

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 372

01/28/2021 Authored by O'Driscoll
The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

03/23/2021 Adoption of Report: Placed on the General Register as Amended
Read for the Second Time

05/17/2021 Pursuant to Rule 4.20, returned to the Committee on Commerce Finance and Policy

- 1.1 A bill for an act
- 1.2 relating to workers' compensation; modifying data service organizations; authorizing
- 1.3 rulemaking; amending Minnesota Statutes 2020, section 79.61, subdivision 1.
- 1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.5 Section 1. Minnesota Statutes 2020, section 79.61, subdivision 1, is amended to read:
- 1.6 Subdivision 1. **Required activity.** (a) Any data service organization shall perform the
- 1.7 following activities:
- 1.8 (1) file statistical plans, including classification definitions, amendments to the plans,
- 1.9 and definitions, with the commissioner for approval, and assign each compensation risk
- 1.10 written by its members to its approved classification for reporting purposes;
- 1.11 (2) establish requirements for data reporting and monitoring methods to maintain a high
- 1.12 quality database;
- 1.13 (3) prepare and distribute a periodic report, in a form prescribed by the commissioner,
- 1.14 on ratemaking including, but not limited to the following elements:
- 1.15 (i) ~~development factors and alternative derivations~~ losses developed to their ultimate
- 1.16 level;
- 1.17 (ii) ~~trend factors and alternative derivations and applications~~ trended losses;
- 1.18 (iii) loss adjustment expenses;
- 1.19 (iv) pure premium relativities for the approved classification system for which data are
- 1.20 reported, provided that the relativities for insureds engaged in similar occupations and
- 1.21 presenting substantially similar risks shall, if different, differ by at least ten percent; and

2.1 ~~(iv)~~ (v) an evaluation of the effects of changes in law on loss data;

2.2 ~~The report shall also include explicit discussion and explanation of methodology,~~
 2.3 ~~alternatives examined, assumptions adopted, and areas of judgment and reasoning supporting~~
 2.4 ~~judgments entered into, and the effect of various combinations of these elements on~~
 2.5 ~~indications for modification of an overall pure premium rate level change. The pure premium~~
 2.6 ~~relativities and rate level indications shall not include a loading for expenses or profit and~~
 2.7 ~~no expense or profit data or recommendations relating to expense or profit shall be included~~
 2.8 ~~in the report or collected by a data service organization;~~

2.9 (4) collect, compile, summarize, and distribute data from members or other sources
 2.10 pursuant to a statistical plan approved by the commissioner;

2.11 (5) prepare merit rating plan and calculate any variable factors necessary for utilization
 2.12 of the plan. Such a plan may be used by any of its members, at the option of the member
 2.13 provided that the application of a plan shall not result in rates that are unfairly discriminatory;

2.14 (6) provide loss data specific to an insured to the insured at a reasonable cost;

2.15 (7) distribute information to an insured or interested party that is filed with the
 2.16 commissioner and is open to public inspection; and

2.17 (8) assess its members for operating expenses on a fair and equitable basis.

2.18 (b) The report under paragraph (a), clause (3), shall also include explicit discussion and
 2.19 explanation of methodology, alternatives examined, assumptions adopted, and areas of
 2.20 judgment and reasoning supporting judgments entered into, and the effect of various
 2.21 combinations of these elements on indications for modification of an overall pure premium
 2.22 rate level change. The pure premium relativities and rate level indications shall not include
 2.23 a loading for expenses or profit and no expense or profit data or recommendations relating
 2.24 to expense or profit shall be included in the report or collected by a data service organization.
 2.25 For purposes of this subdivision, "expenses" means expenses other than loss adjustment
 2.26 expenses.

2.27 **Sec. 2. EXPEDITED RULEMAKING AUTHORIZED.**

2.28 The commissioner shall amend Minnesota Rules, parts 2705.1000, item B, subitem (4);
 2.29 2705.0200, subpart 7; 2705.1700, subpart 2; and 2705.1800, item B, or other parts of
 2.30 Minnesota Rules, chapter 2705, as necessary to permit a data service organization to collect
 2.31 loss adjustment expense data and to consider and include in its ratemaking report losses
 2.32 developed to their ultimate value, trended losses, and loss adjustment expenses. The

- 3.1 commissioner may use the expedited rulemaking procedures under Minnesota Statutes,
- 3.2 section 14.389.