



Minnesota Workers' Compensation Insurers Association, Inc.

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Bruce A. Tollefson, President

MW CIA

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ALL ASSOCIATION MEMBERS

Circular Letter No. 98-1299

RE: NCCI Item E-1339—Experience Rating Adjustment

The Minnesota Department of Commerce has approved the above filing to be effective 1-1-99. The purpose of this filing is to modify the Revised Experience Rating Plan to substantially decrease the incentive for employers to pay their own claims. In addition, this filing serves to maintain optimal performance of the Experience Rating Plan.

The NCCI's Item E-1339 contains the following three changes:

1.) Reducing the Weight on Medical-Only Losses

For medical-only claims, the determination of actual losses, for both primary and excess losses, has changed. Under Item E-1339, only 30% of the actual primary and excess portions of each individual medical only claim will be included in the calculation of the modification factor. This change will serve to reduce the incentive for insureds to fail to report medical-only claims.

2.) Increasing the Weight on Excess Losses

The weighting value is the factor which determines how much of the actual excess losses enter the experience modification formula. Item E-1339 slightly increases the weighting values for most insureds. This has the effect of increasing the amount of actual losses used in the formula. This change serves to improve the predictive accuracy of the plan, and make the plan more understandable.

3.) Adjusting the Primary-Excess Split of Actual Losses for Inflation

Currently, the split between primary and excess losses is set at \$5,000. This split will not immediately change. However, as inflation increases the costs of lost-time claims, medical care, etc., the split point will be increased. This change will serve to keep the proportions of each claim more stable over time, again with an eye toward improving accuracy.

On average, employers will experience very minimal impacts to their modifications. An employer with a large amount of medical-only losses may experience a reduction in its mod

compared to the current Plan, but others may experience modest increases in their mods because of a larger portion of excess losses.

Overall, MWCIA staff has estimated an approximate 0.4% average reduction in the modification level due to the changes, and a modest reduction in the modification deviation as well. A copy of the Item E-1339 filing memo is attached.

Sincerely,
MINNESOTA WORKERS' COMPENSATION
INSURERS ASSOCIATION, INC.

CRAIG A. ANDERSON

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