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April 14, 2022

ALL ASSOCIATION MEMBERS

Circular Letter No. 22-1802

RE: Inclusion of ALAE in Minnesota Statistical Plan Manual

The Minnesota Department of Commerce has approved the above filing effective on July 1, 2022 **for unit statistical reports submitted for policies effective January 1, 2021 and subsequent.**

The purpose of this filing is to amend the *Minnesota Statistical Plan Manual* to require the reporting of Allocated Loss Adjustment Expenses (ALAE) associated with Minnesota workers' compensation insurance.

MWCIA will collect ALAE information from carriers to inform a future ALAE provision. Recent statute and rule changes allow MWCIA to produce base rates incorporating ALAE.

The attached exhibits display the necessary changes to the *Minnesota Statistical Plan Manual*. As in past filings, strikethroughs indicate deleted text while underlining indicates new or added text.

A NOTICE TO MEMBERSHIP:

MWCIA would like to remind our membership who have filed a Limited Power of Attorney with the Minnesota Department of Commerce that no materials referenced in this Circular Letter are required to be independently filed with the Department.

Effective 7-1-2022

EXHIBIT 1

Minnesota Statistical Plan Manual

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p>PART 4 — REPORTING INSTRUCTIONS — LOSSES</p> <p>5. Incurred Losses</p> <p>D. Expenses Excluded from Losses. Expenses must be excluded from reported losses except as noted in Section C above. Medical or legal expenses incurred for the benefit of the carrier shall be treated as loss adjustment expenses. For expenses developed for the benefit of the claimant, refer to Section C.</p> <p>1. Allocated Loss Adjustment Expenses (ALAE) encompass the following costs of a carrier which can be directly allocated to a particular claim:</p> <p>a. Fees of attorneys or other authorized representatives where permitted for legal services, whether by outside or staff representative</p> <p>b. Court, Alternate Dispute Resolution and other specific items of expense such as:</p> <ul style="list-style-type: none"> • Medical examinations of a claimant to determine the extent of the carrier's liability, degree of permanency, or length of disability • Expert medical or other testimony • Autopsy 	<p>PART 4 — REPORTING INSTRUCTIONS — LOSSES</p> <p>5. Incurred Losses</p> <p>D. Expenses Excluded from Losses. Expenses must be excluded from reported losses except as noted in Section C above. Medical or legal expenses incurred for the benefit of the carrier shall be treated as loss adjustment expenses. For expenses developed for the benefit of the claimant, refer to Section C. <u>ALAE expenses must be reported as noted in Section 17 below.</u></p> <p>1. Allocated Loss Adjustment Expenses (ALAE) encompass the costs of a carrier which can be directly allocated to a particular claim. <u>See Section 17 below for the expenses defined as ALAE.</u></p> <p>2. Unallocated Loss Adjustment Expenses (ULAE) are loss adjustment expenses that are not defined above. These include, but are not limited to:</p> <p>a. Carrier employees' salaries, overhead and traveling expenses which are considered loss adjustment expenses and are not included while performing activities previously listed as allocated expenses.</p> <p>b. Fees paid to independent claims professionals or attorneys (hired to</p>	<p>Moving ALAE definition to Section 17</p>

Effective 7-1-2022

EXHIBIT 1

Minnesota Statistical Plan Manual

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<ul style="list-style-type: none"> • Witnesses and summonses • Copies of documents such as birth and death certificates and medical treatment records • Arbitration fees • Surveillance • Appeal bond costs and appeal filing fees c. Medical cost containment expenses incurred with respect to a particular claim, whether by an outside vendor or done internally by an employer for the purpose of controlling losses, to ensure that only reasonable and necessary costs of services are paid. These expenses include: <ul style="list-style-type: none"> • Bill auditing expenses for medical services rendered, including hospital bills (inpatient or outpatient), nursing home bills, physician bills, chiropractic bills, medical equipment charges, pharmacy charges, physical therapy bills and medical vendor bills • Hospital and other treatment utilization reviews, including pre- 	<p>perform the function of claim investigation normally performed by claim adjusters) for developing and investigating a claim so that a determination can be made of the cause, extent of responsibility for the injury or disease, including evaluation and settlement of covered claims.</p>	

Effective 7-1-2022

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CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p>certification/pre-admission, concurrent or retrospective reviews</p> <ul style="list-style-type: none"> • Preferred provider network/ organization expenses • Medical fee review panel expenses <p>d. Expenses which are not defined as losses and are directly related to, and directly allocated to, the handling of a particular claim for services which are required to be performed by statute or regulation.</p> <p>2. Unallocated Loss Adjustment Expenses (ULAE) are loss adjustment expenses that are not defined above. These include, but are not limited to:</p> <ul style="list-style-type: none"> a. Carrier employees' salaries, overhead and traveling expenses which are considered loss adjustment expenses and are not included while performing activities previously listed as allocated expenses. b. Fees paid to independent claims professionals or attorneys (hired to perform the function of claim investigation normally performed by claim adjusters) for developing and investigating a claim so that a determination can be made of the 		

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<p>cause, extent of responsibility for the injury or disease, including evaluation and settlement of covered claims.</p>		
<p>PART 4 — REPORTING INSTRUCTIONS — LOSSES NONE</p>	<p>PART 4 — REPORTING INSTRUCTIONS — LOSSES</p> <p><u>17. ALAE Paid Amount</u></p> <p><u>Report the whole dollar amount of Allocated Loss Adjustment Expense (ALAE) that has been allocated and paid for each claim as of the loss valuation date. Employers Liability ALAE and claimant attorney fees are excluded from ALAE Paid Amount and must be included in the indemnity loss. ALAE encompasses the following costs to a carrier, which can be directly allocated to a particular claim:</u></p> <p><u>A. Fees of attorneys or other authorized representatives (other than claimant attorney fees) where permitted for legal services, whether by outside vendors or staff representatives.</u></p> <p><u>B. Court, Alternate Dispute Resolution, and other specific items of expense such as:</u></p> <ul style="list-style-type: none"> <u>• Medical examinations of a claimant to determine the extent of the carrier's liability, degree of permanency, or length of disability</u> <u>• Expert medical or other testimony</u> 	<p>Addition of ALAE Definition</p>

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CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
	<ul style="list-style-type: none"> • <u>Autopsy</u> • <u>Witnesses and summonses</u> • <u>Copies of documents such as birth and death certificates, and medical treatment records</u> • <u>Arbitration fees</u> • <u>Surveillance</u> • <u>Appeal Bond Costs and appeal filing fees</u> <p><u>C. Medical cost containment expenses incurred with respect to a particular claim, whether by an outside vendor or done internally by a staff representative for the purpose of controlling losses, to ensure that only reasonable and necessary costs of services are paid. The expenses include:</u></p> <ul style="list-style-type: none"> • <u>Bill-auditing expenses for any medical or vocational services rendered, including hospital bills (inpatient or outpatient), nursing home bills, physician bills, chiropractic bills, medical equipment charges, pharmacy charges, physical therapy bills, and medical or vocational rehabilitation vendor bills</u> • <u>Hospital and other treatment utilization reviews, including precertification/ preadmission, and concurrent or retrospective reviews</u> 	

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CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
	<ul style="list-style-type: none"> • <u>Preferred provider network/organization expenses</u> • <u>Medical fee review panel expenses</u> <p><u>D. Expenses that are not defined as losses and are directly related to are directly allocated to the handling of a particular claim for services that are required to be performed by statute or regulation.</u></p> <p><u>18. ALAE Incurred Amount</u></p> <p><u>Report the whole dollar amount of ALAE Paid and reserved for this claim as of the loss valuation date. Employers Liability ALAE and claimant attorney fees are excluded from ALAE Incurred and must be included in the indemnity loss.</u></p>	
<p>PART 5 — REPORTING INSTRUCTIONS — LOSS TOTALS</p> <p>NONE</p>	<p>PART 5 — REPORTING INSTRUCTIONS — LOSS TOTALS</p> <p><u>6. Total ALAE Paid Amount</u></p> <p><u>Report the total of the ALAE paid amounts reported for the policy. In the case of corrections and subsequent reports, this must be the revised total.</u></p> <p><u>7. Total ALAE Incurred Amount</u></p> <p><u>Report the total of the ALAE incurred amounts reported for the policy. In the case of corrections and subsequent reports, this must be the revised total.</u></p>	<p>Adding ALAE totals to report</p>