



Minnesota Workers' Compensation
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ALL ASSOCIATION MEMBERS

Circular Letter No. 22-1809

RE: Regulatory Ratemaking Changes

Circular Letter [No. 21-1789](#) announced the changes to Minnesota statutes governing workers' compensation ratemaking. Circular Letter [No. 22-1804](#) announced the changes to the Minnesota administrative rules governing workers' compensation ratemaking.

The purpose of this circular is to advise MWCIA membership of the ratemaking changes resulting from the regulatory changes referenced above. Starting with the 2023 Ratemaking Report, MWCIA includes trend, ultimate loss development, and loss adjustment expenses in the pure premium base rates **instead of** insurance companies including these elements in their loss cost multiplier (LCM).

The 2023 pure premium base rates cannot be directly compared to the 2022 pure premium base rates. Absent of the change, the 2023 pure premium base rates would have decreased by 9.5% (-9.5%). Due to the shifting of elements from the company LCM to the pure premium base rates, a 9.5% decrease for the Minnesota Workers' Compensation industry premium level is an appropriate estimate.

The following is an overview of the elements included in the 2023 pure premium base rates:

Experience Indication

The experience indication change has always been included in the pure premium base rate change. Minnesota premium and loss experience without adjustments for trend, 27th report to ultimate loss development, and loss adjustment expenses would have indicated a reduction of 10% (-10%) in losses for policies effective in 2023.

Statutory Benefit Changes

Statutory benefit changes have always been included in the pure premium base rate change. This change accounts for the difference between workers' compensation benefits during the experience period and the expected benefit level, prescribed by statutes. The applicable statutory benefit change effective on October 1, 2022 is the increase in minimum and maximum weekly indemnity benefits adjusted for the change in the state average weekly wage. The impact of this change on the 2023 base rates is a half percent increase (+0.5%).

Trend

Indemnity and medical trends are now directly included in the pure premium base rates instead of the company LCM. The 2023 pure premium base rates were adjusted downward by 7.0% to account for trend (-7.0%). The company LCM should no longer include the indemnity and medical trend components.

27th to Ultimate Loss Development

Loss development to ultimate is now directly included in pure premium base rates instead of the company LCM. The 2022 pure premium base rates included losses developed only up to a 27th report. The 2023 pure premium base rates increased by 3.8% (+3.8%) to account for the loss development from 27th report to ultimate. The company LCM should no longer include the ultimate loss development component.

Loss Adjustment Expenses

Loss adjustment expenses are now directly included in the pure premium base rates instead of the company LCM. The 2023 pure premium base rates increased by 21.0% (+21.0%) to account for loss adjustment expenses. The company LCM should no longer include loss adjustment expenses.

If you have questions, please contact our Actuarial staff by calling 952.897.1737, Option 3, or by emailing actuarial@mwcia.org.