



Minnesota Workers' Compensation Insurers Association, Inc.

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J.P. Hildebrandt, President

MWCIA

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ALL ASSOCIATION MEMBERS

Circular Letter No. 96-1251

**RE: NCCI Item B-1334 Elimination of Chemical and Dyestuff Rating Plan
Establishment of Two Replacement Classifications**

The Minnesota Department of Commerce has approved the elimination of the Chemical and Dyestuff Rating Plan and the establishment of two replacement classifications for insureds engaged in chemical operations which are not otherwise classified in the Basic Manual effective July 1, 1996.

The Chemical and Dyestuff Rating Plan provides a means of classifying and rating insureds based on two types of operations: 1.) insureds who manufacture chemicals or dyestuffs, and 2.) insureds whose primary and governing hazards are of a chemical nature, although chemicals or dyestuffs are not manufactured by the insured. The Plan classifies insureds using a grid which considers the explosive or flammable nature of substances used or manufactured and the hazard created by or during the processes of accomplishing the transformation from raw material to product. There are currently 24 codes (4800-4823) rated under the Plan in Minnesota. Effective 1-1-96, there are only 4 different pure premium base rates for these 24 codes.

Most insureds engaged in operations of a chemical nature are presently assigned to a Basic Manual chemical classification code, not a code under the Chemical and Dyestuff Rating Plan. The lack of experience along with the excessive number of codes has led to low credibility for many of the codes in the plan.

The attached Exhibit I outlines the changes to the Basic Manual and the Retrospective Rating Plan Manual necessary to implement Codes 4828 and 4829. The initial pure premium base rates and rating values will be a weighted average of the base rates for Codes 4800-4823 based on the latest available aggregate payroll. The pure premium base rates and rating values effective July 1, 1996, are also shown on the attached Exhibit I. These rates will apply to both Codes 4828 and 4829 until such time as sufficient ratemaking data is available to allow for the use of conventional ratemaking methodology.

The Department of Commerce requests that we remind Minnesota Workers' Compensation Insurers Association members that the above filing will automatically apply to each member of MWCIA unless that member files an exception with the Department of Commerce. This filing should indicate the member does not intend to utilize the filing or adopt a filing of their own. It must be submitted to the Department of Commerce for review and approval.

Very truly yours,

JOHN P. HILDEBRANDT

President