



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

November 10, 2010

**ALL ASSOCIATION MEMBERS**

Circular Letter No. 10-1584

**RE: Large Loss and Catastrophe Call**

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2012.

At the request of the Workers' Compensation Reinsurance Association, the MWCIA will be implementing a Large Loss and Catastrophe Call beginning with Calls valued as of December 31, 2011. The Large Loss and Catastrophe Call collects claim-level detail on large loss claims where the total case incurred losses (the sum of indemnity paid and indemnity case reserves plus medical paid and medical case reserves) are \$500,000 or greater. This Call is also used to capture claim-level detail for specific extraordinary catastrophic events, regardless of the size of the claim. There are currently no catastrophic events for which we would capture Minnesota claim experience.

The addition of this Call requires some changes to MWCIA DSO Application. The attached Exhibit I shows the current 2010 - 2011 DSO language regarding Annual Calls for Experience along with the approved changes.

Please direct any questions you may have concerning this item to MWCIA's Actuarial Department at 952-897-1737 Option 3 or via email at [actuarial@mwcia.org](mailto:actuarial@mwcia.org).

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**Exhibit I**

<b>Current Language</b>	<b>Proposed Language</b>
<p><b>Annual Calls for Experience</b></p> <p>There are <del>six</del> financial aggregate Calls carriers are required to file in April of each year to MWCIA. These aggregate Financial Calls provide the timely information needed for the various cost analyses required to develop Minnesota's annual Ratemaking Report. The four major Calls - those soliciting data by Policy and Calendar-Accident Year - provide historical information on earned premium and aggregate claim data. These statistics enable MWCIA to analyze loss ratios, emerging claim patterns, and calculate loss development and trend factors – all necessary for annual Ratemaking Report production.</p>	<p><b>Annual Calls for Experience</b></p> <p>There are <u>seven</u> financial aggregate Calls carriers are required to file in April of each year to MWCIA. These aggregate Financial Calls provide the timely information needed for the various cost analyses required to develop Minnesota's annual Ratemaking Report. The four major Calls - those soliciting data by Policy and Calendar-Accident Year - provide historical information on earned premium and aggregate claim data. These statistics enable MWCIA to analyze loss ratios, emerging claim patterns, and calculate loss development and trend factors – all necessary for annual Ratemaking Report production.</p>
<p>Since rates for federal classes are calculated separately, this experience is not included in the Calls. Also, premium generated and losses arising from the Foreign Terrorism are excluded from the standard financial calls.</p>	<p>Same</p>
<p>Presently, as the Association receives the Calls, data from each is entered electronically into the financial aggregate database. The Association's computer system automatically checks each form for internal balance and actuarial reasonableness, and isolates carriers for whom data is inaccurate or incomplete. By using MWCIA's ACCEDE™ On-line software package, member carriers are able to report their data electronically.</p>	<p>Same</p>
<p>The 2008 Call package and instructions are included in the ACCEDE™ On-Line information located on the MWCIA website at <a href="http://www.mwcia.org">www.mwcia.org</a>.</p>	<p>Same</p>
<p>A description of the <del>six</del> Annual Calls for Experience is outlined below:</p>	<p>A description of the <u>seven</u> Annual Calls for Experience is outlined below:</p>

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<p><b>Policy Year and Large Deductible Policy Year Calls</b></p> <p>A policy year is composed of premium and losses for all policies with effective dates in that year. For example, for policies with effective dates between January 1 and December 31, 2006, all claims that develop for these policies must be reported under Policy Year 2006, regardless of the year in which the injury occurred or the year it was reported to the carrier. The Financial Calls on a policy year basis provide a stable and more mature match of premium and losses, and therefore, are widely used for testing rate adequacy and for ratemaking.</p>	<p>Same</p>
<p>Policy year calls include a half year (or partial year) of data for the latest policy year, individual full years of data for each of the previous 21 years (as of the 2008 reporting season), and one line of cumulative data for all older years. The half year of data is due to the fact that not all policies in the latest policy year have expired by the year-end valuation date. Policy Year Calls have been expanded as of the 2008 Financial Call reporting season. The additional years of experience will occur on an incremental basis (to reach 31 policy years) over the next 10 years.</p>	<p>Same</p>
<p><b>Calendar-Accident Year and Large Deductible Calendar-Accident Year Calls</b></p> <p>The title Calendar-Accident year reflects the way the financial data is organized. The term "calendar" pertains to the premium, which is organized by transaction date. The term "accident" pertains to the losses and associated claim counts, which are organized by the date the injury occurred. For example, Calendar-Accident Year 2006 includes premium transactions occurring in 2006, along with claims with accident dates occurring in 2006.</p>	<p>Same</p>
<p>Unlike Financial Calls on a policy year basis, the latest year for a Call</p>	<p>Same</p>

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<p>on a calendar-accident year basis contains a full year of data. This makes the Calendar-Accident Year Calls particularly valuable when examining early loss and reserve movement, and providing more responsive ratemaking indications. Calendar-Accident Year Calls have been expanded as of the 2008 Financial Call reporting season. The additional years of experience will occur on an incremental basis (to reach 30 calendar-accident years) over the next 10 years.</p>	
<p><b>Reconciliation Report</b></p> <p>The Reconciliation Report is used to reconcile calendar year premium and losses from the Calendar-Accident Year Calls to the Exhibit of Premiums and Losses (Statutory Page 14 Data) of the carriers' National Association of Insurance Commissioners (NAIC) Annual Statement. This Call ensures that the methodology for determining the premium and losses reported on the Policy Year Calls and Calendar-Accident Year Calls is consistent with the methodology used for reporting the experience on Exhibit of Premiums and Losses (Statutory Page 14 Data) of the carriers' NAIC Annual Statement.</p>	<p>Same</p>
<p><b>Supplemental Call for Schedule Rating Premium Adjustments</b></p> <p>The Supplemental Call for Schedule Rating Premium Adjustments provides supporting data for ratemaking, market analysis, and research purposes. These adjustments reflect the impact on losses of such things as employer procedures, training, or equipment that may not have been in place during the historical experience period. This Call is used to verify that carriers have properly accounted for schedule rating adjustments in their other Call submissions that are used in the ratemaking process. Compilations of this data are also used in market analysis to measure the impact of this form of competitive pricing.</p>	<p>Same</p>

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None	<p><b><u>Large Loss and Catastrophe Call</u></b></p> <p><u>The Large Loss and Catastrophe Call was implemented at the request of the WCRA as supporting data to aide them in their evaluation of ultimate losses by accident year, loss layering, changes in large claims over time, payment patterns, reporting of losses, and potentially other analyses. The Large Loss and Catastrophe Call captures claim-level detail for large loss claims where total case incurred losses (the sum of indemnity paid and indemnity case reserves plus medical paid and medical case reserves) are \$500,000 or greater. This Call will also be used to capture claim-level detail for specific extraordinary catastrophic events, regardless of the size of the claim.</u></p>
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