Statistical Plan Manual**. Deleted text is indicated with a strikethrough while new and amended text is indicated by using blue text and/or highlighting. To view copies of all currently approved forms and endorsements for Minnesota, please visit MWCIA's website at www.mwcia.org and select **MN Forms Manual** under the drop-down menu for "Minnesota Manuals" on the left-hand side of our homepage.



Information regarding any impact that Items P-1405 and B-1405 may have to the ratemaking process used for developing terrorism premium in Minnesota has been addressed in the attached memo written by MWCIA's Vice President of Actuary, Craig Anderson. This memo is intended to provide carriers with additional guidance as respects the above filing items and the current Minnesota Ratemaking Report. MWCIA staff has also attached a draft document containing sample language carriers may wish to use as a clarifying notice to their policyholders. The purpose of this notice is to advise policyholders that the addition of domestic terrorism to the premium amount shown using Code 9740 under Item 4 on their policy Information Page does not reflect an increase to their premium. This notice would be attached to each Minnesota exposure only policy.

A copy of National Council's original background memos for Item P-1404 and Item B-1405 are also attached for your convenience.

Should you have any questions concerning Item B-1405 or P-1405 in Minnesota, please contact one of our Member & Customer Service's staff at 952.897.1737 (Option 1) or by emailing underwriting@mwcia.org.

A NOTICE TO MEMBERSHIP: MWCIA would like to remind our membership who have filed the Limited Power of Attorney with the Minnesota Department of Commerce that materials referenced in this Circular Letter relating to rating plans are not required to be independently filed with the Department. Pursuant to Minn. R. Part 2705.3200, the Manual forms and/or endorsements included in this filing also do not require independent filing by our members.



If carriers wish to provide some additional notice to policyholders of the changes under the Terrorism Risk Insurance Program Reauthorization Act of 2007, the following Notice might suffice. This Notice **is not required on Policies**:

IMPORTANT NOTICE TO POLICYHOLDERS

Congress recently passed the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) which extends the federal program to provide a shared public and private compensation for losses arising from acts of terrorism. TRIPRA also expanded the definition of terrorism to include both foreign and domestic acts of terrorism. Previously any premium charges for domestic terrorism may have been included in your workers' compensation premium even though it was not shown. Please note that your premium charge for foreign and domestic losses covered by this program under the expanded TRIPRA program will now appear [under Item# 4 of your Policy Information Page] [or identify another applicable disclosure in a multi-state Policy.]



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

MEMORANDUM

To: ALL RATE FILING PERSONNEL

FROM: CRAIG A. ANDERSON, VP – ACTUARIAL SERVICES

DATE: JANUARY 22, 2008

Re: TERRORISM / CATASTROPHIC LOSS

Terrorism Risk Insurance Program Reauthorization Act (TRIPRA)

In late December 2007, the federal Terrorism Risk Insurance Program Reauthorization Act, (TRIPRA), was enacted. TRIPRA provides property & casualty insurance coverage for losses resulting from certain acts of both foreign and domestic terrorism through December of 2014. TRIPRA maintains the current TRIEA program aggregate loss trigger of \$100 million, the insurer 20% deductible, and the 85% federal coverage level.

As with TRIEA, MWCIA's pure premium base rates do not reflect any analysis for terrorism exposure or the impact of TRIPRA. Following the original passage of TRIA in January 2003, MWCIA filed and the Minnesota Commerce Department approved an advisory loss cost of \$0.02 per \$100 of payroll as an acceptable estimate of insurer exposure. This factor continues to be reasonable for insurer exposure under the new Act at this time.

Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents

In response to industry concerns regarding possible large loss exposure resulting from domestic terrorism, earthquakes and catastrophic industrial accidents, the National Council on Compensation Insurance (NCCI) developed the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC) proposal to address this in 2005. **MWCIA did not adopt DTEC.** Carriers, however, were allowed to address effects of possible DTEC exposure by including provisions in their loss cost multipliers.

Rating Implications

TRIPRA now requires insurance companies to clearly state the portion of policy premium that is attributable to TERRORISM (both foreign and domestic) on the Information Page of each of their workers compensation policies. If carriers make this determination based on what they have currently filed and approved by the Department of Commerce, no further filings are necessary.

However, if an insurance company wishes to make changes in what they are charging for any TERRORISM exposure, a new filing would need to be made and approved by the Department of Commerce prior to use in Minnesota. This change would only apply to policies issued on or after the approved effective date.

TERRORISM RISK INSURANCE EXTENSION PROGRAM REAUTHORIZATION ACT ENDORSEMENT

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Program Reauthorization Act of 2005⁷.

Definitions

The definitions provided in this endorsement are based on and have the same meaning as the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments thereto resulting from the Terrorism Risk Insurance Extension Program Reauthorization Act of 2005⁷.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

"Insured terrorism or war Loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers' compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.

"Insurer deductible" means: for a period beginning on January 1, 2008 and ending on December 31, 2014, an amount equal to 20% of our direct earned premiums, over the calendar year immediately preceding the applicable Program Year.

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 01 13A

1st Reprint

Effective January 1, 2008

Standard

- e. ~~For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.~~
- f. ~~For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.~~

"Program Year" refers to each calendar year between January 1, 2008 and December 31, 2014, as applicable.

Limitation of Liability

The Act ~~may~~ limits our liability to you under this policy. If ~~annual aggregate Insured terrorism or war Losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, in a Program Year and if we have met our Insurer Deductible, we are not liable for the payment of any portion of the amount of the Insured Losses that exceeds \$100,000,000,000; and for aggregate Insured Losses up to \$100,000,000,000, the amount we will pay for insured terrorism or war losses under this policy will be limited only a pro rata share of such Insured Losses by the Act, as determined by the Secretary of the Treasury.~~

Policyholder Disclosure Notice

1. ~~Insured terrorism or war Losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, if the aggregate industry Insured Losses exceeds \$100,000,000 in a Program Year, the United States Government would pay 90%85% for Program Year 4 and 85% for Program Year 5 of our Insured terrorism or war Losses that exceeding our Insurer Deductible.~~
2. ~~Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceeds \$100,000,000,000. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.~~
3. ~~The premiums charged for the coverage for Insured Losses under this policy are included in the amounts shown in Item 4 of the Information Page or in the Schedules in the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 B) and the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.~~

Note:

Minnesota has not approved Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement WC 00 04 21 because premiums charged for these risks are included in the carriers filed rates. For multi-state policies which include a jurisdiction where the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement has been filed and is a part of the policy, the reference to the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement in paragraph 3 of the Policyholder Disclosure Notice may be necessary. For Minnesota exposure only policies, this reference to the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement **may** be removed.

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE**

Coverage for acts of terrorism is already included in your current policy. Under your existing coverage, any losses resulting from certified acts of terrorism would be partially reimbursed by the United States government under a formula established by the Terrorism Risk Insurance Act, as extended on December 22, 2005. Under this formula, the United States government generally pays 90% (85% in 2007) of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The portion of your annual premium that is attributable to coverage for acts of terrorism is: \$_____, and does not include any charges for the portion of losses covered by the United States government under the Act.

I ACKNOWLEDGE THAT I HAVE BEEN NOTIFIED THAT UNDER THE TERRORISM RISK INSURANCE ACT, AS EXTENDED ON DECEMBER 22, 2005, ANY LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM UNDER MY POLICY COVERAGE MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT AND I HAVE BEEN NOTIFIED OF THE PORTION OF MY PREMIUM ATTRIBUTABLE TO SUCH COVERAGE.

Policyholder/Applicant's Signature

Print Name

Date

Name of Insurer: _____

Policy Number: _____

[DRAFTING NOTE: An insurer may choose not to use the acknowledgement section for workers compensation.]

FOREIGN TERRORISM PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of foreign terrorism.

Your policy provides coverage for workers' compensation losses caused by acts of foreign terrorism, including workers' compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

For purposes of this endorsement, an "act of foreign terrorism" is defined as:

- a. Any act that is violent or dangerous to human life, property, or infrastructure; and
- b. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

The premium charge for the coverage your policy provides for workers' compensation losses caused by an act of foreign terrorism is shown in Item 4 of the Information Page or in the Schedule below:

Schedule

State

Rate per \$100 of payroll

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MINNESOTA FORMS MANUAL

The following forms and endorsements in this Minnesota Forms Manual have been approved by the Minnesota Commerce Department and are available for use in Minnesota.

- Introduction
- Workers' Compensation and Employers Liability Insurance Policy Rules
- WC 00 00 00 A Workers Compensation and Employers Liability Insurance Policy
- WC 00 01 01 A Defense Base Act Coverage Endorsement
- WC 00 01 04 A Federal Employers' Liability Act Coverage Endorsement
- WC 00 01 06 A Longshore and Harbor Workers' Compensation Act Coverage Endt.
- WC 00 01 08 A Nonappropriated Fund Instrumentalities Act Coverage Endorsement
- WC 00 01 09 A Outer Continental Shelf Lands Act Coverage Endorsement
- WC 00 01 11 Migrant and Seasonal Agricultural Worker Protection Act Coverage Endorsement
- WC 00 01 13 [A](#) Terrorism Risk Insurance [Program Reauthorization](#) Act Endorsement
- WC 00 02 01 A Maritime Coverage Endorsement
- WC 00 02 03 Voluntary Compensation Maritime Coverage Endorsement
- WC 00 02 04 Limited Maritime Coverage Endorsement
- WC 00 03 01 A Alternate Employer Endorsement
- WC 00 03 02 Designated Workplaces Exclusion Endorsement
- WC 00 03 03 C Employers Liability Coverage Endorsement
- WC 00 03 04 Insurance Company as Insured Endorsement
- WC 00 03 05 Joint Venture as Insured Endorsement
- WC 00 03 09 B Rural Utilities Service Endorsement
- WC 00 03 10 Sole Proprietors, Partners, Officers and Others Coverage Endorsement
- WC 00 03 11 A Voluntary Compensation and Employers Liability Coverage Endt.
- WC 00 03 13 Waiver of Our Right to Recover from Others Endorsement
- WC 00 04 01 A Aircraft Premium Endorsement
- WC 00 04 03 Experience Rating Modification Factor Endorsement
- WC 00 04 05 Policy Period Endorsement
- WC 00 04 06 A Premium Discount Endorsement

- WC 00 04 09 Premium Determination Endorsement — Former Self-Insurers 1
- WC 00 04 10 Premium Determination Endorsement — Former Self-Insurers 2
- WC 00 04 12 Contingent Experience Rating Modification Factor Endorsement
- WC 00 04 14 Notification of Change in Ownership Endorsement
- WC 00 04 19 Premium Due Date Endorsement
- ~~Policyholder Disclosure Notice of Terrorism Insurance Coverage~~
- ~~WC 00 04 22 Foreign Terrorism Premium Endorsement~~
- WC 00 05 03 A Retrospective Premium Endorsement — One Year Plan
- WC 00 05 04 A Retrospective Premium Endorsement — Three Year Plan
- WC 00 05 05 A Retrospective Premium Endorsement — Long-Term Construction Project
- WC 00 05 08 Retrospective Premium Endorsement Aviation Exclusion
- WC 00 05 09 A Retrospective Premium Endorsement Changes
- WC 00 05 10 Retrospective Premium Endorsement Non-Ratable Catastrophe Element or Surcharge
- WC 00 05 11 Retrospective Premium Endorsement Short Form
- WC 00 05 12 A Retrospective Premium Endorsement One Year Plan — Multiple Lines
- WC 00 05 13 A Retrospective Premium Endorsement Three Year Plan — Multiple Lines
- WC 00 05 14 A Retrospective Premium Endorsement Long Term Construction Project — Multiple Lines
- WC 00 05 15 Retrospective Premium Endorsement Flexibility Options
- WC 00 06 03 Benefits Deductible Endorsement
- WC 89 06 09 B Policy Termination/Cancellation/Reinstatement Notice
- WC 22 00 00 A Minnesota Amendatory Endorsement
- WC 22 00 01 Information Page
- WC 22 03 01 Minnesota Compliance with Applicable Trade Sanction Laws
- WC 22 03 02 Minnesota Independent Contractors Coverage Endorsement
- WC 22 03 03 Minnesota Third Degree of Kindred Family Member Exclusion Endt.
- WC 22 03 04 Minnesota Employee Leasing Endorsement
- WC 22 03 05 Minnesota Exclusion of Coverage for Leased Employees Endorsement
- WC 22 04 01 Minnesota Contracting Premium Adjustment Program Endorsement
- WC 22 04 02 Minnesota Anniversary Rating Date Endorsement

- WC 22 06 00 Minnesota Policy Change Endorsement
- WC 22 06 01 D Minnesota Cancellation and Nonrenewal Endorsement
- WC 22 06 02 Minnesota Policy Information Page Endorsement Insured's Name
- WC 22 06 03 Minnesota Policy Information Page Endorsement Policy Number
- WC 22 06 04 Minnesota Policy Information Page Endorsement Effective Date
- WC 22 06 05 Minnesota Policy Information Page Endorsement Expiration Date
- WC 22 06 06 Minnesota Policy Information Page Endorsement —
Insured's Mailing Address
- WC 22 06 07 Minnesota Policy Information Page Endorsement —
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- WC 22 06 18 Minnesota Policy Information Page Endorsement —
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- WC 22 06 19 Minnesota Policy Information Page Endorsement Carrier Number
- WC 22 06 20 Minnesota Entity Address Schedule

b. Locations and Operations

All non-distinct operations of any one employer at a single location must be insured on one policy.

All locations and operations of the employer in Minnesota must be insured on one policy, unless the employer elects and qualifies to insure separate and distinct operations under Minnesota Statute 176.181, subd. 2.

6. Deposit Premium

Deposit Premium is the initial payment required by an insurance carrier to provide coverage. This amount is established by the carrier and is subject to periodic premium adjustment.

- a. Adjustment of premium may be on an annual basis or the policy may provide for interim adjustment and payment of premium on a monthly, quarterly or semiannual basis.
- b. The deposit premium is credited to the final earned premium or renewal policy. It cannot be credited to any interim premium adjustment.

For assigned risk policies, refer to Minnesota's Assigned Risk Plan application for the applicable payment program.

For deposit premium determination on Three-Year Fixed-Rate policies, *refer to Rule 3-B.*

7. Disease Loading

This rule does not apply in the State of Minnesota.

8. Effective Date

Effective Date of a policy is the starting date of the policy, the time at which insurance coverage begins.

9. Estimated Annual Premium

Estimated Annual Premium is based on the estimated payroll for the policy period. Estimated payrolls for each classification reflect actual payroll anticipated by the insured during the policy period. Such estimates are subject to substantiation by the carrier through evaluation of records or inspections. *For details, refer to **Minnesota User's Guide D-2-g(4)** or the Example section.*

10. Exclusion of Statutory Medical Benefits—Ex-Medical Coverage

No workers' compensation coverage for an insured may be written eliminating statutory medical coverage in the State of Minnesota.

11. Expense Constant

Expense Constant is a premium charge that is applied to every policy regardless of premium size. The expense constant contributes to the recovery of expenses common to issuing, recording, and auditing a policy. The expense constant charged at the inception of the policy will not change when a state is added or deleted during the policy term.

In Minnesota, the expense constant is filed by each carrier and approved for use in Minnesota by the Department of Commerce.

- a. The expense constant is:
 - Not subject to premium discount, experience rating modification, Minnesota Contractors Premium Adjustment Program (MCPAP) credit factors, carrier filed credit/debit programs, merit credit/debit factors (Assigned Risk only), retrospective rating adjustment, or additional charge for ~~Foreign-Terrorism*~~ coverage

~~*—Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].~~

- (2) Application of the premium discount as described is optional for wrap-up construction projects that are not under a retrospective rating plan.
- (3) The policies are limited to providing the insurance on the large construction project. To limit the insurance to a specific project, attach the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02).

Note: Also use the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02) to exclude wrap-up construction projects from coverage under other policies issued to the same entities covered under the wrap-up by attaching the endorsement to the other policies

- (4) Combinable entities are limited to the following:
- (a) Sponsoring entity including any owner, general contractor, or principal acting as a general contractor.
- (b) Subcontractors performing work under contracts let on an ex-insurance basis.

Note: If the contract between the owner or principal and the general contractor is written on an ex-insurance basis, the owner or principal is an eligible entity under this rule.

Refer to Rule 3-A-19-a(2) for premium discount determination for policies where a portion of the premium is written on a retrospective rating basis. Any discounted premium is allocated to all entities proportionate to their share of the standard premium. Refer to Rule 3-A-23 for more information on wrap-up construction projects.

20. Standard Premium

Standard Premium, for the purpose of this rule, is the premium before the application of the premium discount.

It is the state premium determined on the basis of:

- Carrier rates filed and approved for use by the Minnesota Department of Commerce
- Aircraft seat surcharges
- Premium for increased limits of liability
- Experience rating modification
- Applicable schedule rating modification
- Minimum premiums

Total Standard Premium is the total premium for all states covered by the policy excluding expense constant, Special Compensation Fund Surcharge, and additional charges for [Foreign](#) Terrorism and before the application of the premium discount. Premium charges for disease loading and non-ratable elements do not apply in the State of Minnesota.

Note: The Annual Financial Calls for experience, which are used for ratemaking, contain a different definition of standard premium.

21. States Added After Policy Effective Date

A state may be added after the effective date of the policy. For the additional state operations, apply:

- a. Carrier rates in effect on the anniversary rating date of the policy to which the state has been added subject to the rules of that state.
- b. Any rate change that applies to outstanding policies for the state being added subject to the rules of that state, and
- c. Any applicable experience rating modification for the policy to which the state has been added. *Refer to Experience Rating Plan Manual.*

22. Waiver of Right to Recover From Others (Subrogation)

It is permissible in Minnesota to issue a Standard Policy with the provision that allows the carrier to waive its right of recovery against anyone liable for an injury covered by the policy. Attach the Waiver of Our Right to Recover From Others Endorsement (WC 00 03 13) to waive right of recovery in Minnesota.

The premium for this endorsement (WC 00 03 13) is based on a premium charge determined by the carrier from its evaluation of the exposures and approved by the Department of Commerce.

23. Wrap-Up Construction Projects

A wrap-up construction project is a single large contract construction, erection or demolition project for which policies have been issued to insure two or more legal entities that are working on the project.

Appropriate classifications are assigned to each separate legal entity based on the operations performed.

In the instance of wrap-up construction projects, separate policies must be issued to each eligible entity involved in the project, unless the same person or group of persons owns the majority interest in such entities. *Refer to Rule 3-A-15 for more information about majority interest.*

Policies issued to each eligible entity involved in a wrap-up program must include the wrap-up project description as part of the address under Item# 1 and must indicate the policy type as a "Wrap-Up" policy.

The Designated Workplace Exclusion Endorsement (WC 00 03 02) should be attached to other insurance policies issued to the same entities to exclude the wrap-up project from coverage on those other policies. This eliminates any duplication of coverage.

24. Foreign Terrorism

Premium for Foreign Terrorism is calculated on the basis of total payroll according to Rule 2. An employer's total payroll in Minnesota is divided by units of \$100 and multiplied by the Foreign Terrorism rate filed by each carrier and approved for use in Minnesota by the Department of Commerce. The **Minnesota Ratemaking Report** contains an advisory loss cost which carriers may apply to their loss cost multiplier to produce ultimate rates. The calculation is expressed as (Payroll/100 x Foreign Terrorism Rate x advisory loss cost multiplier = 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, retrospective rating, MCPAP, the Special Compensation Fund Surcharge, or any other individual risk rating plan.

Premium developed for Foreign Terrorism coverage is not included in standard premium.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis should not be charged a foreign terrorism rate.

Expense constant and per capita charges are not subject to premium for Foreign Terrorism* coverage.

*—~~Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].~~

A per capita classification is one that uses number of workers rather than payroll to measure exposure.

a. Requirements for Maintenance of Records

The insured must maintain a record of the names, duties and period of service of each domestic worker.

b. Premium Determination

• **Full-Time Domestic Workers—Code 0913**

Estimated premium must be calculated based on the estimated number of such domestic workers during the policy period.

If additional domestic workers under Code 0913 are employed during the policy period or if some domestic workers are no longer employed and are not replaced, then the per capita premium charges must be prorated.

Each pro rata charge must be based on the period of employment, but cannot be less than 25% of the per capita charge.

• **Part-Time Domestic Workers—Codes 0908**

Estimated premium must be calculated based on the estimated aggregate (total) time of all occasional domestic workers who are to be employed during the policy period.

Regardless of concurrent employment, a single per capita charge applies for each aggregate of employed time 20 hours or less per work week. An additional per capita charge applies to any remainder less than 20 hours or less per work week.

c. Minimum Premium

For a policy with two or more classifications, whether per capita rated or payroll rated, apply the highest minimum premium for any classification on the policy.

d. Foreign Terrorism

Premium for Foreign Terrorism coverage does not apply to per capita classifications.

MISCELLANEOUS VALUES

Expense Constant applicable to all policies	\$170.00
--	----------

Maximum Individual Remuneration applicable to:

- executive officers, partners and sole proprietors in connection with *Minnesota Basic Manual* Rule 2-E-1-b and Rule 2-E-3-a
- members/owners of a Limited Liability Company in connection with *Minnesota Basic Manual* Rule 2-e-2-b
- Code 9178—"Athletic Sports: Non-Contact Sports"
- Code 9179—"Athletic Sports: Contact Sports" \$1,565.00

Minimum Individual Remuneration applicable to:

- executive officers, partners and sole proprietors in connection with *Minnesota Basic Manual* Rule 2-E-1-b and Rule 2-E-3-a
- members/owners of a Limited Liability Company in connection with *Minnesota Basic Manual* Rule 2-E-2-b \$280.00

Minimum Remuneration for Spouse, Parent or Child Elections

If a parent, spouse or child of an individual sole proprietor or a partner of a partnership or an executive officer of a closely held corporation, who is eligible for coverage under 176.041, is employed by such entity to perform work in connection with the operations of the employer and for whom coverage has been elected in writing, the actual payroll of such spouse, parent or child as indicated in the insured's records shall be included in the basis of premium computation subject to a minimum amount per each week actually worked (a part of a week shall be considered a full week). There is no maximum.

\$235.00

United States Longshore and Harbor Workers' Compensation Coverage Percentage applicable only in connection with *Minnesota Basic Manual* Rule 3-A-4-b (Multiply a Non-F classification rate by a factor of 1.51)

51%

Foreign Terrorism coverage per \$100 of payroll

\$0.02

Minnesota Special Compensation Fund Assessment

2.9%

Limits of Employers Liability**Standard:**

Bodily Injury by Accident	\$100,000 Each Accident
Bodily Injury by Disease:	\$500,000 Policy Limit
Bodily Injury by Disease:	\$100,000 Each Employee

Increased Limits to:

Bodily Injury by Accident	\$500,000 Each Accident
Bodily Injury by Disease:	\$500,000 Policy Limit
Bodily Injury by Disease:	\$500,000 Each Employee

1% of the total premium or \$50, whichever is greater

Increased Limits to:

Bodily Injury by Accident	\$1,000,000 Each Accident
Bodily Injury by Disease:	\$1,000,000 Policy Limit
Bodily Injury by Disease:	\$1,000,000 Each Employee

5% of the total premium or \$150, which ever is greater

2. Premium Elements Reference Table
The following table provides a summary list of the common premium elements available in Minnesota. A standard premium algorithm is <u>not</u> approved for use in Minnesota. Carriers are advised to refer to the Minnesota Basic Manual for complete details on the standard application of any rule concerning premium determination in Minnesota.
Payroll divided by 100 x Rate
Supplementary Disease (foundry, abrasive, sandblast)
USL&HW Exposure for non-F-class
Waiver of Subrogation Factor
E/L Increased Limits Factor
E/L Increased Limits Charge
E/L Increased Limits Factor (Admiralty, FELA)
E/L Voluntary Compensation Flat Charge
Experience Modification
Supplemental Disease Exposure (Asbestos, NOC)
Atomic Energy Radiation Exposure NOC
Aircraft Seat Surcharge
Minimum Premium
Balance to Minimum Premium (State Act)
Balance to Minimum Premium (Admiralty, FELA)
Premium Discount
Expense Constant
Special Compensation Fund Surcharge
Foreign Terrorism* Surcharge
Merit Rating Factor (Assigned Risk only)

* ~~Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].~~

- anniversary rating date R1, R26, UG29
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 basic classifications R2, UG16
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 minimum premium R34
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 three-year fixed-rate policy R40
- Experience Rating Plan**
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- Experience Rating Plan Manual R1, R26, R27, R34, R38, UG6, UG28**
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*Effective January 1, 2008***15. Total Standard Premium - Line G**

Report the sum of all premium dollars, both subject and not subject to modification, which are to be included in standard premium. For multi-page unit reports, report this total on the last page only. This total must exclude the amounts for premium discount and expense constant referenced below in items 16 and 17.

16. Premium Discount Amount - Line H

Report the premium adjustment resulting from the application of the premium discount plan reported under Class Code 0063 (stock discount) or 0064 (non-stock discount). Do **NOT** include the premium discount amount in the total standard premium.

17. Expense Constant Amount - Line I

Report the premium adjustment resulting from the application of the expense constant under Class Code 0900. Do **NOT** include the expense constant amount in the total standard premium. For multi-state policies, allocate the expense constant to the state with the highest applicable expense constant. If two or more states have the same highest expense constant, allocate it to the state developing the highest standard premium.

18. Premium Not Subject to Experience Modification - Lines J, K, and L

~~Foreign-Terrorism*~~ Premium debit earned under the ~~Foreign~~ Terrorism — Certified Losses is reported on a hard copy unit report subsequent to experience modification on the line after the expense constant.

~~*Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].~~

EXHIBIT II

B-1405

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

**SECTION ONE
THIRD REPRINT**

**PART VII
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Effective January 1, 2008

- 18. **Return to Work Credit** Code 9743
 - 19. **Supplemental Disease Experience**
 - In Connection with Asbestos Experience Code 0133
 - Not Otherwise Classified (NOC) Code 0179
 - 20. **Workplace Safety Premium**
 - Credit Code 9880
 - Debit Code 9879
 - C. *Premium Not Subject to Experience Modification*
 - 1. **Expense Constant** Code 0900
 - 2. **Premium Discount**
 - Stock Code 0063
 - Non-Stock Code 0064
 - 3. **Foreign Terrorism*** Code 9740
- ~~*Previous code description "Terrorism Risk Insurance Act of 2002—Certified Losses" [discontinued 12/31/05].~~

Loss Information Codes

1. Injury Type

Claims with accident dates prior to October 1, 1995

Code	Description
01	Death
02	Permanent Total Disability
03	Economic Recovery Compensation as defined under Section 44 of the 1983 Workers' Compensation Law, H.F. 274, Chapter 290
05	Temporary Injury/Temporary Total or Temporary Partial Disability
06	Medical Only Claims
07	Contract Medical or Hospital Allowance
09	Impairment Compensation as defined under Section 45 of the 1983 Workers' Compensation Law, H.F. 274, Chapter 290

*Effective January 1, 2008****PART II — ANNUAL CALLS FOR EXPERIENCE***

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.

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

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Table listing various insurance-related terms and their corresponding page numbers, such as Premium Codes (42), Supplemental Disease Experience (45), and Terrorism Risk Insurance (17, 45, 125).

FILING MEMORANDUM

ITEM P-1405—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2007 ENDORSEMENTS

(To be effective 12:01 a.m. on January 1, 2008 applicable to new and renewal policies.)

PURPOSE

This item updates the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13), and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 A) to reflect certain changes required by the Terrorism Risk Insurance Program Reauthorization Act of 2007 .

BACKGROUND

The Terrorism Risk Insurance Act of 2002 was implemented as a result of the United States Congress (Congress) recognizing that terrorism is a catastrophe exposure that is real and significant for insurers of workers compensation and other lines of insurance. Items B-1383, B-1393, B-1398, and P-1392 were subsequently filed to implement the Terrorism Risk Insurance Act of 2002, and to provide miscellaneous values for foreign terrorism and domestic terrorism.

The Terrorism Risk Insurance Act of 2002 ("TRIA" or the "Act") was scheduled to expire on December 31, 2005. Prior to the expiration of that Act, Congress passed the Terrorism Risk Insurance Extension Act of 2005 ("TRIEA"), which is scheduled to expire on December 31, 2007. Item P-1404 was subsequently filed to implement the disclosure requirements of the Terrorism Risk Insurance Extension Act of 2005.

Recognizing that terrorism is a catastrophe exposure that continues to be significant for insurers of workers compensation and other lines of insurance, Congress has now enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"), which makes several amendments to the Act including:

- Amending the definition of "act of terrorism" to remove "acting on behalf of any foreign person or foreign interest"
- Extending the Act to December 31, 2014
- Requiring insurers to provide a clear and conspicuous disclosure of the \$100,000,000,000 cap

PROPOSAL

It is proposed that the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) be revised to:

- a. Change the reference of TRIEA to TRIPRA
- b. Revise the definition of "act of terrorism" to include domestic terrorism
- c. Update the insurer deductible provisions
- d. Define "program year"
- e. Disclose the \$100,000,000,000 cap as required by Section 4 of TRIPRA, and
- f. Update the existing disclosures

It is also proposed that the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 A) be revised to reflect that the domestic terrorism premium applies to all acts of domestic terrorism.

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FILING MEMORANDUM

ITEM P-1405—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2007 ENDORSEMENTS

IMPACT

There is no change in premium as a result of this item.

IMPLEMENTATION

The attached exhibits outline the changes required to the Terrorism Risk Extension Act Endorsement and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement, which will be located in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*.

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FILING MEMORANDUM

ITEM B-1405—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2007

(To be effective 12:01 a.m. on January 1, 2008, applicable to new and renewal policies.)

PURPOSE

As a result of the recent passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 by the United States Congress (Congress), this item removes the December 31, 2005 expiration date from Rule 3-A-24-a of NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*.

BACKGROUND

The Terrorism Risk Insurance Act of 2002 ("TRIA" or the "Act") was enacted by Congress to recognize that terrorism is a catastrophe exposure that is real and significant for insurers of workers compensation and other lines of insurance. As a result of TRIA, a catastrophe provision was added to Rule 3-A-24-a of NCCI's *Basic Manual*. TRIA, which expired on December 31, 2005, was extended by the Terrorism Risk Insurance Extension Act of 2005 ("TRIEA") for two years. Congress has now enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") to extend the Act to December 31, 2014. Therefore, the catastrophe provision in Rule 3-A-24-a of NCCI's *Basic Manual* is being revised to remove the expiration date and replace it with "and any amendments thereto enacted by Congress."

PROPOSAL

This item removes the December 31, 2005 expiration date from National Rule 3-A-24-a located in NCCI's *Basic Manual*.

IMPACT

There is no change in premium as a result of this item.

IMPLEMENTATION

Exhibit 1 shows the changes required in NCCI's *Basic Manual*.

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