

1 Department of Commerce

2 Insurance Division

3

4 Adopted Rules Governing Workers' Compensation Insurance Rates

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6 Rules as Adopted

7 4 MCAR S 1.9140 Definitions.

8 A. Applicability. For the purposes of 4 MCAR SS
9 1.9140-1.9143, the terms defined in this rule have the meanings
10 given them.

11 B. Rating Association. "Rating Association" means the
12 Workers' Compensation Insurance Insurers Rating Association of
13 Minnesota.

14 C. Commissioner. "Commissioner" means the commissioner of
15 insurance.

16 D. Data service organization; organization. "Data service
17 organization" or "organization" means the same as it is defined
18 in Minnesota Statutes, section 79.52, subdivision 3.

19 E. Classification plan; classification. "Classification
20 plan" or "classification" means the same as it is defined in
21 Minnesota Statutes, section 79.52, subdivision 4.

22 F. Rates. "Rates" means the same as it is defined in
23 Minnesota Statutes, section 79.52, subdivision 5.

24 G. Insurer. "Insurer" means the same as it is defined in
25 Minnesota Statutes, section 79.52, subdivision 13.

26 H. Pure premium rate. "Pure premium rate" means that
27 portion of a rate designated for claim payments.

28 I. Pure premium. "Pure premium" means that portion of a
29 premium, as defined in Minnesota Statutes, section 79.52,
30 subdivision 7, designated for claim payments.

31 J. Pure premium relativities. "Pure premium relativities"
32 means the mathematical relationship of pure premium rates for
33 each reporting classification one to another, to a base class or
34 classes, or to some common index or indices.

35 K. Pure premium base rate schedule. A "pure premium base
36 rate schedule" is a set of pure premium rates with no

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1 adjustments for trend and with only partial loss development
 2 reflecting some additional development but not developed to the
 3 ultimate expected loss level.

4 4 MCAR S 1.9141 Licensing of data service organizations.

5 A. Application information. A data service organization
 6 shall apply to the commissioner for a license. The ~~Workers'~~
 7 ~~Compensation-Insurance~~ rating association shall submit an
 8 application to be licensed as a data service organization by
 9 January July 1, 1983. An application to be a data service
 10 organization shall include all information required by Minnesota
 11 Statutes, section 79.62. In addition, the application shall
 12 include:

- 13 1. the organization's plan of operation including:
 - 14 a. ~~the establishment of necessary facilities~~ a
 15 description of the applicant's operating premises and computer
 16 capabilities;
 - 17 b. a description of the management and operation of
 18 the organization, including a description of major staff
 19 positions and necessary qualifications for the positions;
 - 20 c. ~~the operating rules of the organization;~~
 - 21 d. a list of members and their responsibilities; and
 - 22 d. a procedure by which insureds and any other
 23 interested party may challenge the action of the data service
 24 organization; and

- 25 2. a plan for data collection and analysis, and other
 26 activities of the data service organization, including:
 - 27 a. a statistical plan for the collection and reporting
 28 of exposure base and of loss data ~~from~~ of individual insureds ~~of~~
 29 from each member;
 - 30 b. a system for the classification of risks to be used
 31 for reporting by member insurers, ~~in~~ and for calculating pure
 32 premium relativities, and ~~for~~ all other relevant rate-related or
 33 data analytic activities it proposes to undertake;
 - 34 c. manual rules reasonably related to the recording
 35 and reporting of data pursuant to the statistical plan and the
 36 classification system;

1 d. data reporting requirements for members and
 2 monitoring procedures. ~~Expense A data shall not be reported~~
 3 service organization may not collect or report expense or profit
 4 data from its members but may collect loss adjustment costs.
 5 Premium data may be reported to the extent needed to monitor the
 6 quality and integrity of the data bases. Following the approval
 7 of a pure premium base rate schedule, the data service
 8 organization may require premium data to be reported at that
 9 level, provided that reporting need not be required of companies
 10 writing a small volume of Minnesota workers' compensation
 11 premiums. The criteria for being excused from reporting will be
 12 determined by the data service organization ~~subject to the~~
 13 ~~commissioner's approval;~~

14 ~~d.~~ e. a plan for the collection of any other data not
 15 prohibited in c. and a description of these data;

16 ~~e.~~ f. a plan for and description of the ratemaking
 17 report required by Minnesota Statutes, section 79.61;

18 ~~f.~~ g. plans for disseminating information to members
 19 of the organization and to the commissioner;

20 ~~g.~~ h. plans for audit procedures to ensure that data
 21 reporting requirements are met by organization members; and

22 ~~h.~~ i. a plan for compiling expense data reported to
 23 the commissioner for development of advisory rates, rating plan
 24 values, and discount factors; and

25 j. a description of any changes from the uniform
 26 statistical plan, classification system, and related rules which
 27 are in effect at the time the application is made.

28 B. Manuals. There are five manuals currently filed by the
 29 rating association and in force in Minnesota. The rating
 30 association must file similar manuals as part of their
 31 application to become a data service organization. The
 32 application must include a list of any changes in the current
 33 manuals.

34 1. The commissioner shall approve a uniform
 35 classification system and a uniform statistical plan and manual
 36 rules related to the classification system and the statistical

1 plan.

2 2. The commissioner shall disapprove changes in the
3 manuals which would substantially lessen competition or which
4 would lead to premiums which are unfairly discriminatory.

5 3. Every workers' compensation insurer shall report its
6 data in accordance with the Classification Code Manual, and the
7 Unit Statistical Plan Manual, and the related rules in the Basic
8 Manual. In the current Basic Manual these rules consist of the
9 following:

10 a. in Part One, Rules I, II, III, IV, V, VIII (A.1,
11 A.2a, A.2.b.1, A.2.c-e, B.1, B.2, B.6, C.1, C.2, C.4), IX, XI
12 (A, B), XII, XIII, XIV (A-D), XV (A and C);

13 b. all of Part Two on classifications; and

14 c. in part three, pages 9-17 on classifications; pages
15 18-19, Special Rules (IV, V, IX); and pages 20-23.

16 4. Insurers may use the premium factors, the experience
17 rating plan, or the retrospective rating plans developed by the
18 rating association. They may also develop and use their own
19 factors and plans. In the current Basic Manual, the rules which
20 insurers will not be required to use consist of the following:

21 a. in Part One, Rules VI, VII, VIII (A.2.b.2-4, B.3-5,
22 C.3) X, XI (C-H), XIV (E-G), XV (B); and

23 b. in Part Three, pages 1-8; pages 18-19, Special
24 Rules VI and VII; and Appendix B.

25 C. Granting of license.

26 1. The commissioner shall issue a license if the
27 commissioner finds that:

28 a. the applicant meets the requirements of Minnesota
29 Statutes, section 79.62 and 4 MCAR S 1.9141 A.;

30 b. the applicant demonstrates staff competence and
31 technical qualifications necessary to provide the services
32 proposed;

33 c. the applicant's premises and computer capabilities
34 are sufficient to provide the services proposed; and

35 d. the applicant's plan for data collection and
36 analysis will result in a reliable, credible data base.

1 2. The commissioner shall issue a notice of the
 2 acceptance or rejection of the application for licensure as a
 3 data service organization within 90 days of receipt of a
 4 complete application.

5 ~~B.--Progress-reports.--Data-service-organizations-shall~~
 6 ~~submit-semiannual-progress-reports-to-the-commissioner-on-the~~
 7 ~~implementation-of-their-organizational-plan.--The-report-shall~~
 8 ~~include-progress-made-on-satisfying-the-requirements-of~~
 9 ~~Minnesota-Statutes, sections 79.61 and 79.62 and requirements of~~
 10 ~~4-MCAR-SS-1.9140-1.9143.--The-reports-must-be-submitted~~
 11 ~~semiannually-between-the-time-of-application-and-January-1, 1986.~~

12 ~~4-MCAR-S-1.9142-Rate-petitions-and-hearings.~~

13 ~~A.--Manual-rates, creation and adjustment.~~

14 ~~1.--A-petition-for-modification-of-the-schedule-of-rates~~
 15 ~~shall-be-filed-by-the-rating-association-by-January-1, 1983, for~~
 16 ~~the-purpose-of-producing-a-schedule-of-manual-rates-by~~
 17 ~~classification.--This-petition-shall-be-considered-in-a-hearing~~
 18 ~~conducted-pursuant-to-Minnesota-Statutes, section 79.071.~~

19 ~~2.--After-approval-of-a-schedule-of-manual-rates-by-the~~
 20 ~~commissioner, insurers may modify the rates by adjustment of the~~
 21 ~~pure-premium-rates-and-expense-allowances-within-a-range~~
 22 ~~allowing-for-downward-deviations-that-are-unlimited-and-upward~~
 23 ~~deviations-of-at-most-15-percent-of-the-approved-rate.~~

24 ~~3.--Insurers may adjust premiums by the application of~~
 25 ~~discount-factors-as-defined-in-Minnesota-Statutes, section~~
 26 ~~79.52, subdivision 8 and merit rating as defined in Minnesota~~
 27 ~~Statutes, section 79.52, subdivision 9.--Insurers may use their~~
 28 ~~own-plans-or-plans-developed-by-a-data-service-organization-in~~
 29 ~~which-they-maintain-membership.~~

30 ~~4.--All-data-and-calculations-used-to-develop-actual~~
 31 ~~premiums-from-the-manual-rates-approved-by-the-commissioner~~
 32 ~~shall-be-clearly-documented.~~

33 ~~5.--An-insurer's-rates-and-rating-plans, along with~~
 34 ~~clearly-documented-justification, shall-be-filed-with-the~~
 35 ~~commissioner-30-days-prior-to-use.~~

36 ~~B.--Pure-premiums, creation and modification.~~

1 1.--A petition for modification of the schedule of rates
 2 shall be filed by the rating association by January 1, 1984, for
 3 the purpose of producing a schedule of pure premium rates. These
 4 rates must not contain trend adjustments. A hearing conducted
 5 pursuant to Minnesota Statutes, section 79.071 must be held on
 6 the petition.

7 2.--The petition must contain an analysis of trended data
 8 as specified in 4-MCAR-S-1.9143-B.1.g. The analysis shall be
 9 disseminated to all members of the rating association when filed.

10 3.--Following approval of a schedule of pure premium
 11 rates, insurers may calculate final rates by:

12 a.--the modification of pure premium rates allowing for
 13 downward deviations that are unlimited and upward deviations of
 14 at most 15 percent from the pure premium rates approved by the
 15 commissioner;

16 b.--application of trend factors based on the analysis
 17 provided by the rating association or on their own
 18 interpretations of underlying data; or

19 c.--adjustments to reflect the insurer's expected
 20 expense requirements. Neither the rating association nor any
 21 data service organization shall publish recommended expected
 22 expense allowances.

23 4.--Insurers may adjust premiums by the application of
 24 discount factors as defined in Minnesota Statutes, section
 25 79.52, subdivision 8 and merit rating as defined in Minnesota
 26 Statutes, section 79.52, subdivision 9. Insurers may use their
 27 own plans or plans developed by a data service organization in
 28 which they maintain membership.

29 5.--All data and calculations used by an insurer to
 30 develop actual premiums from the pure premium rates shall be
 31 clearly documented.

32 6.--An insurer's rates and rating plans, along with
 33 clearly documented justification, shall be filed with the
 34 commissioner 30 days prior to use.

35 C.--Other rate petitions, hearings. The rating association
 36 or other data service organizations may make other filings. All

1 ~~petitions-proposing-rates,-pure-premium-rates,-or-pure-premium~~
 2 ~~relativities-for-an-effective-period-prior-to-January-1,-1986,~~
 3 ~~shall-be-considered-in-hearings-conducted-pursuant-to-Minnesota~~
 4 ~~Statutes,-section-79.071.~~

5 4 MCAR S 1.9143 Ratemaking report.

6 A. Data service organizations.

7 1. Beginning in 1984, licensed data service organizations
 8 shall make yearly ratemaking reports to the commissioner.
 9 Insurers may not make reference to a report in their filings
 10 until it has been filed with the commissioner.

11 2. In ~~1985~~ 1983 licensed data service organizations must
 12 prepare a their first ratemaking report ~~in-a-form-prescribed-by~~
 13 ~~the-commissioner~~. The outline of the report should be submitted
 14 to the commissioner for comment by ~~January-1,-1985~~ September 1,
 15 1983. A draft of the report should be submitted to the
 16 commissioner for comment by ~~July-1,-1985~~ November 1, 1983. The
 17 final ratemaking report must be submitted no later than January
 18 1, ~~1986~~ 1984.

19 3. After ~~1985~~ 1984, licensed data service organizations
 20 must submit an outline of their annual ratemaking report to the
 21 commissioner for comment by July 1 of each year. A draft of the
 22 report should be submitted to the commissioner for comment by
 23 October 1. The final ratemaking report must be submitted no
 24 later than January 1 of the succeeding year. Interim reports on
 25 the effect of changes in the law on rates may be submitted at
 26 any time during a year.

27 B. Contents of ratemaking report.

28 1. A ratemaking report shall meet all requirements of
 29 Minnesota law Statutes, section 79.61, subdivision 1, clause (c)
 30 and, in addition, may contain information useful to data service
 31 organization members regarding factors pertinent to Minnesota
 32 workers' compensation business such as legislative concerns,
 33 Workers' Compensation Reinsurance Association operations, loss
 34 control programs, and programs developed by insurers that may be
 35 of interest and applicability to workers' compensation
 36 insurers. A ratemaking report shall include:

- 1 a. a compilation of financial data collected under
2 Minnesota Statutes, section 79.61 without adjustments for either
3 premium or loss development or trend. Financial data must be
4 reconcilable to that reported by insureds in their annual
5 financial statements to the commissioner;
- 6 b. a compilation of reporting classification data
7 collected under Minnesota Statutes, section 79.61 without
8 adjustments for either premium development or loss development
9 or premium trend or loss trend;
- 10 c. a calculation of factors to adjust reported loss
11 data to a common development level. The development level is
12 subject to approval by the commissioner;
- 13 d. a calculation of factors to reflect any benefit
14 level changes mandated by statute or by the courts;
- 15 e. the development of a schedule of pure premium base
16 rates using the data reported by insurers and the factors
17 calculated in c.;
- 18 f. a schedule of pure premium relativities, based on
19 the pure premium base rate schedule;
- 20 g. an analysis and calculation of factors to adjust
21 reported premium and loss data to an expected ultimate level.
22 The analysis shall be in detail so as to permit insurers to
23 select and modify the factors based on their own interpretations
24 of underlying data;
- 25 h. an analysis and calculation of trended data to
26 reflect future conditions through the use of factors or some
27 other method. The analysis shall be in detail so as to permit
28 insurers to select and modify the factors or utilize other
29 trending methods based on their own interpretations of
30 underlying data;
- 31 i. a calculation of any other quantitative factor or
32 modifications and a description of any subjective considerations
33 reflected in the determination of pure premiums in a manner so
34 as to permit insurers to evaluate and modify the factors and
35 considerations based on their own interpretations of underlying
36 data; and

1 j. a calculation of any other quantitative factors
2 required to maintain advisory discount factors as defined in
3 Minnesota Statutes, section 79.52, subdivision 8 and advisory
4 merit rating plans as defined in Minnesota Statutes, section
5 79.52, subdivision 9.

6 2. The ratemaking report shall be disseminated to all
7 members of the data service organization.

8 C. Use of ratemaking report.

9 1. After the ratemaking report has been filed with the
10 commissioner, insurers may develop and use rates based upon the
11 pure premium base rates contained in the report. Effective
12 January 1, ~~1986~~ 1984, insurers may also develop and use rates
13 based upon any reasonable factors.

14 2. If an insurer uses the pure premium base rates
15 contained in the ratemaking report, then the insurer may
16 calculate rates by:

17 a. application of trend factors based on the analysis
18 provided by the data service organization or on the insurer's
19 own interpretations of underlying data;

20 b. application of loss development factors reflecting
21 expected development beyond that in the pure premium base rate
22 schedule to the ultimate loss level;

23 c. application of a factor to reflect the insurer's
24 expected expense requirements; ~~No data service organization~~
25 ~~shall publish recommended expected expense allowances;~~

26 d. application of any other factor based on the
27 analysis provided by the data service organization or on the
28 insurer's own interpretation of underlying data.

29 3. Insurers may adjust premiums by application of
30 discount factors as defined in Minnesota Statutes, section
31 79.52, subdivision 8 and merit rating as defined in Minnesota
32 Statutes, section 79.52, subdivision 9. Insurers may use their
33 own plans or plans developed by a data service organization in
34 which they maintain membership.

35 4. An insurer shall not refuse to write insurance for an
36 employer solely because:

1 a. the employer was denied coverage by another
 2 insurer, whether by cancellation or nonrenewal or refusal to
 3 offer coverage; or

4 b. the employer was insured through the Assigned Risk
 5 Plan.

6 5. All data and calculations used to calculate
 7 rates from the pure premium base rate schedule shall be clearly
 8 documented.

9 ~~5.--Prior-to-January-1,1986,an-insurer's-rates-and~~
 10 ~~rating-plans,along-with-clearly-documented-justification,must~~
 11 ~~be-filed-with-the-commissioner-30-days-prior-to-use.~~
 12
 13 ~~Repealer.--Rule-4-MCAR-S-1.9142-is-repealed-effective-January-1,~~
 14 ~~1986.~~