



Minnesota Experience Rating Plan Manual

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PREFACE TO THE MINNESOTA EXPERIENCE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

A. JURISDICTION WHERE MANUAL APPLIES

This Manual is designed to provide the user with information on writing workers' compensation insurance in the State of Minnesota.

The National Council on Compensation Insurance, Inc. (NCCI, Inc.) issues interstate experience rating modifications.

B. JURISDICTIONS WHERE MANUAL DOES NOT APPLY

This Manual is not for use in any jurisdiction other than the State of Minnesota.

C. JURISDICTIONS WHERE THIS PLAN APPLIES TO EMPLOYERS LIABILITY ONLY AND ON AN ADVISORY BASIS (MONOPOLISTIC FUND STATES)

This Manual is not for use in any jurisdiction other than the State of Minnesota.

RESERVED FOR FUTURE USE

RULES

This Manual contains rules that have been approved by the Minnesota Department of Commerce. These rules cover the following topics:

- **Rule 1—General Explanations**
- **Rule 2—Experience Rating Elements and Formula**
- **Rule 3—Ownership Changes and Combination of Entities**
- **Rule 4—Application and Revision of Experience Rating Modifications**
- **Rule 5—Special Rating Conditions**
- **Minnesota Assigned Risk Special Rules**
- **Appendix**

In addition, this Manual contains a *Minnesota User's Guide*.

RULE 1—GENERAL EXPLANATIONS

A. EXPERIENCE RATING

Experience rating recognizes the differences among individual employers with respect to safety and loss prevention. It does this by comparing the experience of individual employers with the average employer in the same classification. The differences are reflected by an experience rating modification, based on individual payroll and loss records, which may result in an increase, decrease, or no change in premium.

Refer to the *Minnesota User's Guide of the Minnesota Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* for more information.

B. MANDATORY PLAN

1. The *Minnesota Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* (the *Manual*) applies on a mandatory basis for employers that meet the premium eligibility requirements in Rule 2-A. Refer to this Manual for all rules pertaining to the Minnesota Experience Rating Plan (the Plan).

A policy cannot be cancelled, rewritten or extended for purposes of enabling an employer to qualify for, or avoid application of, this Plan.

2. Any action taken in any form to evade the application of an experience rating modification determined in accordance with this Plan is prohibited.
3. The effective date of a change in any rule or rating value is 12:01 a.m. on the date approved for use by the Minnesota Department of Commerce.

Unless otherwise specified, each change applies only from the anniversary rating date, which occurs on or after the effective date of the change. Minnesota Statute §60A.351 restricts any carrier's ability to impose less favorable policy terms without notice given at least 30 days prior to a policy's renewal. Refer to Rule 2-B of this Manual and Part One—Rules.Intro.5 of the *Minnesota Basic Manual* for more information about anniversary rating dates and rating effective dates.

4. The Standard Workers Compensation and Employers Liability Insurance Policy provides MWCIA with the authority to examine and audit all records that relate to the policy.
5. The rules of this Plan are based on policy periods not longer than one year.
 - a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.
 - b. A policy issued for a period longer than one year and 16 days is treated as follows:
 - The policy period is divided into consecutive 12-month units.
 - The Policy Period Endorsement specifies the first or last unit of less than 12 months as a short-term policy.
 - All Manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.

Minnesota Statute §60A.351 restricts any carrier's ability to impose less favorable policy terms without notice given at least 30 days prior to a policy's renewal. Refer to Rule 2-B of this Manual and Part One—Rules.Intro.5 of the *Minnesota Basic Manual* for more information about anniversary rating dates and rating effective dates.

C. DEFINITIONS

1. Experience

The experience used to calculate an employer's modification is comprised of the payroll and losses that are reported according to the **Minnesota Statistical Plan**. For purposes of this Plan, payroll and losses may also be referred to as data. The experience used in a modification is determined by Rule 2-E.

2. Payroll

The audited payroll or other exposures for each classification in the experience period are those reported according to the **Minnesota Statistical Plan**.

3. Losses

Incurred losses for each classification in the experience period are those reported according to the **Minnesota Statistical Plan**.

- a. No loss shall be excluded from the experience of an employer even if the employer was not responsible for the accident that caused such loss.

Exception: Losses reported with Catastrophe Number 48 shall be excluded from experience rating calculations. Refer to the **Minnesota Statistical Plan Manual**, Part IV, Item 11 for the definition of losses included under Catastrophe Number 48. Catastrophe Number 48 claims include all workers compensation claims directly attributable to the September 11, 2001 attacks with accident dates of September 11 through September 14, 2001. This rule applies to experience rating modifications with anniversary rating dates of May 27, 2002 through June 14, 2006.

- b. Loss amounts may be limited in the experience rating calculation. For application of a loss limitation, refer to *Rule 2-C-13*.

4. Entity

An entity is an individual, partnership, corporation, unincorporated association, fiduciary, or other legal entity. Examples of a fiduciary may include trustee, receiver, executor, or administrator.

5. Employer

An employer is all entities eligible for combination under this Plan, regardless of whether insurance is provided by one or more policies or insurance carriers. An employer may be:

- a. A single entity, or
- b. Two or more entities that qualify for combination according to *Rule 3-D*.

6. Minnesota Statistical Plan

The **Minnesota Statistical Plan** references mean the unit statistical plan approved for use in Minnesota.

The **Minnesota Statistical Plan** details data reporting requirements for individual employer experience. Only 1st, 2nd, and 3rd reports as well as corrections to such reports are used in the experience rating calculation. Based on an employer's experience period, an individual unit report may be used in more than one experience rating.

7. Subject Premium

Subject premium is reported according to the **Minnesota Statistical Plan**. For experience rating purposes, subject premium developed for an individual employer during:

- a. Its experience period is used to determine an employer's eligibility according to Rule 2-A.
- b. The policy period to which the experience rating modification applies, is multiplied by the experience rating modification factor.

8. Unity (1.00) Factor

A unity (1.00) factor may apply to an employer only if it qualifies for experience rating, with the calculation resulting in a 1.00 modification.

Note: A Unity (1.00) Factor should not be applied to an employer who does not qualify for an experience rating modification. Refer to *Rule 2-A for premium eligibility requirements*.

D. ADMINISTRATION

1. MWCIA determines the applicability of all Plan rules in Minnesota.
2. The experience rating modification is calculated, issued and, if necessary, revised by MWCIA, if intrastate rated, and by NCCI, if interstate rated.
3. Unless otherwise provided by this Plan, experience rating modification issuance and revision is limited to the current and two preceding experience rating modifications.
4. MWCIA will send the experience rating worksheet to the employer and to the carrier of record. Additional parties may be allowed access to the experience rating worksheet if authorized in writing by the employer or via MWCIA's online service.
5. The calculated experience rating modification factor is applied by the carrier(s) in accordance with this Plan, other applicable rules, statutes, and regulations.
6. Appeals involving the application of the rules of this Manual shall be resolved through the applicable administrative appeals process. *Refer to the **Minnesota Experience Rating Plan Manual User's Guide** for more information.*

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RULE 2—EXPERIENCE RATING ELEMENTS & FORMULA

A. PREMIUM ELIGIBILITY

1. Premium

a. Subject Premium

An employer's eligibility for this Plan is based on the amount of subject premium as defined in Rule 1-C-7. Refer to Rule 2-A-2 and the *Minnesota Table of Subject Premium Eligibility Amounts* to determine premium eligibility for a specific employer in Minnesota. Refer to NCCI's *Experience Rating Plan Manual* for premium eligibility requirements for interstate rating purposes.

b. Not Subject to Experience Rating

According to the *Minnesota Statistical Plan*, some premium elements are not subject to experience rating. Premium may be charged for these elements under the standard policy. This premium is not:

- Subject to increase or decrease by an experience rating modification factor
- Used to determine premium eligibility for experience rating as detailed in Rule 2-A-2
- Used in the calculation of an experience rating modification, unless otherwise stated in this Plan or the *Minnesota Basic Manual*

2. Minnesota Subject Premium Eligibility Amounts

An employer qualifies for experience rating when its subject premium, developed in its experience period, meets or exceeds the minimum eligibility amount. Refer to Rule 2-E-1 to determine an employer's experience period.

- An employer qualifies for experience rating in Minnesota if its data in the last year or last two years of the experience period develops a subject premium of at least the Subject Premium Eligibility amount located in the current *Minnesota Ratemaking Report*.
- An employer may not qualify according to Rule 2-A-2-a. If an employer has more than two years of experience as referenced in Rule 2-A-2-a, then to qualify for experience rating the employer must develop an average annual subject premium of at least half the Subject Premium Eligibility amount located in the current *Minnesota Ratemaking Report*. Refer to Rule 2-A-3 to determine average annual subject premium.

3. Average Annual Subject Premium

Determine an employer's average subject premium on an annual basis for experience rating eligibility purposes as follows:

$$\frac{\text{Total Subject Premium}}{\text{Total Months of Experience in Experience Period (excluding gaps in coverage)}} \times 12 = \text{Average Annual Subject Premium}$$

When the average annual subject premium is determined, refer to Rule 2-A-2-b for premium eligibility requirements. The reference to total months of experience in this calculation includes partial months

Refer to the *Minnesota User's Guide* for examples.

4. Intrastate Experience Rating

An employer qualifies for experience rating on an intrastate (single state) basis when it meets the premium eligibility requirements in Minnesota. Refer to the *Minnesota Table of Subject Premium Eligibility Amounts* for the minimum subject premium requirements. Qualifying subject premium is based on payroll or other exposures reported in accordance with the *Minnesota Statistical Plan*.

Refer to the *Minnesota User's Guide* for examples.

5. Interstate Experience Rating

- An employer qualifies for experience rating on an interstate (multi-state) basis when it:

- (1) Meets the premium requirement for intrastate rating in any one state, and
- (2) Develops experience during the experience period in one or more additional states where the NCCI Experience Rating Plan applies or where the independent rating organization Plan permits combination for interstate rating.

- b. The experience developed in each additional state does not have to meet the premium requirement for intrastate rating.
- c. The interstate modification applies to all of the employer's operations even if coverage is written under separate policies.
- d. If an employer expands operations into one or more additional states, its experience rating modification applies to the additional state(s) operations as of the date of expansion. Experience for such operations will be included in the calculation of future modifications.
- e. If an employer is intrastate rated in an independent bureau state that participates in the interstate experience rating plan, Rule 2-A-5-a through d applies.

Refer to the *User's Guide of NCCI's Experience Rating Plan Manual* for examples of interstate eligibility.

B. RATING DATES

1. Anniversary Rating Date (ARD)

The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by MWCIA (or NCCI if interstate rated).

Refer to Rule 2-B-2, Rule 4-D, and the *Minnesota Basic Manual* for more information on anniversary rating dates and changes in policy dates. Refer to the *Minnesota Basic Manual User's Guide* and the *Minnesota Experience Rating Plan Manual User's Guide* for examples on the application of this rule to rewritten or long-term policies for single and multiple policy employers.

Note: In Minnesota, anniversary rating dates are used to establish the effective dates of experience modifications only and have no impact on policy rates or manual rule changes.

2. Rating Effective Date

- a. The rating effective date appears on an employer's experience rating worksheet. It is the earliest date that a specific modification is applied to a policy. To determine experience rating modification application, refer to Rule 4-D.

In Minnesota, MWCIA establishes the rating effective date. In most cases, an employer's rating effective date is the same as its policy effective date.

Note: Wrap-up policies are not used to determine rating effective dates. Refer to Rule 5-D-1 for information on wrap-up policies.

- b. The rating effective date may differ from an employer's policy effective date for reasons including, but not limited to:
 - Short-term policies
 - Cancellations
 - Gaps in coverage
 - Changes in ownership or combinability status
 - Multiple policy effective dates
 - Interstate operations
 - A policy that is longer than one year and 16 days
 - Late receipt of current policy information by MWCIA

To determine an employer's rating effective date, MWCIA will apply the *Rating Effective Date Determination Table* in conjunction with a review of the most recent full-term policies and unit statistical data. For purposes of this rule, a full-term policy is written for 12 months and is not cancelled prior to its expiration date.

Refer to Rule 2-B-1 for more information on determining anniversary rating dates.

Rating Effective Date Determination Table

If the employer is . . .	Then the rating effective date is . . .
A single policy intrastate or interstate employer, or	
A multiple policy intrastate or interstate employer with all policies having the same effective date	The effective month and day of the most recent full-term policy in effect and each policy thereafter unless the date is changed due to a reason listed above.
A multiple policy intrastate employer with policies having different effective dates	The effective month and day of the most recent full-term policy in effect with the largest amount of estimated standard premium.
A multiple policy interstate employer with policies having different effective dates	The effective month and day of the most recent full-term policy in effect for the state with the largest amount of estimated standard premium.

Refer to the *Minnesota User's Guide* for examples.

C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET

Under Minnesota Statute 79.56, subd. 1(a), rate schedules, rating values, and special rating plans must be filed with the Minnesota Department of Commerce for approval prior to use. Minnesota's pure premium base rates and rating values are contained in **MWCIA's Minnesota Ratemaking Report**. The following rates and rating values have either been filed by MWCIA and approved for use by the Minnesota Department of Commerce; or are developed based on the approved rates and rating values that appear in the **Minnesota Ratemaking Report**:

1. Expected Loss Rate (ELR)

The Expected Loss Rate (ELR) is a factor used to determine the amount of expected losses by classification for each \$100 of payroll.

ELRs are located on the *Pure Premium Base Rate Schedule* in the current **Minnesota Ratemaking Report**.

2. Expected Losses

The expected losses for each classification are determined by multiplying the payroll divided by \$100 times the ELR. Total expected losses for the employer are obtained by adding the expected losses for each classification. The result is rounded to the nearest whole number. Within the experience rating calculation, the expected losses represent the benchmark level of losses expected for all employers in Minnesota within a particular classification. It is against this benchmark that individual employers are compared, based on their actual losses.

3. Discount Ratio (D-Ratio)

The Discount Ratio (D-Ratio) is a factor applied to the expected losses for each classification. It determines the portion of an employer's expected losses that are expected to be primary losses.

D-Ratios are on the *Pure Premium Base Rate Schedule* in the current **Minnesota Ratemaking Report**.

4. Expected Primary Losses

Expected Primary Losses for each classification are determined by multiplying the D-Ratio times the expected losses. The result is rounded to the nearest whole number. Within the experience rating calculation, the expected primary losses represent the benchmark level of primary losses for all employers within a particular classification in Minnesota. It is against this benchmark that individual employers are compared, based on their actual primary losses.

5. Actual Incurred Losses

For purposes of experience rating, Actual Incurred Losses are those reported according to the **Minnesota Statistical Plan**.

For each medical-only claim the amount is reduced by 70%.

6. Actual Primary Losses

Actual Primary Losses reflect claim frequency and are the portion of the actual incurred losses that are used at full value in the experience rating calculation subject to a maximum primary value.

For each loss equal to or less than the split point, the entire amount is used as the primary value. For each loss over the split point, the primary value is capped at the split point. The Actual Primary Loss split point is

located in the current **Minnesota Ratemaking Report**.

For each medical-only claim the primary amount is reduced by 70%.

7. Expected Excess Losses

Expected Excess Losses are not applicable in Minnesota.

8. Actual Excess Losses

Actual Excess Losses are not applicable in Minnesota.

9. Weighting Value

The Weighting Value is a factor that is applied to the difference in an employer's actual and expected losses. The result is rounded to the nearest whole number. The complement of the weighting value is applied to the difference in the actual primary and expected primary losses. The weighting value determines how much of those differences are used in an experience rating calculation.

The weighting value increases as expected losses increase. Minnesota's Weighting Value is a value between .04 and .80 and shall be determined based on the total expected losses of the employer in Minnesota. These values are shown on the *Table of Weighting Values* located in the current **Minnesota Ratemaking Report**.

Note: In cases of multi-state operations, each state's Weighting Values shall be determined based on that state's total expected losses. An Average Weighting Value for a multi-state (interstate) employer shall be determined as follows:

- a. Multiply each state's weighting value by the state's expected losses
- b. Total the results from all states in a. above
- c. Divide the total in b. by the risk total expected losses
- d. Round the result of c. to two decimal places

10. Ballast Value

The Ballast Value is a stabilizing element designed to limit the effect of any single loss on the experience rating modification. It is added to the expected losses. The Ballast Value increases as expected losses increase.

The *Table of Ballast Values* is located in the current **Minnesota Ratemaking Report**.

Note: Each state's ballast value is based on the total expected losses of the risk in that state. In cases of multi-state operations, an Average Ballast Value for a multi-state (interstate) employer shall be determined as follows:

- a. Multiply each state's Ballast Value by the state's expected losses
- b. Add the product for all states in a. above
- c. Divide the total in b. by the risk's total expected losses
- d. Round the result of c. to the nearest whole number

11. Stabilizing Value

The Stabilizing Value is not applicable in Minnesota.

12. Ratable Excess

- a. Expected Ratable Excess Losses
Expected Ratable Excess Losses are not applicable in the State of Minnesota.
- b. Actual Ratable Excess Losses
Actual Ratable Excess Losses are not applicable in the State of Minnesota.

13. Limitation of Losses Employed in a Rating

Losses are limited to the per claim or multiple claim limitations found in Minnesota's Table of Weighting Values located in the current Minnesota Ratemaking Report. For interstate rating purposes, refer to each state's Table of Weighting Values in NCCI's **Experience Rating Plan Manual** for information on other state's weighting values.

a. Single and Multiple Claim Limitation

Basic Loss Limitation Table

If . . .	Then . . .
A medical-only loss exists	<ul style="list-style-type: none"> The actual incurred loss and actual primary loss amounts are reduced by 70%
An accident involves only one person	<ul style="list-style-type: none"> The loss is subject to the per claim accident limitation The actual primary loss is subject to the maximum primary value of the split point, even if the loss does not exceed the per claim accident limitation
An employers liability-only loss exists	<ul style="list-style-type: none"> The loss is subject to the employers liability per claim accident limitation The actual primary loss is subject to the maximum primary value of the split point, even if the loss does not exceed the employers liability per claim accident limitation

Loss Limitations for Accidents Involving Two or More Persons Table 1

If an accident involves two or more persons, and . . .	Then . . .
The total of the losses exceeds the multiple claim accident limitation	<ul style="list-style-type: none"> The total losses are subject to the multiple claim accident limitation The actual primary loss for these accidents is limited to twice the split point, even if the losses do not exceed the multiple claim accident limitation
The total of the losses does not exceed the multiple claim accident limitation, and none of the individual losses within the total exceed the state per claim accident limitation	<ul style="list-style-type: none"> The individual losses are used at full value The total actual primary losses for the accident are limited to twice the split point

Loss Limitations for Accidents Involving Two or More Persons Table 2

If an accident involves two or more persons, and the total of the losses does not exceed the multiple claim accident limitation, but an individual loss within the total exceeds the state per claim accident limitation, and . . .	Then the individual loss is limited to the state per claim accident limitation and . . .
The total of the remaining losses exceeds the split point	<ul style="list-style-type: none"> The remainder of the losses are used at full value The total actual primary losses for the accident are limited to twice the split point
The total of the remaining losses does not exceed the split point	<ul style="list-style-type: none"> The remainder of the losses are used at full value The actual primary loss is limited to the split point for the individually limited loss No actual primary loss limitation applies for the remainder of the losses

Refer to the *Minnesota User's Guide* for examples.

b. Disease Loss Limitation

Disease losses are subject to per claim and multiple claim limitations. A limitation on total disease losses may also apply to an individual policy. This is in addition to the claim limitations already applied to individual disease losses under Rule 2-C-13-a.

- (1) To apply the disease loss policy limitation:
 - (a) Determine if an employer’s individual policy total limited and non-limited actual incurred disease losses exceed the policy disease limit of triple the per claim accident limitation shown in the *Table of Weighting Values* located in the current **Minnesota Ratemaking Report**, plus 40% of the employer’s total expected losses for the experience period. If the employer’s specific threshold is exceeded, the disease losses are limited to such threshold, and
 - (b) The actual primary losses for disease losses are limited to twice the normal maximum primary value, plus 40% of the employer’s total expected primary losses for the experience period.
 - (c) Round the result of (b) to the nearest whole number.
- (2) A policy’s total disease losses may not meet the employer’s specific policy limitation amount as determined in (1)(a) above, but exceeds the limitation shown in (1)(b). In such circumstances, Rule 2-C-13-a applies.

Refer to the Minnesota User’s Guide for examples.

- (3) For employer’s that do not have an experience period of 36 months, determine policy disease losses as follows:

To determine the . . .	Combine the disease losses of all policies within the experience period having an effective date. . .
Most recent policy year	Within 24 months prior to and valued at least 3 months prior to the rating effective date
Middle policy year	More than 24 months but not exceeding 36 months prior to the rating effective date
Oldest policy year	More than 36 months prior to the rating effective date

D. EXPERIENCE RATING FORMULA

1. Experience Rating Modification Formula

The experience rating modification formula:

- Is used to determine the experience rating modification for all employers eligible for experience rating.
- When subject to interstate rating, includes the data of all states in an employer’s experience period to produce an experience rating modification.
- Includes all data within the experience period for all entities combinable according to Rule 3.D.
- Rounds the resulting modification factor to two decimal places.

Experience Modification Formula

The experience modification is determined for all eligible employers using the following formula.

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F}$$

Where:

- A = Actual Incurred Losses
- B = Actual Primary Losses
- C = Expected Losses
- D = Expected Primary Losses
- E = Weight Factor
- F = Ballast Value

Refer to the Minnesota User’s Guide for an example.

2. Maximum Debit Modification

Experience rating modification factors determined by the formula in Rule 2-D-1 are subject to a cap if the debit modification exceeds a specific amount. The employer-specific maximum debit modification is determined as follows:

$$\text{Maximum Debit Modification} = 1.10 + (0.0004 \times (\text{Total Expected Losses})/G)$$

The maximum debit modification for an interstate employer is limited to the cap for the state with the largest amount of expected losses.

“G” is a value equal to the average cost per claim for losses used in experience rating, divided by 1000. “G” is located in the current **Minnesota Ratemaking Report**.

Refer to the **Minnesota User’s Guide** for an example.

3. United States Longshore & Harbor Workers’ Compensation (USL&HW) Act Coverage

Experience ratings containing classifications where the rates include coverage under the USL&HW Act are calculated using the formula described in Rule 2-D-1.

Classifications subject to the USL&HW Act, but not followed by the letter “F” on the Pure Premium Base Rate Schedule in the current **Minnesota Ratemaking Report** have their expected losses determined by applying the USL&HW Act Expected Loss Factor on the Table of Weighting Values to the expected loss rate (ELR) for such classifications.

E. EXPERIENCE TO BE USED IN A RATING

1. Experience Period

Experience rating uses past payroll and losses to predict future losses. The experience period represents the total amount of this data used in an experience rating. The calculation of an employer’s experience rating modification must include all eligible experience developed during the experience period for all combinable employers. All experience is subject to verification by MWCIA.

- a. An employer’s rating effective date determines its experience period and generally consists of three completed years of experience ending one year prior to the effective date of the modification. Experience for each of an employer’s policies is included if the policy effective date is:
 - (1) Not less than 21 months before the rating effective date, and
 - (2) Not more than 57 months before the rating effective date
- b. An employer’s experience period cannot contain more than 45 months (3 ³/₄ years) of data. The 45-month limitation is a maximum period of time between the expiration date of the most recent policy and the effective date of the oldest policy. While the experience period may not exceed 45 months, an experience rating modification may be produced with less than 12 months of data.

The amount of data included in an employer’s experience period may be impacted for reasons including, but not limited to:

- Short-term policies
 - Cancellations
 - Gaps in coverage
 - Changes in ownership or combinability status
 - Rating effective date changes
 - Multiple policy effective dates
 - Policies longer than one year and 16 days
 - Wrap-up policies
 - Interstate operations
- c. If both the most recent and oldest policies fit within this experience period, and the inclusion of both policies would exceed 45 months, the oldest policy is not used.
 - d. Based on an employer’s rating effective date:
 - (1) An employer’s most current data, excluding 4th and 5th reports, is used to calculate experience rating modifications. Refer to the **Minnesota Statistical Plan** for valuation date information.
 - (2) An individual policy’s 1st, 2nd, and 3rd report data may be used in more than three experience rating

modifications. However, the policy must be eligible for inclusion according to Rule 2-E-1-a, b, and c.

*Refer to the **Minnesota User's Guide** for examples.*

For effective date ranges, refer to the Experience Period Reference Table located in the **Minnesota User's Guide**.

2. Self-Insurer Data

- a. Experience of self-insurers may be included in an experience rating.
- b. The data must be submitted to MWCIA in an approved format (see ERM-6 Form in Appendix). The data is subject to verification by MWCIA prior to inclusion in an experience rating modification.
- c. The carrier requesting the data inclusion must be the employer's insurer during the time for which the modification including the self-insurer data would apply.
- d. For multiple carrier employers, agreement from only one of the employer's carriers, during the time for which the modification would apply, is required.
- e. The self-insurer or carrier data will not be used to determine premium eligibility.

3. Discontinued Operations

An entity may elect to discontinue all or part of its operations.

If an entity discontinues . . .	Then the future experience ratings will include . . .
All of its operations and reestablishes them at a later date	The applicable data developed prior to the discontinuation
Part of its operations	The applicable data developed both: <ul style="list-style-type: none"> • Prior to the discontinuation, and • For the remaining operations

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RULE 3—OWNERSHIP CHANGES & COMBINATION OF ENTITIES

A. REPORTING REQUIREMENT

The Notification of Change in Ownership Endorsement (WC 00 04 14) provides that changes in ownership and/or combinability status must be reported by the employer to its carrier(s) within 90 days of the date of the change. This shall be accomplished by submitting:

- A completed Confidential Request for Information Form (see the ERM-14 Form in Appendix), or
 - The information in narrative form on the letterhead of the employer, signed by an officer of the insured entity
- Failure to report changes in ownership according to Endorsement WC 00 04 14 may be considered modification evasion. Refer to Rule 3-F.

B. RESEARCH & DECISION

The employer, carrier(s), or agent(s) of the employer may submit the ownership and/or combinability status information to MWCIA. MWCIA reviews the information submitted regarding each change and determines the impact, if any, on the experience rating modification(s) of the entities involved.

The complexity of certain transactions may require MWCIA to request additional information. MWCIA may also research public and/or other available records to verify provided information. This information is used to assist in clarifying complex situations or possible modification evasion. Refer to Rule 3-F.

C. OWNERSHIP CHANGES

Changes in ownership interest may affect the use of an entity's experience in future experience ratings. Based on the rules of this Plan, when a change occurs, MWCIA will determine whether to exclude or retain an entity's experience. Refer to Rule 3-A for reporting requirements.

In addition, if MWCIA determines that the ownership transaction improperly affected the experience rating modification, it will take necessary actions according to Rule 3-F.

1. Types of Ownership Changes

- a. For purposes of this Plan, a change in ownership includes any of the following:
 - (1) Sale, transfer, or conveyance of all or a portion of an entity's ownership interest
 - (2) Sale, transfer, or conveyance of an entity's physical assets to another entity that takes over its operations
 - (3) Merger or consolidation of two or more entities
 - (4) Formation of a new entity that acts as, or in effect is, a successor to another entity that:
 - (a) Has dissolved
 - (b) Is non-operative
 - (c) May continue to operate in a limited capacity
 - (5) An irrevocable trust or receiver, established either voluntarily or by court mandate
- b. For purposes of this Plan, a change in ownership does not include the following:
 - (1) Entities entering or leaving employee leasing arrangements
 - (2) Creation or dissolution of joint ventures
 - (3) Wrap-up projects
 - (4) Establishment of or change in a revocable trust
 - (5) Establishment of "debtor in possession" status
 - (6) Entities entering or leaving affiliation, franchise and/or management agreements
 - (7) Probate proceedings (until a disposition of the estate is complete)

Note: For more information on experience rating of employee leasing arrangements, joint ventures, and wrap-up projects, *refer to* Rule 5.

2. Impact of Ownership Changes

Ownership changes may result in a change in:

- a. Experience rating modification.
- b. Combinability status with other entities.
- c. Premium eligibility status—an entity may or may not qualify to be experience rated.
Refer to Rule 2-A for more information regarding premium eligibility.
- d. Anniversary rating date
- e. Rating effective date

*Refer to the **Minnesota User's Guide** for examples.*

D. COMBINATION OF ENTITIES

1. The combination of two or more entities requires common majority ownership

Combination requires that:

- a. The same person, group of persons or corporation owns more than 50% of each entity, or
- b. An entity owns a majority interest in another entity, which in turn owns a majority interest in another entity.
All entities are combinable for experience rating purposes regardless of the number of entities involved.

*Refer to the **Minnesota User's Guide** for examples.*

2. Determination of majority ownership interest is based on the following:

- a. Majority of issued voting stock.
- b. Majority of the owners, partners or members if no voting stock is issued.
- c. Majority of the board of directors or comparable governing body if a. or b. are not applicable.
- d. Participation of each general partner in the profits of a partnership. Limited partners are not considered in determining majority interest.
- e. Ownership interest held by an entity as a fiduciary. Such an entity's total ownership interest will also include any ownership held in a non-fiduciary capacity.

For purposes of this rule, fiduciary does not include a debtor in possession, a trustee under a revocable trust, or a franchisor.

*Refer to the **Minnesota User's Guide** for examples.*

3. Multiple Combinations

- a. More than one combination of entities may be possible within a group of entities. The selection of combinations is based on the combination that involves the most entities.
- b. If Rule 3-D-3-a does not result in a single group with a majority of entities, the combination will be based on the largest group of entities that can be combined unless the policy names dictate a clear group for determining combinability.
- c. The experience of any entity may be used in only one combination.

*Refer to the **Minnesota User's Guide** for examples.*

E. TREATMENT OF EXPERIENCE

1. Transfer of Experience

Changes in ownership or combination status may or may not result in revisions of experience rating modifications. MWCIA may issue, retract and/or revise the current and up to two preceding modifications due to ownership or combination status changes.

The experience for any entity undergoing a change in ownership will be retained or transferred to the experience ratings of the acquiring, surviving or new entity unless specifically excluded by this Plan.

Transfer of Experience Table 1

If the single or multiple entity employer disposes of all of its operations and the purchaser . . .	Then . . .
Does not have any prior or current policies or experience	The experience will be retained in the future experience ratings of the purchaser, subject to Rule 2-A.
<ul style="list-style-type: none"> • Has prior experience, for which an experience rating modification has already been issued, or • Has prior experience, but did not qualify for experience rating 	The experience will be retained in the future experience ratings of the purchaser and combined with the other experience of the purchaser, subject to Rule 2-A.

Transfer of Experience Table 2

If the single or multiple entity employer . . .	And the purchaser . . .	Then . . .
<ul style="list-style-type: none"> • Disposes of part of its operations, and • Otherwise continues to operate its business, and • Its statistical data has been combined on a single policy, and • The insurance provider can furnish MWCIA with the appropriate experience to provide for transfer of the data to the purchaser 	<ul style="list-style-type: none"> • Does not have any experience 	<ul style="list-style-type: none"> • The appropriate experience will be retained in the future experience ratings of the purchaser, subject to Rule 2-A • The same experience will be excluded from the future experience ratings of the seller • If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, an experience modification will not be calculated for the affected employer(s) until qualifying experience is developed
	<ul style="list-style-type: none"> • Has experience but does not qualify for experience rating, or • Is an experience rated employer 	<ul style="list-style-type: none"> • The appropriate experience will be retained in the future experience ratings of the purchaser and combined with the other experience of the purchaser, subject to Rule 2-A • The same experience will be excluded from the future experience ratings of the seller • If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, an experience modification will not be calculated for the affected employer(s) until qualifying experience is developed
<ul style="list-style-type: none"> • Disposes of part of its operations, and • Otherwise continues to operate its business, and • Its statistical data has been combined on a single policy, and • The insurance provider cannot furnish MWCIA with the appropriate experience to provide for transfer of the data to the purchaser 	<ul style="list-style-type: none"> • Does not have any experience, or • Has experience but does not qualify for experience rating • Is an experience rated employer 	<ul style="list-style-type: none"> • An experience modification will not apply to the purchaser's policy until qualifying experience is developed • All experience developed prior to the sale remains in future ratings of the seller • The purchaser's experience rating modification will continue to apply. Any experience developed by the purchased entity after the sale will be used in future ratings of the purchaser • All experience developed prior to the sale remains in future ratings of the seller

2. Exclusion of Experience

Rare circumstances may require that experience for any entity undergoing a change in ownership be excluded from future experience ratings. The experience will be excluded **only** if MWCIA confirms all of the following are met:

- a. The change must be a material change such that:
 - (1) The entire ownership interest **after** the change had no ownership interest before the change, or
 - (2) The collective ownership of all those having interest in an entity results in either less than:
 - 1/3 ownership **before** the change, or
 - 1/2 ownership **after** the change; and
- b. The material change in ownership is accompanied by a change in operations sufficient to result in reclassification of the governing classification; and
- c. The material change in ownership is accompanied by a change in the process and hazard of the operations. Change in process and hazard is determined by MWCIA.

*Refer to the **Minnesota User's Guide** for examples.*

Note: Except for action that may be taken under Rule 3-F, experience is not otherwise excluded for employee leasing companies and temporary employment agencies. For more information on employee leasing companies, refer to Rule 5-A.

3. Recalculation and Application of Experience Rating Modifications

- a. If a change in ownership and/or combinability status occurs, recalculation of experience rating modifications may be required. Changes in ownership and/or combinability status may also result in a change in rating effective date, as determined by MWCIA.
- b. Recalculation and application of experience rating modifications in conjunction with this rule are subject to Rules 3-F and 4-E.

F. EVASION OF EXPERIENCE RATING MODIFICATION

1. Actions

Some employers may take actions for the purpose of avoiding an experience rating modification. Other employers may take actions for otherwise legitimate business reasons that nonetheless result in the improper application of an experience rating modification. Regardless of intent, any action that results in the miscalculation or misapplication of an experience rating modification determined in accordance with this Plan is prohibited. These actions include, but are not limited to:

- Failure to report changes in ownership according to Endorsement WC 00 04 14
- A change in ownership
- A change in combinability status
- Creation of a new entity
- Transfer of operations from one entity to another entity that is not combinable according to Rule 3-D
- Misrepresentation on audits or failure to cooperate with an audit

2. MWCIA Response

In such circumstances, MWCIA may obtain any information that indicates evasion or improper calculation or application of experience rating modifications due to actions included, but not limited to, those listed in Rule 3-F-1.

MWCIA will act to ensure the proper calculation and application of all current and preceding experience rating modifications impacted by these actions. This includes, but is not limited to the:

- Combination of experience that would otherwise not be combinable according to Rules 3-D and 3-E-1
- Separation of experience that would otherwise be combinable according to Rules 3-D and 3-E-1
- Exclusion of experience that would otherwise be included according to Rule 3-E-1
- Continuation of experience that would otherwise be excluded according to Rules 3-E-1 and 3-E-2
- Issuance of experience rating modifications that were not originally issued
- Revision and/or retraction of experience rating modifications

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RULE 4—APPLICATION AND REVISION OF EXPERIENCE RATING MODIFICATIONS

A. GENERAL EXPLANATION

1. Experience rating modifications for eligible employers generally are determined on an annual basis and are effective for a period of 12 months. However, as provided in this Plan, certain circumstances may result in a reduced or extended application of an experience rating modification. Refer to Rule 4-D.
2. Only one experience rating modification applies to an employer at any time and it applies to all operations of the employer.
3. Experience rating modifications are applied to the premium developed by the use of the carrier's rates in force on the effective date of the experience rating modification.

B. INCLUSION OF PAYROLL AND LOSSES

1. Revision of Payroll

A carrier may discover within the audit period (within three years of policy expiration) that previously reported payroll must be revised. When MWCIA receives correction reports according to the *Minnesota Statistical Plan*, it will revise the current and up to two preceding experience rating modifications.

2. Revision of Losses

Revised unit reports (correction reports) to 1st, 2nd, and 3rd reports according to the *Minnesota Statistical Plan* may be submitted. With limited exception as indicated below, MWCIA will use all correction reports in the production of the appropriate experience rating modifications.

- a. Submission of revised unit reports according to the *Minnesota Statistical Plan* will result in the automatic recalculation of the current and up to two preceding experience rating modifications.
- b. If a paid or anticipated recovery from a special fund becomes known by the carrier, the "current" experience rating modification is that which is in effect when the carrier determines the revised loss value. The time frame for the three (current and two preceding) modifications is limited to the employer's fifth most recent rating effective date.
- c. If a subrogation recovery is obtained in an action against a third party, the "current" experience rating modification is that which is in effect when the carrier determines the revised loss value. The time frame for the three (current and two preceding) modifications is limited to the employer's fifth most recent rating effective date.
- d. The claimant or carrier has made a third party recovery and the third party has not filed a liability-over claim.
- e. The third party in d. above does file a liability-over claim but settlement of such claim does not result in its recovery against the employer.
- f. Where the originally reported claim is non-compensable as determined by:
 - (1) Official ruling denying benefits under Minnesota Statute 176.
 - (2) A claimant's failure to file for benefits during the period of limitation allowed by Minnesota Statute 176.151.
 - (3) A claimant's failure to prosecute his claim when a carrier contends, prior to valuation date that the claimant is not entitled to benefits under Minnesota Statute 176.
- g. Originally reported loss values were incorrect due to a clerical error.
- h. As specified in Minnesota Statute 79.211, subd.4, an insurer or an employer insured under a workers' compensation policy subject to the Experience Rating Plan may request in writing of MWCIA that the most recent factor be revised if each of the following criteria is met:
 - (1) A workers' compensation claim under that policy is closed between the normal valuation date for that claim and the next time that valuation is used in computing the experience rating modification factor on the policy;
 - (2) MWCIA receives a revised unit statistical report containing data on the closed claim in a form consistent with its filed unit statistical plan; and
 - (3) Inclusion of the closed claim in the experience rating modification factor calculation would impact that factor by five percentage points or more.
- i. Where a claim should have been reported with Catastrophe Number 48.

Application of revised experience modifications calculated according to Rule 4.B.2 above are subject to Rule 4.E. of this Plan.

3. Corrections in Classifications

- a. An employer's classification(s) may be corrected in accordance with the *Minnesota Basic Manual*. When a classification assigned to an employer is revised other than as a result of a change in the employer's operations, the experience rating modification may warrant recalculation by MWCIA. The purpose of such recalculation is to produce an experience rating modification factor using rating values that correspond to the classification code(s) charged on a policy.
- b. In such circumstances, MWCIA will act to ensure the proper calculation and application of experience rating modifications. This includes, but is not limited to:
 - Reassigning past payroll to the appropriate classification code(s)

Note: Refer to Rule 4.B.3.c below.

- Using correction reports submitted in accordance with the *Minnesota Statistical Plan*
 - Reviewing the information submitted regarding each change and determining the impact, if any, on the experience rating modification(s) of the entities involved
 - Requesting additional information, if necessary, due to the complexity of certain corrections
- c. MWCIA will **not** automatically revise a modification if the change in classification is a result of:
 - A change in employer operations
 - A filed change to the classification system approved for use in Minnesota by the Department of Commerce

Note: Revised (corrected) unit statistical reports must be filed under the above circumstances in accordance with the *Minnesota Statistical Plan Manual* to ensure an accurate experience modification calculation.

4. Third Party Cases

Losses for which a third party claim has been made are included in the calculation of an experience rating modification under the following conditions:

a. Unsettled Claims

Use the loss as reported at full value.

b. Settled Claims

Use the following procedure to adjust the loss amount prior to use in the experience rating modification calculation:

- (1) Determine loss amount prior to settlement
- (2) Subtract the amount recovered from others
- (3) Add the expenses incurred in obtaining the recovery
- (4) If the expense amount in (3) exceeds the recovery amount in (2), use the loss amount (1) prior to settlement

5. Liability-Over Cases

When an employer's incurred losses include liability-over claims, the inclusion of such losses in the experience rating modification calculation is as follows when settled liability-over claims result in:

- a. No payment to a third party—The experience rating modification calculation shall include any allocated claim adjustment expense incurred in defending such claims. This expense is subject to the Employers Liability Accident Limitation in the *Table of Weighting Values* located in the current *Minnesota Ratemaking Report*.
- b. Payment to a third party—No change is made in the loss valuation used in the calculation of the current experience modification. At the next valuation date, the calculation will include the settlement amount plus any allocated claim adjustment expense incurred in defending such claims. This expense and settlement is subject to the Employers Liability Accident Limitation in the *Tables of Weighting Values* located in the current *Minnesota Ratemaking Report*.

C. TYPES OF EXPERIENCE RATING MODIFICATIONS

1. Preliminary Modifications

The Preliminary Modifications Rule is not applicable in the State of Minnesota.

2. Final Modifications

The Final Modifications Rule is not applicable in the State of Minnesota. Experience rating modifications are not affected by carrier rate filings in Minnesota.

3. Contingent Modifications

a. Explanation

- (1) A contingent modification is one that is missing some data, but still meets the minimum data requirements. A contingent modification may be issued by MWCIA when unsuccessful in obtaining the unit statistical data to produce a rating.
- (2) Contingent modifications for interstate risks shall contain the minimum data requirements for each state meeting the intrastate premium eligibility levels. Refer to NCCI's *Experience Rating Plan Manual* for further information regarding Contingent interstate modifications.
- (3) If an intrastate or interstate employer does not attain the minimum amount of data required, a modification will not be issued. Refer to NCCI's *Experience Rating Plan Manual* for further information regarding Contingent interstate modifications.

b. Minimum Data Requirements

An intrastate contingent modification in Minnesota shall include a minimum of two years of first report unit statistical experience for a three-year experience period, or one year of first report unit statistical experience for a two-year period.

Note: NCCI's Minimum Data Requirements Table is not applicable in the State of Minnesota.

c. Exceptions to Minimum Data Requirements

Experience rating modifications will be issued and will not be labeled contingent when MWCIA determines that the employer has had a lapse in coverage.

d. Submission of Missing Data

When the missing data is submitted according to the *Minnesota Statistical Plan*, MWCIA will revise the current modification, and if applicable, up to two preceding modifications.

e. Application

A contingent modification applies until another experience rating modification is issued by MWCIA with the same effective date, subject to Rule 4-E.

D. APPLICATION FOR SINGLE AND MULTIPLE POLICY EMPLOYERS

The rating effective date and the anniversary rating date (ARD) determine the application of an experience rating modification. The rating effective date is determined according to Rule 2-B-2 of this Plan. The ARD is determined according to the *Minnesota Basic Manual*. An experience rating modification will apply for:

- No less than three months, except for those impacted by changes in ownership and combinability status according to Rule 3
- No more than 15 months

1. For Single Policy Employers

- a. The experience rating modification effective on the anniversary rating date shall apply for the full term of:
 - (1) The policy beginning on that date, or
 - (2) Any other policy beginning up to three months after that date.
- b. If a policy begins more than three months after the anniversary rating date, the following procedure applies:
 - (1) The current experience rating modification applies to the new policy until the date the modification expires.
 - (2) A renewal experience rating modification applies to the new policy until the date the policy expires.
 - (3) A renewal experience rating modification applies annually thereafter as of the new anniversary rating date. This will be the date 12 months after the effective date of the new policy.

2. For Multiple Policy Employers

If an employer is covered by two or more policies with varying effective dates, the following procedure shall apply:

- a. An experience rating modification shall be issued to be effective for 12 months. This modification applies to the portion of each policy falling within that 12-month period, regardless of the policy's effective and expiration dates.
- b. A renewal experience rating modification shall apply to each policy as described in 2-a.
- c. MWCIA shall review the effective dates of the multiple policies and may authorize the application of an experience rating modification for a period of other than 12 months.

Refer to the *Minnesota User's Guide* for additional information.

E. CHANGES IN EXPERIENCE RATING MODIFICATION

Experience modifications may change for reasons detailed in this Plan. These changes can occur at various points in time. The following table provides the rules regarding the application of an experience rating modification when a change occurs.

Changes in Experience Rating Modifications Table

If the change results in . . .	And the change occurs . . .	Then the change is applied . . .
A decrease in the experience rating modification for any reason other than a correction in classification according to Rule 4-B-3	<ul style="list-style-type: none"> • At any time during the policy period, or • After expiration of the policy but within revision period 	<ul style="list-style-type: none"> • Retroactively to the inception of the policy, or • As of the anniversary rating date, if different than the policy effective date
An increase in the experience rating modification due to: <ul style="list-style-type: none"> • Revision of payroll • Revision of losses • Change in status of contingent modification • Any additional reasons other than exclusions listed below 	Within 90 days after the: <ul style="list-style-type: none"> • Policy effective date, or • Anniversary rating date if different than the policy effective date 	<ul style="list-style-type: none"> • Retroactively to the inception of the policy, or • As of the anniversary rating date, if different than the policy effective date
	More than 90 days after the: <ul style="list-style-type: none"> • Policy effective date, or • Anniversary rating date if different than the policy effective date 	<ul style="list-style-type: none"> • Pro rata from the date the carrier endorses the policy.
Exclusions: An increase in the experience rating modification due to: <ul style="list-style-type: none"> • Changes in ownership or combinability status • Retroactive reclassification of an employer • Late issuance of an experience rating modification due to an employer who has failed to cooperate with audits or other actions attributable to the employer or representatives of the employer, including but not limited to modification avoidance • Appeals or other appropriate administrative process or judicial decision 	<ul style="list-style-type: none"> • At any time during the policy period, or • After expiration of policy 	<ul style="list-style-type: none"> • Retroactively to the inception of the policy, or • As of the anniversary rating date, if different than the policy effective date <p>Note: Increases in experience rating modifications due to change in ownership or combinability status are applied retroactively to the date of change according to Rule 3-E-3.</p>

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RULE 5—SPECIAL RATING CONDITIONS

Under this Plan the following rules represent specialized rating treatment for employee leasing arrangements, joint ventures, interstate rating considerations and wrap-up construction projects.

A. EMPLOYEE LEASING/PROFESSIONAL EMPLOYER ORGANIZATIONS

1. Employee Leasing/Professional Employer Organization (PEO) Arrangements

The *Minnesota Basic Manual* provides the rules under which policies involving employee leasing arrangements are written. *Refer to the Minnesota Basic Manual Supplemental Pages for these rules.* An employee leasing company may also be referred to as a labor contractor, professional employer organization, or PEO.

In a normal business environment, an employer may be insured for many years through a direct relationship with one or more insurance carriers. Under employee leasing, clients may move in and out of leasing arrangements or from one arrangement to another. These Plan rules address the calculation and application of experience rating modifications for such arrangements.

Employee Leasing Arrangements are contractual arrangements where an entity (the client company) leases for a fee or other compensation any or all of its employees from another entity (the leasing company). Employee leasing arrangements include but are not limited to full service or long term leasing arrangements where a leasing company provides employees to a client company and undertakes some of the employment responsibilities for those leased employees. An employee leasing arrangement does not include arrangements to provide temporary help services.

In Minnesota, it is the responsibility of the leasing company to purchase and maintain a separate workers' compensation policy for each client company to cover the exposure of the employees leased under an employee leasing agreement to a particular client company. The experience of any employees leased to a client company shall be combined with the experience of all other employees of the client company for the purposes of calculating an experience modification factor for the client company. The experience modification of the client company shall apply to the client company's main policy for their non-leased employees as well as any policy maintained by an employee leasing company in their name for their leased employees.

For rules regarding the writing of policies where employee leasing arrangements exist, refer to the Minnesota Special Rating Plans & Programs section in the Supplemental Pages of the Minnesota Basic Manual.

2. Calculation and Application of Experience Rating Modification

a. While a Client Is Involved in an Employee Leasing Arrangement

If an entity (client company) leases employees from another entity (leasing company) under an employee leasing agreement, the leased employees will be viewed as employees of the client company for experience rating purposes. The experience of the client company in an employee leasing arrangement shall be developed and separately reported to MWCIA by the insurance carrier, for use in the development of an experience modification for the client with data from any of the client company's non-leased employees.

All applicable experience prior to the leasing arrangement and during the leasing arrangement will continue to be included in the calculation of the client company's experience modification.

Refer to Rule 3.E.2 and Rule 4.E of this Manual for more information regarding experience rating and employee leasing arrangements.

Refer to the Minnesota User's Guide for examples.

Note: Only the experience of the leasing company's non-leased employees shall be used in the calculation of an experience modification factor for the leasing company.

PEO Table		
The arrangement is covered under a . . .	Client	PEO
Multiple Coordinated Policy (MCP) basis	<ol style="list-style-type: none"> 1. The client's experience rating modifications apply to: <ul style="list-style-type: none"> • The client's policy under the MCP • Any other policies covering the client's non-leased employees These modifications will include the client's experience prior to the leasing arrangement, if any. 2. Subsequent experience rating modifications will include the client's experience for leased and non-leased employees developed during the leasing arrangement, and apply as detailed in 1. above. 3. If the client does not qualify for experience rating, a modification factor applies to: <p style="margin-left: 20px;">The client's policy under the MCP</p> <ul style="list-style-type: none"> • Any other policies covering the client's non-leased employees • Subsequent policies, until the client is eligible for an experience rating modification 	<ol style="list-style-type: none"> 1. The PEO's experience rating modifications apply to the policies covering the PEO's direct employees. 2. If a PEO does not qualify for experience rating, a modification factor applies to: <ul style="list-style-type: none"> • Any of the PEO's policies • Subsequent policies, until the PEO is eligible for an experience rating modification

b. Upon Termination of a Client's Employee Leasing Arrangement

When a client terminates an employee leasing arrangement, experience rating modifications are not impacted. Refer to the *Minnesota User's Guide* for examples.

(1) Master Policy

The use of Master Policies with employee leasing agreements is not applicable in the State of Minnesota.

(2) Multiple Coordinated Policy (MCP)

All applicable experience prior to the employee leasing arrangement and during the employee leasing arrangement will continue to be included in the calculation of the client company's experience modification after an employee leasing arrangement is terminated.

Experience rating modifications are calculated and applied as detailed in Rule 5-A-2-a. Refer to Rule 2-A for rules on experience rating eligibility. Refer to the *Minnesota Basic Manual* for additional information on the issuance of policies for employee leasing arrangements.

Note: Only the experience of the leasing company's non-leased employees shall be used in the calculation of an experience modification factor for the leasing company before and after a leased arrangement is terminated with a client.

B. EX-MEDICAL EXPERIENCE

No workers' compensation coverage for an employer may be written eliminating statutory medical coverage in the State of Minnesota.

C. SEPARATE STATE EXPERIENCE RATING MODIFICATION

This rule does not apply in the State of Minnesota.

Refer to *NCCI's Experience Rating Plan Manual* for information on the applicability of this rule in other states subject to interstate rating.

D. CONSTRUCTION/CONTRACTING EMPLOYERS

1. Wrap-Up Construction Project

A wrap-up construction project is a single large construction, erection, or demolition project for which policies have been issued to insure two or more legal entities engaged in such a project.

Separate policies shall be issued to each eligible entity involved in the wrap-up construction project. Separate legal entities may be insured in one policy under a wrap-up construction project only if the same person or group of persons owns the majority interest in such entities as permitted under Rule 3.D.

Entities eligible for combination shall be limited to the sponsoring entity (including any owner, general contractor, or principal acting as a general contractor) and the subcontractors performing work under contracts to let on an ex-insurance basis. In addition, if the contract between the owner or principal and such general contractor is on an ex-insurance basis, the owner shall be an eligible entity under the rule.

A policy issued for an entity participating in a wrap-up construction project shall be subject to its own experience rating modification. This also applies to an experience rating modification for a policy issued for two or more entities that are combinable under the rules of this Plan. Payroll and loss experience developed for all such policies shall be used in future experience rating modifications of the participating entities. There is no experience rating modification for the wrap-up construction project as a unit.

*Refer to the **Minnesota Basic Manual** for more information on Wrap-Up Construction Projects.*

2. Joint Ventures

Two or more contractors, not combinable for experience rating under the rules of this Plan, may associate for the purpose of undertaking one or more projects as a joint venture.

A joint venture may qualify for its own experience rating provided all of the following conditions are met:

- The contract(s) for the participating entities is awarded in the name of the joint venture; and
- The participating entities share the control, direction, and supervision of all work undertaken; and
- The participating entities maintain a common bank account, payroll, and business records

The experience of the joint venture is excluded from each individual participant's experience rating modification.

If the above qualifications are met, the premium for all operations subject to the joint venture shall be subject to an experience modification which is calculated as follows:

Experience Rating Modification Determination

A joint venture . . .	The experience rating modification is calculated . . .
Will not qualify for its own modification in the first year or two year(s) of operation(s)	By MWCIA using an arithmetic average of the experience rating modifications of the participating entities
May qualify for its own modification in the third and subsequent year(s) of operation(s)	By MWCIA using the experience developed by the joint venture

Once the joint venture qualifies for its own experience modification, future experience ratings shall be based exclusively on the experience of the joint venture.

3. Cost-Plus Contracts

Under a cost-plus contract, the principal agrees to compensate the contractor based on the cost of the work performed plus a fixed fee. A policy covering both the contractor and the principal is:

- Assigned the experience rating modification of the contractor
- Included in the experience of the contractor

4. Uninsured Contractors

The experience of an uninsured contractor is included in the experience of the principal contractor or the principal owner.

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MINNESOTA ASSIGNED RISK PLAN SPECIAL RULES

MERIT RATING PLAN

A. NON-EXPERIENCE RATED EMPLOYERS

1. Non-experience rated employers will receive a credit or debit depending on:
 - a. the number of years they have been insured with the Assigned Risk Plan, and
 - b. the number of lost time claims they have had within the applicable rating period.

2. Depending on the above criteria, the following credits/debits will apply:
 - a. Non-experience rated employers who have been insured with the Assigned Risk Plan for the last three consecutive years will be subject to the following schedule based on lost time claims during the applicable rating period:

0 lost time claims	— 33% credit
1 lost time claim	— no credit or debit
2 or more lost time claims	— 10% debit
 - b. Non-experience rated employers who have **not** been insured with the Assigned Risk Plan for the last three consecutive years will be subject to the following schedule based on lost time claims during the applicable rating period:

0 lost time claims	— 10% credit
1 lost time claim	— no credit or debit
2 or more lost time claims	— 10% debit

Exception: All claims reported with Catastrophe Number 48 shall be excluded from merit rating calculations.

B. EXPERIENCE RATED EMPLOYERS

Will **not** be subject to Merit Rating.

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ERM-14 FORM—CONFIDENTIAL REQUEST FOR OWNERSHIP INFORMATION

All items must be answered completely or the form may be returned.

The following confidential ownership statements may be used only in establishing premiums for your insurance coverages. Your workers compensation policy requires that you report ownership changes, and other changes as detailed below, to your insurance carrier in writing within 90 days of the change. If you have questions, contact your agent, insurance company, or the appropriate rating organization. Once completed, this form must be submitted to the rating organization by you, your insurance carrier(s), or your agents. If this form does not provide the means to explain the transaction, enter as much information on the form as possible and supplement the form with a narrative on the employer's letterhead, signed by an owner, partner, or executive officer.

Section A—Transaction and Entity Information

Check all that apply	TYPE OF TRANSACTION [COLUMNS A, B, & C REFERENCED BELOW ARE FOUND IN SECTION B.]	Effective Date [Enter effective date of transaction.]	Reported Date [Enter date reported in writing to your insurance provider.]
	Name and/or legal entity change —Complete Column A for former entity and Column B for newly named entity. Complete 'Type of Entity' portion for each entity to reflect such change.		
	Sale, transfer or conveyance of all or a portion of an entity's ownership interest —Complete Column A for ownership before the change and Column B for ownership after the change.		
	Sale, transfer or conveyance of an entity's physical assets to another entity that takes over its operations —Complete Column A for the former entity and Column B for the acquiring entity.		
	Merger or consolidation (attach copy of agreement) —Complete Columns A and B for the former entities and Column C for the surviving entity.		
	Formation of a new entity that acts as, or in effect is, a successor to another entity that: (a) Has dissolved (b) Is non-operative (c) May continue to operate in a limited capacity.		
	An irrevocable trust or receiver, established either voluntarily or by court mandate —Complete Column A before the change and Column B after the change.		
	Determination of combinability of separate entities —Complete a separate column in Section B for each entity to be reviewed for common ownership (attach additional forms if necessary),		

ENTITY 1—COMPLETE COLUMN A ON PAGE 3

Complete Name of Entity (including DBA or TA) _____

RiskID _____ **FEIN** _____

Type of Entity (check all that apply) **Carrier** _____ **Policy #** _____ **Eff. Date** _____

- | | | | | |
|---|---|--|--|--|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Temporary Labor Service | <input type="checkbox"/> School District | <input type="checkbox"/> Irrevocable Trust |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Limited Liability Corporation | <input type="checkbox"/> Publicly Traded | <input type="checkbox"/> For Profit | <input type="checkbox"/> Religious Organization |
| <input type="checkbox"/> Domestic Corporation | <input type="checkbox"/> Joint Venture | <input type="checkbox"/> State Agency | <input type="checkbox"/> Not for Profit | <input type="checkbox"/> Charitable Organization |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Association (including unincorporated) | <input type="checkbox"/> County Agency | <input type="checkbox"/> Non-Profit | <input type="checkbox"/> Franchise |
| <input type="checkbox"/> Sub-Chapter S-Corp | <input type="checkbox"/> Employee Leasing | <input type="checkbox"/> Municipality | <input type="checkbox"/> Revocable Trust | <input type="checkbox"/> ESOP |

Primary Address

Street _____ City, State, Zip _____

Telephone _____ Fax _____

Number _____ Number _____ E-mail Address _____

Contact Name _____ Web Site _____

Mailing Address (if different than Primary Address) _____

Additional Location(s) _____

ENTITY 2—Complete Column B on Page 3

Complete Name of Entity (including DBA or TA) _____

RiskID _____ **FEIN** _____

Type of Entity (check all that apply) **Carrier** _____ **Policy #** _____ **Eff. Date** _____

- | | | | | |
|---|---|--|--|--|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Temporary Labor Service | <input type="checkbox"/> School District | <input type="checkbox"/> Irrevocable Trust |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Limited Liability Corporation | <input type="checkbox"/> Publicly Traded | <input type="checkbox"/> For Profit | <input type="checkbox"/> Religious Organization |
| <input type="checkbox"/> Domestic Corporation | <input type="checkbox"/> Joint Venture | <input type="checkbox"/> State Agency | <input type="checkbox"/> Not for Profit | <input type="checkbox"/> Charitable Organization |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Association (including unincorporated) | <input type="checkbox"/> County Agency | <input type="checkbox"/> Non-Profit | <input type="checkbox"/> Franchise |
| <input type="checkbox"/> Sub-Chapter S-Corp | <input type="checkbox"/> Employee Leasing | <input type="checkbox"/> Municipality | <input type="checkbox"/> Revocable Trust | <input type="checkbox"/> ESOP |

Primary Address

Street _____ City, State, Zip _____

Telephone _____ Fax _____
Number _____ Number _____ E-mail Address _____

Contact Name _____ Website _____

Mailing Address (if different than PrimaryAddress) _____

Additional Location(s) _____

ENTITY 3—Complete Column C on Page 3

Complete Name of Entity (including DBA or TA) _____

RiskID _____ **FEIN** _____

Type of Entity (check all that apply) **Carrier** _____ **Policy #** _____ **Eff. Date** _____

- | | | | | |
|---|---|--|--|--|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Temporary Labor Service | <input type="checkbox"/> School District | <input type="checkbox"/> Irrevocable Trust |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Limited Liability Corporation | <input type="checkbox"/> Publicly Traded | <input type="checkbox"/> For Profit | <input type="checkbox"/> Religious Organization |
| <input type="checkbox"/> Domestic Corporation | <input type="checkbox"/> Joint Venture | <input type="checkbox"/> State Agency | <input type="checkbox"/> Not for Profit | <input type="checkbox"/> Charitable Organization |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Association (including unincorporated) | <input type="checkbox"/> County Agency | <input type="checkbox"/> Non-Profit | <input type="checkbox"/> Franchise |
| <input type="checkbox"/> Sub-Chapter S-Corp | <input type="checkbox"/> Employee Leasing | <input type="checkbox"/> Municipality | <input type="checkbox"/> Revocable Trust | <input type="checkbox"/> ESOP |

Primary Address

Street _____ City, State, Zip _____

Telephone _____ Fax _____
Number _____ Number _____ E-mail Address _____

Contact Name _____ Web Site _____

Mailing Address (if different than PrimaryAddress) _____

Additional Location(s) _____

Section B—Ownership

- Have any of these entities operated under another name in the last four years? Yes No
- Are any of the entities currently related through common majority ownership to any entity not listed on the front of the form?
 Yes No
- Have any of these entities been previously related through common majority ownership to any other entities in the last four years? Yes No
- If you answered Yes to questions 1, 2, or 3 above, provide additional information, indicating which question(s) your answer references: 1 2 3

Name of Principal	Carrier and Effective Date
Business Location	Policy Number
- Were the assets and/or ownership interest (all or a portion) of this entity acquired from a previously existing business?
 Yes No If yes, you must provide complete ownership information for the prior owner in column A and ownership information for the new owner in column B.
- If this is a partial sale, transfer, or conveyance of an existing business (i.e. sale of one or more plants or locations):
 - Explain what portion or location of the entire operation was sold, transferred, or conveyed.
 - Was this entity insured under a separate policy from the remaining portion? Yes No
If not, specify the entities with which it was combined:

7. Did the legal status of this entity change? Yes No
If yes, you must complete the Type of Entity portion for each entity to reflect such change.
8. Is this transaction a result of bankruptcy? Yes No
If yes, please indicate under which Chapter the bankruptcy was filed. _____

Corporations—List all names of owners of 5% or more of voting stock and number of shares owned. Submit shareholder proposal if transaction involved exchange of stock.

Partnerships—List each partner and appropriate share in the profits. If the entity is a limited partnership, list name(s) of each general partner(s).

Other—If no voting stock, list members of board of directors or comparable governing body.

Information	Column A	Column B	Column C
	Enter name used in Section A for Entity 1 Entity 1	Enter name used in Section A for Entity 2 Entity 2	Enter name used in Section A for Entity 3 Entity 3 If applicable, use this column for multiple combinations or entities resulting from mergers and consolidations
Name of Entity			
Ownership See reference above to ownership information required for corporations, partnerships, and other entities.			
Total Ownership Interest or Number of Shares			

NOTE: If your business has changed significantly to result in a change to the primary (governing) classification and the process and hazard of the operation have also changed, contact your agent, insurance company or rating organization for additional information.

SECTION C—ADDITIONAL INFORMATION

Please include any additional information you believe pertinent to the transaction detailed above that cannot be expressed due to the format of this form. If there is not enough space below, attach the information on the entity's letterhead, signed by an owner, partner, or executive officer.

Section D—Did You Remember to . . .

- Indicate the type of transaction, check all that apply, and include transaction and notification dates?
- Complete all necessary entity information? Note: You can use more forms if the number of entities exceeds three.
- Entity name
- Risk identification number (if you know it)
- Federal Employer Identification Number (FEIN)
- Type of entity
- Primary address, telephone, and other contact information
- Mailing address and additional locations if applicable
- Fill out the ownership table completely?
- Include the names of the entities as listed in Section A?
- Include all owners, partners, board of director members, members and/or manager of LLCs, general partners of LPs, or any other comparable governing body?
- Include percentage of ownership for each owner, partner, board of director member, member and/or manager of LLCs, general partner of LPs, or any other comparable governing body?
- Answer questions 1 through 8?

Section E—Certification

This is to certify that the information contained on this form is complete and correct.

[All forms will be returned if this Certification Section is incomplete.]

Name of person completing form: _____

Check which entity or entities the signer represents: Entity 1 Entity 2 Entity 3 Other

Signature of Owner, Partner, Member, or
Executive Officer

Title

Print name of above signature

Date

Carrier

Carrier Address

Section F—For Rating Organization Use Only

Associate/Automated _____

Date received _____

Date complete _____

Assessment—form complete? What is missing? _____

Ruling _____

Revisions necessary—Yes/No _____

Revisions complete and mailed—Yes/No/NA _____

Rating Effective Date impacted—Yes/No—if Yes, which ones? _____

Risk ID impacted—list all impacted, any deactivated? Indicate deactivated #s _____

All carriers/rating organizations notified? _____

MINNESOTA ERM-6 FORM
WORKERS COMPENSATION EXPERIENCE RATING

NAME OF EMPLOYER _____

ADDRESS OF EMPLOYER _____ CITY _____ STATE _____ ZIP _____

ASSOCIATION FILE NO _____ EFFECTIVE DATE OF RATING _____ POLICY EFFECTIVE DATE _____

(1) Upd Type P/R	(2) Claim Number	(3) Acc Date	(4) Class Code	(5) Payroll	(6) Total Incurred Indemnity	(7) Total Incurred Medical	(8) Paid Indemnity	(9) Paid Medical	(10) Inj Type	(11) 0/1/2	(12) Part/Nat/Cause

PLEASE FOLLOW THE INSTRUCTIONS ON THE FOLLOWING PAGES FOR COMPLETING THIS WORKSHEET AND RETURN IT TO MWCA PRIOR TO THE RATING EFFECTIVE DATE.

INSTRUCTIONS FOR SUBMITTING EXPERIENCE RATING DATA FOR ERM-6

COLUMN 1 When submitting a 1st report, place a "R" (Revised Report) in the space provided or leave blank. When submitting a Subsequent or a Correction Report, indicate whether the Update Type Is (P) Previously Reported or (R) Revised Report by placing a "P" or "R" in the space provided..

COLUMN 2 Provide the Claim Number used for internal record keeping. Claims must be reported individually.

COLUMN 3 Fill in the Accident Date (Date of Loss) of the Claim being reported.

COLUMN 4 Fill in the Classification Code(s) that best describe your type of business. If you have any questions regarding classifications, please contact your insurance agent.

COLUMN 5 Fill in the Payroll amounts associated with the Classification Code(s) for each year being reported rounded to the nearest dollar amount.

COLUMN 6 Fill in the sum of Incurred (paid plus reserved) Indemnity rounded to the nearest dollar amount. If no claims occurred, place a "0" in that space.

COLUMN 7 Fill in the sum of Incurred (paid plus reserved) Medical rounded to the nearest dollar amount. If no claims occurred, place a "0" in that space.

COLUMN 8 Fill in the sum of Paid Indemnity rounded to the nearest dollar amount. If no claims occurred, place a "0" in that space.

COLUMN 9 Fill in the sum of Paid Medical rounded to the nearest dollar amount. If no claims occurred, place a "0" in that space.

COLUMN 10 Fill in the appropriate Injury Type Code (see following list). Only one Injury Type Code is applicable per claim. Medical Only claims should be listed as a "6", but claims that include both medical and disability or death benefits should be listed under the applicable disability or death code, such as "5" (Temporary Total or Temporary Partial Disability). Injury Type Codes must be noted for each entry.

- 1 = Death
- 2 = Permanent Total Disability
- 5 = Temporary Total or Temporary Partial Disability
- 6 = Medical Only
- 7 = Contract Medical or Hospital Allowance
- 9 = Permanent Partial Disability

COLUMN 11 Indicate whether the Claim Status is (0) Open, (1) Closed or (2) Reopened by placing a "0," "1" or "2" in the space provided.

COLUMN 12 Provide the appropriate 2-digit Injury Description Code in each column that represents the Part of Body, Nature of Injury and Cause of Injury applicable to the corresponding claim. These code lists can be found in the *Minnesota Statistical Plan Manual*.

Subsequent Reports shall be filed with MWCLA in accordance with the valuation schedule set forth in the *Minnesota Statistical Plan Manual*. **These are required through a 3rd report level** for each policy where one or more claims have been:

- A. Reported as open on the previous report
- B. Previously reported as closed but are now open
- C. Previously unreported
- D. Previously reported and the current valuation differs in any manner from the previously submitted data

The experience rating will be completed in accordance with the *Minnesota Experience Rating Plan Manual*. However, because we do not verify the accuracy of the data submitted, the modification factor will be issued with a disclaimer.

Name of the employer requesting the rating _____
Name of the party submitting the data (if different) _____
Address _____
City _____ State _____ Zip _____
Phone _____ Fax _____ Email _____

AGREEMENT

We hereby certify that the information given in this report is correct to the best of our knowledge and belief. BY SUBMISSION OF THIS INFORMATION, WE REQUEST THAT MWCIA PRODUCE EXPERIENCE MODIFICATION FACTORS FOR THE EMPLOYER LISTED AND AGREE TO PAY ANY FEES ASSOCIATED WITH THIS SERVICE. In consideration of MWCIA's agreement to produce the requested experience modification(s), we release and discharge MWCIA, its officers, directors, employees and agents from all liability in connection with the production or application of the same.

The person signing this agreement certifies that they have the authority to execute this agreement on behalf of the employer requesting the rating. Authorized signers include the employer, the carrier, and the TPA **ONLY**.

Please check applicable box of person signing below:
 Employer Carrier TPA

Signed: _____ Date: _____
Printed Name of Signer: _____ Title: _____

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The ***Minnesota User's Guide*** is a companion to the ***Minnesota Experience Rating Plan Manual***. It contains examples and explanations of this Manual's rules.

A. GENERAL EXPLANATIONS

1. Purpose of Experience Rating

The ***Minnesota Experience Rating Plan*** (the Plan) is an integral part of the final cost of workers compensation and employers liability insurance. The purpose of experience rating is to individualize an employer's premium and to provide an incentive to maintain a safe workplace.

The Plan predicts whether a qualifying employer is likely to develop loss experience that is better or worse than that of the average employer in a particular classification. It does this by comparing the total experience of individual employers with the average employer in the same classification. The differences are reflected by an experience rating modification factor, which may result in an increase, a decrease, or no change in premium.

2. Dispute Resolution and Appeals Process

An employer who believes that the rules of the ***Minnesota Experience Rating Plan Manual*** have not been properly applied can request MWCIA's assistance in resolving their dispute. MWCIA's dispute resolution assistance and Minnesota's appeal process provide an opportunity for employers and carriers to efficiently resolve conflicts. *Refer to the ***Minnesota Basic Manual User's Guide*** for detailed information regarding Minnesota's Dispute Resolution and Appeals Process.*

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B. EXPERIENCE RATING ELEMENTS AND FORMULA

1. Premium Eligibility—Examples for Rule 2-A-3

An employer is eligible for experience rating when its subject premium, developed in its experience period, meets or exceeds the minimum eligibility amount. Refer to Rule 2-A-3 of the *Minnesota Experience Rating Plan Manual* for average annual subject premium rules.

a. Average Annual Subject Premium

The average annual subject premium is calculated as follows:

Example 1: An Employer With 32 Months of Experience

Policy	Months of Data	Subject Premium
2016	12	4,000
2015	12	4,000
2014	<u>8</u>	<u>3,000</u>
Total	32	11,000

$$\frac{\$11,000}{32} \times 12 = \$4,125 \text{ Average Annual Subject Premium}$$

Example 2: An Employer With 45 Months of Experience

Policy	Months of Data	Subject Premium
2016	12	4,000
2015	12	4,000
2014	12	3,000
2013	<u>9</u>	<u>8,000</u>
Total	45	19,000

$$\frac{\$19,000}{45} \times 12 = \$5,067 \text{ Average Annual Subject Premium}$$

b. Intrastate Employer Eligible for Experience Rating—Examples for Rule 2-A-4

An intrastate employer may be eligible for experience rating under the following conditions. If Minnesota's current eligibility amounts are at least 11,000 of subject premium for employers with data in the last year or last two years of the experience period, or 5,500 average annual subject premium for employers with more than two years of experience:

Example 1: Experience Period of 12 Months

Policy	Months of Data	Subject Premium
2016	<u>12</u>	<u>12,000</u>
Total	12	12,000

Although this employer has only 12 months of experience, the subject premium exceeds \$11,000. Therefore, it qualifies for experience rating.

Example 2: Experience Period of Less Than 24 Months

Policy	Months of Data	Subject Premium
2016	<u>10</u>	<u>14,000</u>
Total	10	14,000

Although this employer has only 10 months of experience, the subject premium exceeds \$11,000. Therefore, it qualifies for experience rating.

Example 3: Experience Period of Less Than 24 Months

Policy	Months of Data	Subject Premium
2016	12	6,000
2015	<u>2</u>	<u>6,000</u>
Total	14	12,000

This employer has 14 months of experience and exceeds \$11,000. Therefore, it qualifies for experience rating.

Example 4: Experience Period of 24 Months

Policy	Months of Data	Subject Premium
2016	12	6,500
2015	<u>12</u>	<u>4,500</u>
Total	24	11,000

This employer does not meet the subject premium requirement in its most recent 12 months, but does meet the subject premium of \$11,000 when the most recent 24 months are added together. Therefore, it qualifies for experience rating.

Example 5: Experience Period of More Than 24 Months—Average Annual Subject Premium

Policy	Months of Data	Subject Premium
2016	12	6,000
2015	12	4,000
2014	<u>12</u>	<u>7,000</u>
Total	36	17,000

$$\frac{\$17,000}{36} \times 12 = \$5,667 \text{ Average Annual Subject Premium}$$

Because this employer has 36 months of experience, but does not meet or exceed \$11,000 during its most recent 12 or 24 months, the average annual subject premium must be determined. This employer's average annual subject premium is \$5,667. Because it exceeds the average annual subject premium requirement of \$5,500, it qualifies for experience rating.

Example 6: Experience Period of More Than 24 months—Average Annual Subject Premium

Policy	Months of Data	Subject Premium
2016	12	6,000
2015	12	2,000
2014	12	5,000
2013	<u>9</u>	<u>10,000</u>
Total	45	23,000

$$\frac{\$23,000}{45} \times 12 = \$6,133 \text{ Average Annual Subject Premium}$$

Because this employer has 45 months of experience, but does not meet or exceed \$11,000 during its most recent 12 or 24 months, the average annual subject premium must be determined. This employer's average annual subject premium is \$6,133. Because it exceeds the average annual subject premium requirement of \$5,500, it qualifies for experience rating.

c. Intrastate Employer Not Eligible for Experience Rating—Examples for Rule 2-A-4

An intrastate employer is not eligible for experience rating under the following conditions:

Example 1: Experience Period of 12 Months

Policy	Months of Data	Subject Premium
2016	<u>12</u>	<u>9,000</u>
Total	12	9,000

This employer has only 12 months of experience, and the subject premium does not meet or exceed \$11,000. Therefore, it does not qualify for experience rating.

Example 2: Experience Period of Less Than 24 Months

Policy	Months of Data	Subject Premium
2016	<u>10</u>	<u>9,500</u>
Total	10	9,500

This employer has only 10 months of experience, and the subject premium does not meet or exceed \$11,000. Therefore, it does not qualify for experience rating. The \$9,500 subject premium is not projected to an annual average subject premium because the experience period is less than 24 months.

Example 3: Experience Period of 24 Months

Policy	Months of Data	Subject Premium
2016	12	3,000
2015	<u>12</u>	<u>4,000</u>
Total	24	7,000

This employer has \$7,000 in subject premium for 24 months of experience, and does not meet or exceed \$11,000 subject premium requirement. Therefore, it does not qualify for experience rating.

Example 4: Experience Period of More Than 24 Months—Average Annual Subject Premium

Policy	Months of Data	Subject Premium
2016	12	5,500
2015	12	4,000
2014	<u>12</u>	<u>3,000</u>
Total	36	12,500

$$\frac{\$12,500}{36} \times 12 = \$4,167 \text{ Average Annual Subject Premium}$$

Because this employer has 36 months of experience, but does not meet or exceed \$11,000 during its most recent 12 or 24 months, the average annual subject premium must be determined. This employer's average annual subject premium is \$4,167, which does not meet the \$5,500 average annual subject premium. Therefore, this employer does not qualify for experience rating.

**Example 5: Experience Period of More Than 24 Months—
 Average Annual Subject Premium**

Policy	Months of Data	Subject Premium
2016	12	1,000
2015	12	2,000
2014	12	5,000
2013	<u>9</u>	<u>10,000</u>
Total	45	18,000

$$\frac{\$18,000}{45} \times 12 = \$4,800 \text{ Average Annual Subject Premium}$$

Because this employer has 45 months of experience, but does not meet or exceed \$11,000 during its most recent 12 or 24 months, the average annual subject premium must be determined. This employer's average annual subject premium is \$4,800, which does not meet the \$5,500 average annual subject premium. Although it qualified in previous years, it no longer qualifies for experience rating.

2. Rating Date—Examples for Rule 2-B-2

a. Single Policy

(1) A single policy can be either an intrastate or interstate employer.

In Minnesota, anniversary rating date changes are only used to establish the effective dates of experience modifications and have no impact on policy rates or Manual rule changes. Refer to the *Minnesota Basic Manual* and Rule 2.B of this Manual for detailed information regarding the proper use of anniversary rating dates in Minnesota.

Note: Modification effective dates are not revised midterm to accommodate policy date changes.

Rating Effective Date	Policy History
01/01/08	01/01/06–01/01/07
	01/01/05–01/01/06
	01/01/04–01/01/05
	01/01/03–01/01/04

This risk's history is a series of annual January 1 policies. As such, the rating effective date is January 1.

Exception: If a policy is rewritten within 90 days of its effective date, the current modification will be extended to the new policy expiration date.

Rating Effective Period	Policy Effective Dates
01/01/07 – 01/01/08	01/01/07–01/01/08
01/01/08 – 01/01-09	01/01/08–01/01/09 [canc. 03/01/08]
01/01/08 - 03/01/09	03/01/08–03/01/09
03/01/09 – 03/01/10	03/01/09–03/01/10

b. Multiple Policies

Multiple policies may be written for intrastate or interstate policies with all policies having the same effective date.

Rating Effective Date	Policy History	
	Entity A	Entity B
09/01/08	09/01/06–09/01/07	09/01/06–09/01/07
	09/01/05–09/01/06	09/01/05–09/01/06
	09/01/04–09/01/05	09/01/04–09/01/05
	09/01/03–09/01/04	09/01/03–09/01/04

An employer may choose to have multiple policies for its operations in different states or for separate entities. This employer's history is a series of annual September 1 policies. As such, the rating effective date is September 1.

RESERVED FOR FUTURE USE

C. ELEMENTS OF EXPERIENCE RATING FORMULA AND WORKSHEET

1. Loss Limitation for Single and Multiple Claims—Example for Rule 2-C-13-a

a. Medical-Only Loss Limitation

Medical-only losses are reduced by 70% when included in the experience rating modification calculation. The impact of medical-only losses has been significantly reduced by this limitation.

A loss of . . .	Would be used in the calculation as . . .
\$500	\$150
\$650	\$195
\$825	\$248

b. Minnesota's Per Claim Accident Limitation

In Minnesota, the per claim accident limits are adjusted annually and are intended to protect the employer from the adverse impact any single large claim could have on the experience rating modification calculation.

For example, assume Minnesota's per claim accident limit is \$103,500. A claim of \$185,000 is reported at that amount and appears in full value on the experience rating modification worksheet. However, in the summary of all losses used in the calculation, the claim will be limited to \$103,500. This limitation applies for all claims that exceed \$103,500.

c. Minnesota's Per Claim Accident Limitation

Assume in this example that Minnesota's per claim limit is \$97,500 and the split point is \$16,500. Company A has three claims from three separate accidents:

Loss	Actual Incurred	Actual Incurred Limited	Actual Primary
1	\$175,000	\$97,500	\$16,500
2	\$17,000	\$17,000	\$16,500
3	\$16,500	\$16,500	\$16,500
Total	\$208,500	\$131,000	\$49,500

Because Loss 1 exceeds the \$97,500 limit, it is reduced to that amount. Both Losses 2 and 3 are used at full value. Each actual primary loss is \$16,500, totaling \$49,500.

2. Loss Limitations for Accidents Involving Two or More Persons—Examples for Rule 2-C-13-a

Minnesota also has a multiple claim accident limitation, which is double the per claim accident limitation. For example, if the per claim limit is \$103,500, the multiple claim limitation would be \$207,000. The multiple claim limitation is another layer of protection that this Plan provides. It ensures that the impact of a catastrophic accident (one incident involving two or more claims) is lessened.

a. In this example, assume a warehouse fire occurs, resulting in four injured workers with individual claim amounts of \$150,000, \$127,000, \$85,000 and \$60,000, totaling \$422,000, and the split point is \$16,500.

These four claims would be reported in a manner identifying them as individual claims from the same accident. This ensures that the experience rating modification calculation will limit the \$422,000 in claims to \$207,000. In addition, the actual primary loss is limited to \$33,000 for the four claims, rather than the \$66,000 (\$16,500 each) that would normally apply for four claims of this size.

b. Assume Minnesota's per claim limit is \$98,000, the state multiple claim limit is \$196,000, and the split point is \$16,500.

c. Assume Company B has four claims resulting from a single accident and the split point is \$16,500:

Loss	Actual Incurred	Actual Incurred Limited	Actual Primary Limited
1	\$125,000	Multiple Claim Limit	Actual Primary Limit
2	\$121,000		
3	\$145,000		
4	\$50,000		
Total	\$441,000	\$196,000	\$33,000

The multiple claim limitation reduced the amount of the actual incurred losses used in the experience rating calculation by \$245,000 and the actual primary losses by \$33,000.

- d. As a comparison if each loss were a result of four separate accidents the losses would be limited individually and used in the calculation as follows:

Loss	Actual Incurred	Actual Incurred	Actual Primary
1	\$125,000	\$98,000	\$16,500
2	\$121,000	\$98,000	\$16,500
3	\$145,000	\$98,000	\$16,500
4	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$16,500</u>
Total	\$441,000	\$344,000	\$66,000

The limitation of the three losses exceeding the single per claim amount of \$98,000 results in \$344,000 in actual incurred losses and \$66,000 in actual primary losses being used in the experience rating calculation.

3. Disease Loss Limitation—Examples for Rule 2-C-13-b

Assume that under Minnesota's State Act the per claim limit is \$100,000, the multiple claim limit is \$200,000, and the split point is \$16,500.

a. Single Loss Example

ABC Company has:

- A disease loss valued at \$175,000
 - Total expected losses of \$50,000
 - Total expected primary losses of \$20,000
- (1) As a first layer of protection, the actual incurred loss is limited to Minnesota's per claim accident limitation of \$100,000. The actual primary loss is limited to \$16,500.
 - (2) As a second layer of protection, the policy in which the disease loss incurred is also subject to further limitation.

The policy's total actual incurred disease losses are limited as follows:

- (3 x Minnesota's Per Claim Limit) + 40% of the employer's total expected losses =
- (3 x \$100,000) + (\$50,000 x 40%) =
- \$300,000 + \$20,000 = \$320,000

The policy's total actual primary disease losses are limited as follows:

- \$33,000 + 40% of the employer's total expected primary losses =
- \$33,000 + (\$20,000 x 40%) =
- \$33,000 + \$8,000 = \$41,000

By the nature of the first layer of protection, ABC Company's disease loss of \$175,000 does not exceed the policy actual incurred loss disease limitation of \$320,000. Also, ABC Company's policy actual primary disease loss limitation of \$41,000 is not met because of the \$16,500 actual primary loss limitation under the first layer of protection. Therefore, the \$175,000 disease loss is limited as follows:

- \$100,000 actual incurred loss
- \$16,500 actual primary loss

b. Multiple Loss Example— Minnesota's Multiple Claim Accident Limitation

XYZ Company has:

- A single policy with three disease losses resulting from the same accident
- Total expected losses of \$450,000
- Total expected primary losses of \$100,000

(1) As a first layer of protection, the actual incurred losses are limited to Minnesota's multiple claim accident limitation of \$200,000. The actual primary loss is limited to \$33,000.

Loss	Actual Incurred	Actual Incurred Limited	Actual Primary Limited
1	\$175,000	Multiple Claim Limit	Actual Primary Limit
2	\$25,000		
3	\$40,000		
Total	\$240,000	\$200,000	\$33,000

(2) As a second layer of protection, the policy in which the disease losses were incurred is also subject to further limitation.

The policy's total actual incurred disease losses are limited as follows:

- $(3 \times \text{State Act Per Claim Limit}) + 40\%$ of the employer's total expected losses =
- $(3 \times \$100,000) + (\$450,000 \times 40\%) =$
- $\$300,000 + \$180,000 = \$480,000$

The policy's total actual primary disease losses are limited as follows:

- $\$33,000 + 40\%$ of the employer's total expected primary losses =
- $\$33,000 + (\$100,000 \times 40\%) =$
- $\$33,000 + \$40,000 = \$73,000$

By the nature of the first layer of protection, XYZ Company's disease losses of \$240,000 do not exceed the policy actual incurred loss disease limitation of \$480,000. Also, under XYZ Company's policy, the actual primary disease loss limitation of \$73,000 is not met because of the \$33,000 actual primary loss limitation under the first layer of protection. Therefore, the \$240,000 disease losses are limited as follows:

- \$200,000 actual incurred loss
- \$33,000 actual primary loss

c. Multiple Loss Example—Losses Not Limited

In this example, XYZ Company has:

- A single policy with three disease losses resulting from the same accident
- Total expected losses of \$300,000
- Total expected primary losses of \$45,000

(1) In this situation, the total of the three losses does not exceed Minnesota's multiple claim accident limitation, but the first loss does exceed Minnesota's single claim accident limitation. Therefore, as a first layer of protection, the largest loss is limited to \$100,000 while the remaining two losses are used in the calculation at full value. As a second layer of protection, the actual primary loss is limited to a total of \$33,000. Although the total of the three losses does not exceed the multiple claim limitation, the actual primary losses are not treated as individual losses at \$16,500 each. If they were each treated individually, the total actual primary loss would be \$49,500.

Loss	Actual Incurred	Actual Incurred Limited	Actual Primary Limited
1	\$120,000	\$100,000	
2	\$32,500	\$32,500	
3	\$16,500	\$16,500	
Total	\$169,000	\$149,000	\$33,000

(2) As an additional layer of protection, the policy in which the disease losses were incurred is also subject to further limitation.

The policy's total actual incurred disease losses are limited as follows:

- $(3 \times \text{Minnesota's Per Claim Limit}) + 40\%$ of the employer's total expected losses =
- $(3 \times \$100,000) + (\$300,000 \times 40\%) =$
- $\$300,000 + \$120,000 = \$420,000$

The policy's total actual primary disease losses are limited as follows:

- $\$33,000 + 40\%$ of the employer's total expected primary losses =
- $\$33,000 + (\$45,000 \times 40\%) =$
- $\$33,000 + \$18,000 = \$51,000$

XYZ Company's disease losses of \$169,000 do not exceed the policy actual incurred loss disease limitation of \$420,000. Also, XYZ Company's policy actual primary disease loss limitation of \$51,000 is not met because of the \$33,000 actual primary loss limitation under the first layer of protection. Therefore, the \$169,000 disease losses are limited as follows:

- \$149,000 actual incurred loss
- \$33,000 actual primary loss

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D. EXPERIENCE RATING FORMULA

1. Experience Rating Calculation

When applying an experience rating modification to premium:

- 1.00 has no impact
- Lower than 1.00 is a credit
- Higher than 1.00 is a debit

2. Rounding of Experience Rating Modification Factor—Example for Rule 2-D-1

The final calculation of the experience rating modification calculation is rounded to two (2) decimal places. For example: 26,559 (Total A) / 22,814 (Total B) = 1.1641 = 1.16 Experience Rating Modification.

3. Maximum Debit Modification—Example for Rule 2-D-2

Experience rating modification factors are limited to an employer-specific maximum debit modification.

Consider ABC Company:

Total Expected Losses(C) = \$5,000

Total Expected Primary Losses(D) = \$1,200

Actual Losses(A) = \$30,000

Actual Primary Losses(B) = \$25,000

Weighting Value(E) = 0.05

Ballast Value(F) = 11250

G Value = 4.50

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F} = 1 + \frac{(30,000 - 5,000 \times .05) + (25,000 - 1,200) \times (1 - .05)}{5,000 + 11,250} = 2.47$$

To calculate ABC Company's maximum debit modification:

$$1.10 + [(0.0004) \times (\text{Total Expected Losses} / G)]$$

$$1.10 + \{(0.0004)[(5,000)/(4.50)]\} =$$

$$1.10 + \{(0.0004)(1111.11)\} =$$

$$1.10 + .44 = 1.54 \text{ maximum debit modification}$$

This employer's maximum debit modification is 1.54. The calculated experience rating modification is 2.47. Since it exceeds the maximum debit modification, the 1.54 factor applies.

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E. EXPERIENCE TO BE USED IN A RATING

1. Experience Period

According to Rule 2-E-1, an employer's rating effective date determines its experience period. The experience period contains policies with effective dates ranging from 21 to 57 months before the rating effective date, not exceeding 45 months of data.

To determine the maximum 45-month time period included in the experience period, refer to the Experience Period Reference Table or apply the following procedure:

- (a) List the Experience Rating Modification Effective Date 1/1/08
- (b) Add 3 months to the date in (a) 4/1/08
- (c) Subtract 2 years from the date in (b) 4/1/06
- (d) Subtract 3 years from the date in (c) 4/1/03

The maximum experience period of a 1/1/08 experience rating modification includes policies with effective dates on or after 4/1/03, through policies with effective dates on or before 4/1/06.

2. Examples for Rule 2-E-1

The examples below clarify the experience period used in a rating that has policy periods with varying lengths.

Example 1:

Assume a 1/1/08 rating effective date.

Policy Period	Months of Data
06/01/03–01/01/04	7
01/01/04–01/01/05	12
01/01/05–01/01/06	12
01/01/06–01/01/07	12

The 1/1/08 rating includes 43 months of data. This is within the 45-month period under this rule. The oldest policy period (6/1/03–1/1/04) is not more than 57 months before the rating effective date.

Example 2:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
10/01/03–07/01/04	9
07/01/04–07/01/05	12
07/01/05–10/15/05	3.5
10/15/05–07/01/06	8.5-month coverage gap— no data to be included
07/01/06–07/1/07	12

The 7/1/08 rating includes 36.5 months of data, excluding the 8.5-month gap in coverage. This is within the 45-month period as provided under this rule. The oldest policy period (10/1/03–7/1/04) is not more than 57 months before the rating effective date.

Example 3:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
02/01/04–12/01/04	10
12/01/04–07/01/05	7-month coverage gap —no data to be included
07/01/05–07/01/06	12
07/01/06–07/01/07	12

The 7/1/08 rating includes 34 months of data, excluding the 7-month gap in coverage. This is within the 45-month period as provided under this rule. The oldest policy period (2/1/04–12/1/04) is only 53 months before the rating effective date, and does not exceed the 57-month limit.

Example 4:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
07/01/04–07/01/05	12
07/01/05–07/01/06	12
07/01/06–10/01/06	3-month coverage gap— no data to be included
10/01/06–07/01/07	9

The 7/1/08 rating includes 33 months of data within an experience period of 36 months. The data effective 10/1/06 is used.

Example 5:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
07/01/04–07/01/05	12
07/01/05–07/01/06	12
07/01/06–07/01/07	12
10/01/06–10/01/07	12 —newly acquired subsidiary with a different policy date

In this example, the 7/1/06–7/1/07 policy overlaps with the 10/1/06–10/1/07 subsidiary policy. The 7/1/08 rating includes 36 months of data for the principal entity and 12 months of data for the subsidiary entity. Because two policies overlap for nine months, the 39-month experience period is within the 45-month limit.

Example 6:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
12/01/03–07/01/04	7
07/01/04–07/01/05	12
07/01/05–07/01/06	12
07/01/06–09/01/06	2
09/01/06–07/01/07	10

The experience period includes the 12/1/03 policy and the 9/1/06 policy. In this example, the 7/1/08 rating includes 43 months of data.

Example 7:

Assume a 7/1/08 rating effective date.

Policy Date	Months of Data
11/01/04–11/01/05	12
11/01/05–09/01/06	10
09/01/05–07/01/06	10-month coverage gap— no data to be included
07/01/06–10/01/06	3
10/01/06–07/01/07	9

The 7/1/08 rating includes 34 months of data, excluding the 10-month gap in coverage. This is within the 45-month period. The most recent policy period (10/1/06–7/1/07) is not less than 21 months before the rating effective date.

Example 8:

Assume a 9/1/08 rating effective date.

Policy Date	Months of Data
11/01/03–11/01/04	12
11/01/04–11/01/05	12
11/01/05–09/01/06	10
09/01/06–09/01/07	12

In this example, there is a total of 46 months of data. Since this exceeds the 45-month period and the oldest data is more than 57 months before the rating effective date, the 11/1/03–11/1/04 policy is not used. As a result, the experience period is 34 months.

Example 9:

Assume a 1/1/08 rating effective date with combinable entities A and B.

Entity A		Entity B	
Policy Date	Months of Data	Policy Date	Months of Data
01/01/04–01/01/05	12	03/01/04-03/01/05	12
01/01/05–01/01/06	12	03/01/05-03/01/06	12
01/01/06–01/01/07	12	03/01/06-03/01/07	12
Total	36	Total	36

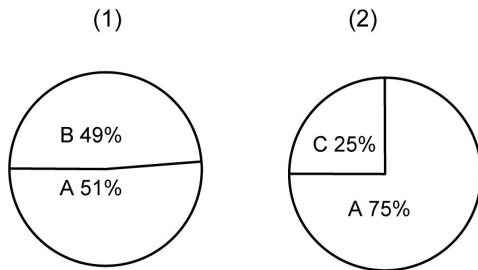
The experience period for a 1/1/08 rating effective date can include policies with effective dates on or between 4/1/03 and 4/1/06. Entity A and Entity B each have 36 months of experience. This particular employer's experience period begins 1/1/04 and ends 3/1/07, totaling 39 months of experience, even though 33 of the 39 months are overlapping. Each entity's separate experience, as well as the total experience of the employer, fits within the 45-month maximum experience period.

Experience Period Reference Table [2013 – 2018]

Rating Effective Date	Oldest Policy Effective Date	Most Recent Policy Effective Date	Rating Effective Date	Oldest Policy Effective Date	Most Recent Policy Effective Date
01/01/2013	04/01/08	04/01/11	01/01/2016	04/01/11	04/01/14
02/01/2013	05/01/08	05/01/11	02/01/2016	05/01/11	05/01/14
03/01/2013	06/01/08	06/01/11	03/01/2016	06/01/11	06/01/14
04/01/2013	07/01/08	07/01/11	04/01/2016	07/01/11	07/01/14
05/01/2013	08/01/08	08/01/11	05/01/2016	08/01/11	08/01/14
06/01/2013	09/01/08	09/01/11	06/01/2016	09/01/11	09/01/14
07/01/2013	10/01/08	10/01/11	07/01/2016	10/01/11	10/01/14
08/01/2013	11/01/08	11/01/11	08/01/2016	11/01/11	11/01/14
09/01/2013	12/01/08	12/01/11	09/01/2016	12/01/11	12/01/14
10/01/2013	01/01/09	01/01/12	10/01/2016	01/01/12	01/01/15
11/01/2013	02/01/09	02/01/12	11/01/2016	02/01/12	02/01/15
12/01/2013	03/01/09	03/01/12	12/01/2016	03/01/12	03/01/15
01/01/2014	04/01/09	04/01/12	01/01/2017	04/01/12	04/01/15
02/01/2014	05/01/09	05/01/12	02/01/2017	05/01/12	05/01/15
03/01/2014	06/01/09	06/01/12	03/01/2017	06/01/12	06/01/15
04/01/2014	07/01/09	07/01/12	04/01/2017	07/01/12	07/01/15
05/01/2014	08/01/09	08/01/12	05/01/2017	08/01/12	08/01/15
06/01/2014	09/01/09	09/01/12	06/01/2017	09/01/12	09/01/15
07/01/2014	10/01/09	10/01/12	07/01/2017	10/01/12	10/01/15
08/01/2014	11/01/09	11/01/12	08/01/2017	11/01/12	11/01/15
09/01/2014	12/01/09	12/01/12	09/01/2017	12/01/12	12/01/15
10/01/2014	01/01/10	01/01/13	10/01/2017	01/01/13	01/01/16
11/01/2014	02/01/10	02/01/13	11/01/2017	02/01/13	02/01/16
12/01/2014	03/01/10	03/01/13	12/01/2017	03/01/13	03/01/16
01/01/2015	04/01/10	04/01/13	01/01/2018	04/01/13	04/01/16
02/01/2015	05/01/10	05/01/13	02/01/2018	05/01/13	05/01/16
03/01/2015	06/01/10	06/01/13	03/01/2018	06/01/13	06/01/16
04/01/2015	07/01/10	07/01/13	04/01/2018	07/01/13	07/01/16
05/01/2015	08/01/10	08/01/13	05/01/2018	08/01/13	08/01/16
06/01/2015	09/01/10	09/01/13	06/01/2018	09/01/13	09/01/16
07/01/2015	10/01/10	10/01/13	07/01/2018	10/01/13	10/01/16
08/01/2015	11/01/10	11/01/13	08/01/2018	11/01/13	11/01/16
09/01/2015	12/01/10	12/01/13	09/01/2018	12/01/13	12/01/16
10/01/2015	01/01/11	01/01/14	10/01/2018	01/01/14	01/01/17
11/01/2015	02/01/11	02/01/14	11/01/2018	02/01/14	02/01/17
12/01/2015	03/01/11	03/01/14	12/01/2018	03/01/14	03/01/17

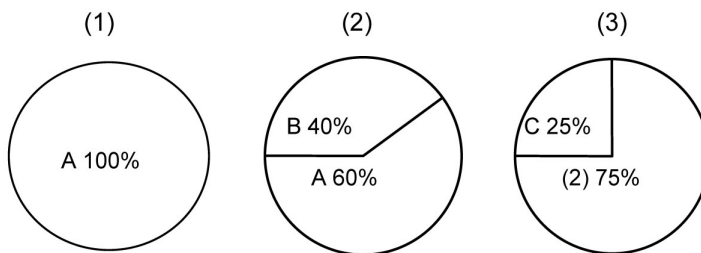
F. EXAMPLES OF COMBINATION OF ENTITIES AND OWNERSHIP CHANGES FOR RULE 3

Example 1:



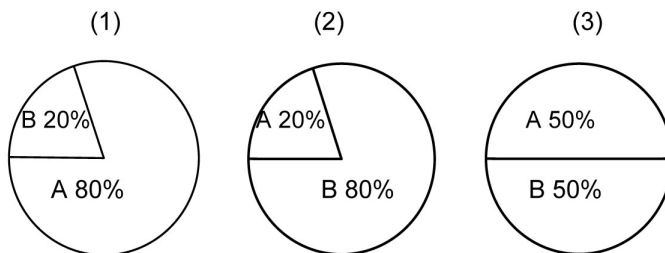
Entities (1) and (2) are combinable since A owns a majority in both.

Example 2:



Since A owns a majority of (1) and (2), and (2) owns a majority of (3), all entities are combinable.

Example 3:



Entities (1), (2), and (3) are all combinable since, as a group, A and B own more than 50% of each.

Example 4:

Six entities are combinable based on common majority ownership. A new entity becomes combinable with one or more, but not all entities in the existing combination. Since none of the original six entities had undergone a change in ownership, they would continue to be rated together. The new entity is rated separately.

Example 5:

Six entities, based on their respective ownership, are split into two sets of three combinable entities each. A new entity's ownership structure is such that it could be combinable with either of the existing three entity combinations. In this situation, the combination that produces the largest group of entities that can be combined would be made unless the policy names dictate a clear group for determining combinability.

Example 6:

In this example, based on the ownership interest of six entities, two different sets of three entity combinations are possible. For example, the combinations could involve entities 1, 2, 3 and 4, 5, 6, or entities 1, 3, 5 and 2, 4, 6. The Manual rules provide that the combination involving the most entities be made. In this case, based on the ownership structure, a four-entity combination is not possible. As such, the combination that produces the largest group of entities that can be combined would be made unless the policy names dictate a clear group for determining combinability.

Example 7:

On 3/1/08, Entity A, with a 1/1/08 mod of 1.26, purchases Entity B with a 10/1/07 modification of 0.86. Assuming the change is reported on a timely basis; the 1/1/08 mod of Entity A is revised as of 3/1/08 and applies from that date until the expiration date of the 1/1/08 rating. In this example, the inclusion of Entity B's experience results in a mod of 1.14, a decrease from the 1.26 original mod. Entity B's original 0.86 modification applies from 10/1/07 until its acquisition on 3/1/08.

Example 8:

Entities C and D have been combined for many years based on the following ownership:

- Entity C—John Doe 50%, Jane Doe 30%, John Smith 20%
- Entity D—John Doe 30%, Jane Doe 10%, John Smith 60%

As a group, the three individuals own 100% of both entities. The rating for the combined entities is effective 1/1/08. On 5/15/08, John Smith sells his 20% interest in Entity C to Sam Jones. The ownership of the two entities now appears as follows:

- Entity C—John Doe 50%, Jane Doe 30%, Sam Jones 20%
- Entity D—John Doe 30%, Jane Doe 10%, John Smith 60%

As a result, the entities are no longer combinable. Assuming the change is reported on a timely basis, Entities C and D are separately rated as of 5/15/08.

If the entities are written on separate policies, separate experience rating modifications will be produced for each entity effective the date of the change.

If the entities are written on a single policy, an attempt is made by the carrier(s) to separate the data by entity. If this can be done, each entity will receive a separate experience rating modification effective the date of the change. If the data cannot be separated by entity, Entity C will not receive a modification factor. Entity D will continue to be experience rated based on all experience developed prior to the sale.

Example 9:

In this example, two separate, nonrated entities, Y and Z, are purchased by John Doe on 5/1/08. A policy is obtained to cover the operations of the newly combined entities. In determining the experience rating modifications for the 5/1/08 policy, the combined premium history is used to determine premium eligibility.

- Entity Y has developed policy premiums of \$2,000, \$2,300, and \$3,000 in the most recent 36 months.
- Entity Z has developed policy premiums of \$3,200, \$3,800, and \$4,700 in the most recent 36 months.

The employer will qualify for a 5/1/08 modification based on the combined premiums of \$5,200, \$6,100, and \$7,700 over the 36 months in the experience period.

Example 10—Exclusion:

The rules regarding transfer of experience provide that, in virtually all circumstances, the experience of an entity must be used in future ratings after an ownership change. Only in a rare circumstance, as provided under Rule 3-E is past experience not used. Following is an example of such an unusual circumstance:

A city redevelopment project is aimed at revitalizing its seaport area, which existed for many years as a center for shipping and warehouse operations. An individual purchases a warehouse and immediately begins construction to turn the warehouse into a restaurant. The new employer is classified under Code 9082—Restaurant NOC, rather than Code 8292—Storage Warehouse NOC, which previously applied to the warehouse employees.

Because the restaurant operations and employees' duties differ dramatically from those of the warehouse, the process and hazard conditions have changed. It would not be appropriate to transfer the past experience of the warehouse operations to the new restaurant operations. The new owner never operated a warehouse and essentially purchased the building for its location.

In this example, all three exclusion conditions have been met:

- A material change in ownership occurred because the business was purchased outright
- The conditions relating to the governing classification change were met
- Process and hazard conditions were met

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G. SPECIAL RATING CONDITIONS

1. Employee Leasing—Examples for Rule 5-A

Example 1—Multiple Coordinated Policies (MCP):

Carrier does not need to file any special forms to report the policy data because the client's experience is already reported separately under the multiple coordinated policy basis.

- In this example, Client G was experience rated before, during, and after the employee leasing arrangement. The client's mod applies to all policies because the employee leasing arrangement was covered under a multiple coordinated policy basis.

Year	Client G	Mod Application
2000 2001 2002	Has own coverage and experience rating.	Client F Mod
2003 2004	Employee Leasing Arrangement (multiple coordinated policies). No direct employees.	Client F Mod
2005	Terminates Employee Leasing Arrangement. Purchases own coverage.	Client F Mod using 2001, 2002, 2003 experience.
2006	Has own coverage.	Client F Mod using 2002, 2003, 2004 experience.
2007	Has own coverage.	Client F Mod using 2003, 2004, 2005 experience.
2008	Has own coverage.	Client F Mod using 2004, 2005, 2006 experience.

Example 2—Multiple Coordinated Policies (MCP):

Carrier does not need to file any special forms to report the policy data because the client's experience is already reported separately under a multiple coordinated policy basis.

- In this example, Client H was not eligible to be experience rated before, during or after the employee leasing arrangement. A mod is not applicable to any of the policies.

Year	Client H	Mod Application
2000 2001 2002	Has own coverage and not experience rated.	No mod is applied.
2003 2004	Employee Leasing Arrangement (multiple coordinated policies). No direct employees.	No mod is applied.
2005	Terminates Employee Leasing Arrangement. Purchases own coverage.	No mod is applied.
2006 2007 2008 2009	Has own coverage.	No mod is applied.

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