

1 Department of Commerce

2

3 Adopted Amendments to Rules Relating to Workers' Compensation

4 Competitive Rating

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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 1.9140-1.9147, the terms defined in this rule have the meanings
10 given them.

11 B. [Unchanged.]

12 C. Commissioner. "Commissioner" means the commissioner of
13 commerce.

14 D.-K. [Unchanged.]

15 L. Rating plan. "Rating plan" means the same as it is
16 defined in Minnesota Statutes, section 79.52, subdivision 15.

17 4 MCAR S 1.9141 Licensing of data service organizations.

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

25 1. [Unchanged.]

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

28 a.-d. [Unchanged.]

29 e. a plan for the collection of any other data not
30 prohibited in d. and a description of these data;

31 f.-j. [Unchanged.]

32 B. [Unchanged.]

33 C. Amendments to application.

34 1. A data service organization which has applied for a
35 license must notify the commissioner of every change in the plan

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1 of operation on which its application was based. Any amendment
2 to a document filed under this paragraph is effective 30 days
3 after filing unless disapproved by the commissioner.

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

12 D. Granting of license.

13 1.-2. [Unchanged.]

14 4 MCAR S 1.9143 Ratemaking report.

15 A. [Unchanged.]

16 B. Contents of ratemaking report.

17 1. [Unchanged.]

18 2. The ratemaking report shall be disseminated to all
19 members of the data service organization. In addition, the data
20 service organization and the commissioner shall each make a copy
21 of the ratemaking report available for public inspection during
22 normal working hours.

23 C. Use of ratemaking report.

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

30 2.-5. [Unchanged.]

31 D. Review by commissioner.

32 1. If the commissioner finds upon review that the
33 ratemaking report is not as prescribed, then the commissioner
34 shall issue an order specifying in which respects it fails to
35 meet the requirements of Minnesota Statutes, section 79.61 and 4
36 MCAR S 1.9143, and stating a reasonable period within which the

1 defects shall be corrected.

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

5 4 MCAR S 1.9144 Uniform data base.

6 A. Uniform classification and statistical plan.

7 1. The commissioner shall approve a uniform
8 classification system, a uniform statistical plan, and manual
9 rules related to the classification system and the statistical
10 plan. Every workers' compensation insurer must report its data
11 in accordance with the approved uniform plans and rules.

12 2. No insurer shall agree with any other insurer or with
13 any data service organization to adhere to manual rules which
14 are not reasonably related to the recording and reporting of
15 data pursuant to the uniform classification system or the
16 uniform statistical plan.

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

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

33 4 MCAR S 1.9145 Monitoring competition.

34 A. Information and analysis. In determining whether a
35 competitive market exists, the commissioner shall monitor the

1 degree of competition in this state. In doing so, the
2 commissioner shall utilize existing relevant information,
3 analytical systems, and other sources, or cause or participate
4 in the development of new relevant information and analytical
5 systems. The commissioner shall require insurers to provide
6 additional data or reports as necessary to develop new
7 information systems.

8 B. Criteria. In determining whether a reasonable amount of
9 competition exists, the commissioner shall consider the criteria
10 listed in 1.-6.

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

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

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

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

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

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

29 4 MCAR S 1.9146 Commissioner review of rate filings.

30 A. Rating criteria. In determining whether rates and rating
31 plans comply with Minnesota Statutes, section 79.55 and 4 MCAR S
32 1.9143 C., the commissioner shall consider the criteria in 1.-3.

33 1. Loss experience and other rate factors. Past and
34 prospective loss and expense experience within and outside of
35 Minnesota, catastrophe hazards and contingencies, events or
36 trends within and outside of the state, loadings for leveling

1 premium rates over time or for dividends or savings to be
2 allowed or returned by insurers to their policyholders, members,
3 or subscribers, and any other relevant factors if they are
4 enumerated in the commissioner's eventual determination.

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

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

14 B. Experience rating plans. An insurer may use the
15 experience rating plan developed by the data service
16 organization of which it is a member. An insurer may also
17 develop and use its own experience rating plan. Any experience
18 rating plan is subject to the conditions in 1.-3.

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

25 a. the expected loss for the insured is less than
26 \$50,000 and the primary value of the claim has changed by more
27 than \$2,500; or

28 b. the expected loss for the insured is greater than
29 \$50,000 and either the primary value of the loss has changed by
30 more than five percent of the expected loss or the total value
31 of the claim has changed by more than \$50,000.

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

35 a. the insured's experience modification factor;

36 b. the payrolls and incurred losses used to calculate

1 the experience modification factor; and

2 c. whom to contact if the insured desires more
3 information.

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

8 C. Schedule rating plans. The maximum credit and maximum
9 debit which can be developed by schedule rating shall be
10 determined by the commissioner and shall be no more than 25
11 percent of manual premium, after application of any experience
12 modification.

13 D. Failure to comply.

14 1. If the commissioner finds upon review of the insurer's
15 rate filing that the rates or rating plans do not comply with
16 the requirements of Minnesota Statutes, sections 79.55 to 79.61
17 and 4 MCAR SS 1.9140-1.9147, or that the filing lacks the
18 necessary information to determine whether the rates comply with
19 the cited statutes and rules, then the commissioner shall notify
20 the insurer in what respects the rates or rating plans fail to
21 comply and specify a reasonable period within which the defects
22 shall be corrected.

23 2. If the insurer fails to correct the specified defects
24 within the time period specified, the insurer is in violation of
25 Minnesota Statutes, section 79.56 and subject to a fine as
26 provided in subdivision 3.

27 4 MCAR S 1.9147 Policy forms.

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