

CHAPTER 2705
DEPARTMENT OF COMMERCE
DATA SERVICE ORGANIZATIONS

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2705.0200 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them

[For text of subp 2, see M.R. 1983]

Subp. 3. **Commissioner.** "Commissioner" means the commissioner of commerce.

[For text of subps 4 to 11, see M.R. 1983]

Subp 12. **Rating plan.** "Rating plan" means the same as it is defined in Minnesota Statutes, section 79 52, subdivision 15.

Statutory Authority: *MS s 79.51; 79.55 to 79.61*

History: *8 SR 2273*

2705.1000 APPLICATION INFORMATION.

A data service organization shall apply to the commissioner for a license. The rating association shall submit an application to be licensed as a data service organization by July 1, 1983. An application to be a data service organization shall include all information required by Minnesota Statutes, section 79.62. In addition, the application shall include:

[For text of item A, see M.R. 1983]

B. a plan for data collection and analysis, and other activities of the data service organization, including:

[For text of item B, subitems (1) to (4), see M.R. 1983]

(5) a plan for the collection of any other data not prohibited in subitem (4) and a description of these data;

[For text of item B, subitems (6) to (10), see M.R. 1983]

Statutory Authority: *MS s 79.51; 79.55 to 79.61*

History: *8 SR 2273*

2705.1150 AMENDMENTS TO APPLICATION.

Subpart 1. **Commissioner notified.** A data service organization which has applied for a license must notify the commissioner of every change in the plan of operation on which its application was based. Any amendment to a document filed under this paragraph is effective 30 days after filing unless disapproved by the commissioner.

Subp. 2. **Changes filed.** A data service organization must file with the commissioner every proposed change in the uniform classification system, the uniform statistical plan, or associated manual rules. Any change must be approved by the commissioner who shall also establish an effective date for the change. If a change is ordered by the commissioner, it must be used by every workers' compensation insurer in reporting data to the data service organization of which it is a member.

Statutory Authority: *MS s 79.55 to 79.61*

History: 8 SR 2273

2705.1700 CONTENTS OF RATEMAKING REPORT.

[For text of subps 1 and 2, see M.R. 1983]

Subp. 3. **Dissemination.** The ratemaking report shall be disseminated to all members of the data service organization. In addition, the data service organization and the commissioner shall each make a copy of the ratemaking report available for public inspection during normal working hours.

Statutory Authority: *MS s 79.51; 79.55 to 79.61*

History: 8 SR 2273

2705.1800 USE OF RATEMAKING REPORT.

A. After the ratemaking report has been filed with the commissioner, insurers may develop and use rates based upon the pure premium base rates contained in the report. Effective January 1, 1984, insurers may also develop and use rates based upon any reasonable factors which are not inconsistent with Minnesota Statutes, sections 79.50 to 79.63.

[For text of items B to E, see M.R. 1983]

Statutory Authority: *MS s 79.51; 79.55 to 79.61*

History: 8 SR 2273

2705.1900 REVIEW BY COMMISSIONER.

Subpart 1. **Nonconforming ratemaking report.** If the commissioner finds upon review that the ratemaking report is not as prescribed, then the commissioner shall issue an order specifying in which respects it fails to meet the requirements of Minnesota Statutes, section 79.61 and parts 2705.1600 to 2705.1900, and stating a reasonable period within which the defects shall be corrected.

Subp. 2. **Hearing.** The data service organization shall be given a hearing to review the commissioner's order upon a written request made within 30 days after the order.

Statutory Authority: *MS s 79.55 to 79.61*

History: 8 SR 2273

UNIFORM DATA BASE

2705.2000 UNIFORM CLASSIFICATION AND STATISTICAL PLAN.

Subpart 1. **Commissioner approves.** The commissioner shall approve a uniform classification system, a uniform statistical plan, and manual rules related to the classification system and the statistical plan. Every workers' compensation insurer must report its data in accordance with the approved uniform plans and rules.

Subp. 2. **Manual rules.** No insurer shall agree with any other insurer or with any data service organization to adhere to manual rules which are not reasonably related to the recording and reporting of data pursuant to the

uniform classification system or the uniform statistical plan

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2100 AMENDMENTS TO UNIFORM CLASSIFICATION OR STATISTICAL PLANS.

Any data service organization may file with the commissioner a petition to change the uniform classification system or the uniform statistical plan. Any change must be approved by the commissioner who shall also establish an effective date for the change. If a change is ordered by the commissioner, it must be used by every workers' compensation insurer in reporting data to the data service organization of which it is a member

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2200 INSURER VARIATIONS.

An insurer may develop variations of the uniform classification system upon which a rate may be made. A variation must be filed with the commissioner 30 days prior to its use. The commissioner shall disapprove variations if the insurer fails to demonstrate that the data produced by the variation can be reported consistent with the uniform statistical plan and classification system.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

MONITORING COMPETITION

2705.2300 INFORMATION AND ANALYSIS.

In determining whether a competitive market exists, the commissioner shall monitor the degree of competition in this state. In doing so, the commissioner shall utilize existing relevant information, analytical systems, and other sources, or cause or participate in the development of new relevant information and analytical systems. The commissioner shall require insurers to provide additional data or reports as necessary to develop new information systems.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2400 CRITERIA.

In determining whether a reasonable amount of competition exists, the commissioner shall consider the criteria listed in items A to F.

A. Premium and loss experience which includes, but is not limited to, consideration of movement in premium and losses over time, changes in premium relative to losses, and comparisons with other states.

B. Ease of entry which includes, but is not limited to, consideration of barriers to entry and the number of firms entering and exiting from the market.

C. Market share which includes, but is not limited to, consideration of the number, size, and dispersion of firms writing workers' compensation insurance.

D. Class rates which include, but are not limited to, consideration of comparison of changes in rates with changes in costs, variation in rates, and frequency of rate changes.

E. Residual market which includes, but is not limited to, change in size, percent of total market, and composition of the residual market

F. Any other reasonable criteria if they are enumerated in the commissioner's eventual determination

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

REVIEW OF RATE FILINGS

2705.2500 RATING CRITERIA.

Subpart 1. **Determining compliance.** In determining whether rates and rating plans comply with Minnesota Statutes, section 79.55 and part 2705.1800, the commissioner shall consider the criteria in subparts 2 to 4

Subp. 2. **Loss experience and other rate factors.** The commissioner shall consider past and prospective loss and expense experience within and outside of Minnesota, catastrophe hazards and contingencies, events or trends within and outside of the state, loadings for leveling premium rates over time or for dividends or savings to be allowed or returned by insurers to their policyholders, members, or subscribers, and any other relevant factors if they are enumerated in the commissioner's eventual determination.

Subp. 3. **Expenses.** The expense provisions included in the rates to be used by an insurer shall reflect the operating methods of the insurer and, so far as it is credible, its own actual and anticipated expense experience.

Subp. 4. **Profits.** The rates may contain provision for contingencies and an allowance permitting a reasonable profit. In determining the reasonableness of profit, consideration shall be given to all investment income attributable to premiums and the reserves associated with those premiums.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2600 EXPERIENCE RATING PLANS.

An insurer may use the experience rating plan developed by the data service organization of which it is a member. An insurer may also develop and use its own experience rating plan. Any experience rating plan is subject to the conditions in parts 2705.2700 to 2705.2900.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2700 AGGRAVATED INEQUITY.

If a claim is settled between a normal valuation date and the next rating effective date and if the settlement results in an aggravated inequity, then the experience modification factor must be revised if requested by either the insurer or the insured. An aggravated inequity includes, but is not limited to, the following situations:

A the expected loss for the insured is less than \$50,000 and the primary value of the claim has changed by more than \$2,500, or

B. the expected loss for the insured is greater than \$50,000 and either the primary value of the loss has changed by more than five percent of the expected loss or the total value of the claim has changed by more than \$50,000.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2800 LOSS INFORMATION.

Each insurer or the data service organization to which it belongs must annually provide the following loss information to each insured eligible for experience rating.

- A. the insured's experience modification factor,
- B. the payrolls and incurred losses used to calculate the experience modification factor; and
- C. whom to contact if the insured desires more information.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.2900 FORMS.

The forms for providing this information may be developed by either the insurer or by the data service organization to which the insurer belongs. The forms must be filed as part of the experience rating plan.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.3000 SCHEDULE RATING PLANS.

The maximum credit and maximum debit which can be developed by schedule rating shall be determined by the commissioner and shall be no more than 25 percent of manual premium, after application of any experience modification.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

2705.3100 FAILURE TO COMPLY.

Subpart 1. **Notice.** If the commissioner finds upon review of the insurer's rate filing that the rates or rating plans do not comply with the requirements of Minnesota Statutes, sections 79.55 to 79.61 and this chapter, or that the filing lacks the necessary information to determine whether the rates comply with the cited statutes and rules, then the commissioner shall notify the insurer in what respects the rates or rating plans fail to comply and specify a reasonable period within which the defects shall be corrected.

Subp. 2. **Failure to correct; penalty.** If the insurer fails to correct the specified defects within the time period specified, the insurer is in violation of Minnesota Statutes, section 79.56 and subject to a fine as provided in Minnesota Statutes, section 79.56, subdivision 3.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*

POLICY FORMS**2705.3200 POLICY FORMS.**

Workers' compensation insurance must be written using policy forms filed by the data service organization of which the insurer is a member except that if the insurer files a rating plan requiring a policy provision or endorsement for which the data service organization has made no usable filing, then the insurer may file its own policy forms needed to implement its rating plans.

Statutory Authority: *MS s 79.55 to 79.61*

History: *8 SR 2273*