



Minnesota Workers' Compensation
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August 11, 2016

ALL ASSOCIATION MEMBERS

Circular Letter No. 16-1692

RE: 2017 Minnesota Ratemaking Report

The Minnesota Department of Commerce has approved the 2017 Minnesota Ratemaking Report effective January 1, 2017. The overall average pure premium level change is -12.1%. A set of frequently asked questions about the magnitude and components of the change is attached.

The 2017 Report is now available on our website at www.mwcia.org. Member carriers with Web Membership accounts can download the Report by using their Web Membership login username and password.

For all other subscribers, electronic or hard copy, the 2017 Report may be obtained by writing our office and accompanying your request with a check made payable to MWCIA in the appropriate amount:

Volume 1 (pure premium base rates, alternate actuarial calculations, technical documentation and base rate CD)	\$175 Hard Copy \$30 CD/Email
Volume 2 and 3 (combined) (unmodified class data, pure premium exhibits)	\$175 Hard Copy \$30 CD/Email
Pure Premium Base Rates (separately) (Microsoft Excel spreadsheet of 1-1-2017 pure premium base rates and rating values by class code)	\$25 Hard Copy \$10 CD/Email
Complete Report (Volumes 1, 2 and 3 and CD)	\$300 Hard Copy \$50 CD/Email

Please direct any questions to our Actuarial Services Department at 952-897-1737, Option 3, or by emailing our office at ratemakingreport@mwcia.org.



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2017 MINNESOTA RATEMAKING REPORT

Frequently Asked Questions

What are some of the causes behind the large pure premium reduction?

The latest MWCIA financial data used in the ratemaking process indicated (1) a 4% increase in earned pure premium from calendar years 2014 to 2015, accompanied by a 7.5% decrease in case incurred losses from accident years 2014 to 2015, (2) a \$19 million net case reserve release during calendar year 2015, and (3) continued diminishing increases in annual medical claim severity.

What were the components of the 7.5% loss decrease?

Both indemnity and medical 2015 accident year claim payments decreased more than 6% over 2014 accident year payments. However, initial medical case reserves established on claims occurring during 2015 were nearly 12% lower than on those occurring during 2014, suggesting significantly less serious claim experience during the year.

Why did net case reserves drop during 2015?

Not only were medical case reserves on new claims much lower than those in previous years, but closed claim payment ratios increased during 2015 as well. Minnesota Department of Labor and Industry data provides some foundation for this; stipulated and other claim settlements have noticeably increased in recent years.

What's the magnitude of the medical claim severity changes?

On average, the cost of a lost-time medical claim increased about 5.3% annually between 2001-2007. The severity trend dropped to less than 4% per year, from 2007-2013. Early financial data metrics suggest that medical severity may have decreased from 2013-2014. Workers Compensation Research Institute (WCRI) metrics provide some foundation for this, noting that medical payments with seven days or more of lost-time have increased less than 1% per year, on average, since 2009/2010.

Is this large a decrease unique to Minnesota, or something seen across the country?

According to the *2016 NCCI Annual Statistical Bulletin*, the 2015 average countrywide experience change was -4.0% and over 25 states had overall premium level decreases filed in their voluntary markets during 2016. In addition, three upper Midwest states - South Dakota, Illinois, and Michigan - have experienced 20.7%, 14.0%, and 25.9% decreases, respectively over the last three years.

Will insurance companies' rates decrease 12.1%?

It's reasonable to assume that overall average carrier rate levels will decrease in 2017. However, the magnitude will depend on the individual impacts of changes in insurers' 2017 loss cost multipliers, (LCMs). LCMs take into account full long-term claim development, loss ratio trend expectations, individual insurer claim experience, loss adjustment and underwriting expenses, reinsurance costs, and investment expectations.

Will employers' premiums decrease by 12.1%?

It's reasonable to assume that overall average premium levels will decrease as well. However, individual reductions will depend on payroll mix, and the impacts of changes in (1) insureds' experience rating modifications, and (2) insurers' individual insured pricing and underwriting considerations, such as premium credits/debits resulting from schedule rating, retrospective rating, large risk alternative rating plans, deductible coverage credits, dividend plans, and premium discounts.

Has the methodology to determine rates changed?

A modest change was implemented: case incurred losses were developed to 14th report this year. This change reduced the overall indication by 0.4%.

How will this affect employers' experience modifications?

Holding all else equal, on average, experience modifications will tend to lean slightly more toward the debit side. However, individual employer modification movement will depend highly on payroll mix and claim experience changes.