

August 2, 2001

ALL ASSOCIATION MEMBERS

Circular Letter 01-1362

RE: *Basic Manual* Minnesota Exception Rule I.G.—Anniversary Rating Date

The Minnesota Department of Commerce has approved the above filing effective 12:01 A.M., August 15, 2001, applicable to new and renewal business only.

The Minnesota Department of Commerce has requested certain changes in the *Basic Manual* discussion of Minnesota's Anniversary Rating Date Rule. In Minnesota, the Anniversary Rating Date Rule applies only to the application of an experience modification to a policy. The Minnesota Exception pages of the *Basic Manual* have been modified to reference Part III.E. of the Minnesota State Special pages of the *Experience Rating Plan Manual* describing the application of an experience modification to a policy and the Minnesota Anniversary Rating Date Endorsement (WC 22 04 02). Association staff also incorporated Part III.E., Application of Experience Modification, in its entirety, into the Minnesota State Special pages of the *Experience Rating Plan Manual* and updated the examples to reflect current scenarios.

Exhibits I and II illustrates the changes to the Minnesota Exception Pages of the *Basic Manual* and the Minnesota State Special Rules Pages of the *Experience Rating Plan Manual* to implement this filing. Exhibit III shows the changes to the Minnesota Anniversary Rating Date Endorsement (WC 22 04 02) in the *Forms Manual*.

Please note that the proposed language contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. As this is a housekeeping item, there should be no impact on current premium levels as a result of this filing.

Please direct any questions you may have concerning this item to one of our underwriters at 952-897-1737 or by e-mailing our office at underwriting@mwcia.org.

A NOTICE TO MEMBERSHIP:

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing only applies automatically to insurance companies who have filed a Limited Power of Attorney agreement with our Commerce Department. A properly executed Limited Power of Attorney authorizes MWCIA to make filings on behalf of individual insurance companies. Any insurance company who has not filed a Limited Power of Attorney must independently submit the changes represented in each filing item to the Minnesota Department of Commerce for their approval.

EXHIBIT I
BASIC MANUAL
RULE I GENERAL
MINNESOTA EXCEPTION PAGES

PRESENT MINNESOTA PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
G. ANNIVERSARY RATING DATE	G. ANNIVERSARY RATING DATE
2. REWRITTEN POLICIES	
This rule applies only to the application of experience modifications in the State of Minnesota.	<p>This rule applies only to the application of experience modifications in the State of Minnesota. <u>See <i>Experience Rating Plan Manual</i>, Part III-E., for application of an experience modification to a policy. When necessary use the Minnesota Anniversary Rating Date Endorsement (WC 22 04 02).</u></p> <p><u>The examples set forth in the manual for this Rule may result in misleading or incorrect results under Minnesota law. These examples do not apply in Minnesota and reference should be made to applicable provisions of Minnesota law dealing with the pricing and renewal of policies under new or modified terms.</u></p>

EXHIBIT II

EXPERIENCE RATING PLAN MANUAL

PART THREE

PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
E. APPLICATION OF EXPERIENCE MODIFICATION	E. APPLICATION OF EXPERIENCE MODIFICATION
1. FOR SINGLE POLICY RISK	1. FOR SINGLE POLICY RISK
<p>a. The experience modification effective on the normal anniversary rating date shall apply for the full term of:</p> <p style="padding-left: 40px;">(1) The policy commencing on that date, or</p> <p style="padding-left: 40px;">(2) Any other policy commencing up to three months after that date.</p>	Same
For example, an experience modification effective 7-1-84 will apply to the policy effective 7-1-84 or to any policy with an effective date up to 10-1-84 . No experience modification shall apply for a period longer than 15 months.	For example, an experience modification effective <u>7-1-01</u> will apply to the policy effective <u>7-1-01</u> or to any policy with an effective date up to <u>10-1-01</u> . No experience modification shall apply for a period longer than 15 months.
<p>b. If a policy commences more than three months after the normal anniversary rating date, the following procedure shall apply:</p> <p style="padding-left: 40px;">(1) The current experience modification shall apply to the new policy until the date the modification expire</p> <p style="padding-left: 40px;">(2) A renewal experience modification shall apply to the new policy until the date the policy expires</p> <p style="padding-left: 40px;">(3) A renewal experience modification shall apply annually thereafter as of the new normal anniversary rating date. This will be the date twelve months after the effective date of the new policy.</p>	Same
<p>Example b.</p> <p>Assume---</p> <p>Experience modification effective 7-1-84/85</p> <p>New policy commences 4-1-85/86</p> <p>The 7-1-84 modifications applies until 7-1-85. A new modification applies from 7-1-85 until 4-1-86. The new normal anniversary rating date is 4-1-86</p>	<p>Example b.</p> <p>Assume---</p> <p>Experience modification effective <u>7-1-01/02</u></p> <p>New policy commences <u>1-1-02/03</u></p> <p>The <u>7-1-01</u> <u>intrastate</u> modification applies until <u>7-1-02</u>.</p> <p>A new modification applies from <u>7-1-02</u> until <u>1-1-03</u>.</p> <p>The new normal anniversary rating date is <u>1-1-03</u></p>

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PRESENCE NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:																
2. FOR MULTIPLE POLICY RISKS	2. FOR MULTIPLE POLICY RISKS																
<p>If a risk is covered by two or more policies with varying effective dates, the following procedure shall apply:</p> <ul style="list-style-type: none"> a. On a normal anniversary rating date established by the rating organization, an experience modification shall be issued to be effective for twelve months. This modification shall apply to the portion of each policy falling within that twelve-month period, regardless of their effective and termination dates. b. A renewal experience modification shall apply to each policy as described in a. above. c. In order to establish a new normal anniversary rating date, the rating organization shall review the effective dates of the multiple policies and may authorize the application of an experience modification for a period of other than twelve months. However, no experience modification shall apply for a period of less than three months or more than fifteen months. 	<p>Same</p> <p>Same</p> <ul style="list-style-type: none"> c. In order to establish a new normal anniversary rating date, the <u>Minnesota Workers' Compensation Insurers Association</u>, shall review the effective dates of the multiple policies and may authorize the application of an experience modification for a period of other than twelve months. However, no experience modification shall apply for a period of less than three months or more than fifteen months. 																
<p>Example of 2 above: Assume---</p> <table> <tr> <td>Experience Modification effective -</td><td>7-1-84/85</td></tr> <tr> <td>Controlling Policy X effective</td><td>7-1-84/85</td></tr> <tr> <td>Policy Y effective</td><td>10-1-84/85</td></tr> <tr> <td>Policy Z effective</td><td>1-1-85/7-1-85</td></tr> </table> <p>The 7-1-84 experience modification applies to Policy X for its full term; to Policy Y from 10-1-84 to 7-1-85; to Policy Z from 1-1-85 to its expiration 7-1-85</p> <p>A new experience modification effective 7-1-85 will apply to the Policy X renewal for its full term; to Policy Y from 7-1-85 to 10-1-85, and to its renewal from 10-1-85 to 7-1-86; and to the Policy Z renewal from 7-1-85 to its expiration.</p>	Experience Modification effective -	7-1-84/85	Controlling Policy X effective	7-1-84/85	Policy Y effective	10-1-84/85	Policy Z effective	1-1-85/7-1-85	<p>Example of 2 above: Assume---</p> <table> <tr> <td>Experience Modification effective</td><td><u>7-1-01/02</u></td></tr> <tr> <td>Controlling Policy X effective</td><td><u>7-1-01/02</u></td></tr> <tr> <td>Policy Y effective</td><td><u>10-1-01/02</u></td></tr> <tr> <td>Policy Z effective</td><td><u>1-1-02/7-1-02</u></td></tr> </table> <p>The <u>7-1-01</u> experience modification applies to Policy X for its full term; to Policy Y from <u>10-1-01</u> to <u>7-1-02</u>; to Policy Z from <u>1-1-02</u> to its expiration <u>7-1-02</u>.</p> <p>A new experience modification effective <u>7-1-02</u> will apply to the Policy X renewal for its full term; to Policy Y from <u>7-1-02</u> to <u>10-1-02</u>, and to its renewal from <u>10-1-02</u> to <u>7-1-03</u>; and to the Policy Z renewal from <u>7-1-02</u> to its expiration.</p>	Experience Modification effective	<u>7-1-01/02</u>	Controlling Policy X effective	<u>7-1-01/02</u>	Policy Y effective	<u>10-1-01/02</u>	Policy Z effective	<u>1-1-02/7-1-02</u>
Experience Modification effective -	7-1-84/85																
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Policy Z effective	<u>1-1-02/7-1-02</u>																

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PRESENT NCCI PHRASEOLOGY:

	7-1-84	7-1-85	7-1-86
Controlling Policy X	84 Modification	85 Modification	
	10-1-84	10-1-85	
Policy Y	84 Modification	85 Modification	
	1-1-85	7-1-85	
Policy Z	84 Modification	85 Modification	

PROPOSED MINNESOTA PHRASEOLOGY:

	<u>7-1-01</u>	<u>7-1-02</u>	<u>7-1-03</u>
Controlling Policy X	01 Modification	02 Modification	
	<u>10-1-01</u>	<u>10-1-02</u>	
Policy Y	01 Modification	02 Modification	
	<u>1-1-02</u>	<u>7-1-02</u>	
Policy Z	01 Modification	02 Modification	

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PRESENT NCCI PHRASEOLOGY:	PROPOSED MINNESOTA PHRASEOLOGY:
3. RECALCULATION OF EXPERIENCE MODIFICATION	3. RECALCULATION OF EXPERIENCE MODIFICATION
When a classification assigned to a risk is revised other than as a result of a change in risk operations, the experience modification shall be recalculated by the rating organization . This shall be done by reassigning the past payrolls to the revised classification.	<u>Submission of revised unit reports to the Minnesota Workers' Compensation Insurers Association, for purposes of recalculating an experience modification is required</u> when a classification assigned to a risk is revised other than as a result of a change in risk operations. This shall be done by reassigning the past payrolls to the revised classification.
4. PRELIMINARY MODIFICATIONS	4. PRELIMINARY MODIFICATIONS
<p>The following procedure shall apply when revised rates, to be effective on or before the rating date, are not yet approved for any state:</p> <p>A preliminary experience modification will be calculated and issued by the rating organization using the current rates. This preliminary modification shall be applied to the policy until;</p> <p>The experience modification is recalculated and issued by the rating organization using the authorized rating values. This experience modification shall be applied to the policy.</p>	<u>Preliminary experience modifications are not applicable in the State of Minnesota.</u>
5. CONTINGENT MODIFICATIONS	5. CONTINGENT MODIFICATIONS
<p>A contingent modification may be issued by the rating organization when unsuccessful in obtaining the unit statistical data to produce a rating or a record of coverage is not available for an experience period. The following procedure shall apply:</p> <p style="padding-left: 40px;">a. A contingent modification shall include a minimum of two years of first report unit statistical experience for a three-year</p>	<p>A contingent modification may be issued by the <u>Minnesota Workers' Compensation Insurers Association</u> when unsuccessful in obtaining the unit statistical data to produce a rating or a record of coverage is not available for an experience period. The following procedure shall apply:</p> <p style="padding-left: 40px;">a. A contingent modification shall include a minimum of two years of first report unit statistical experience for a three-year</p>

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<p>experience period or one year of first report unit statistical experience for a two-year period.</p> <p>b. The contingent modification shall apply unless another experience modification is issued by the rating organization</p>	<p>experience period or one year of first report unit statistical experience for a two-year period.</p> <p>b. The contingent modification shall apply unless another experience modification is issued by the <u>Minnesota Workers' Compensation Insurers Association.</u></p>
6. CHANGES IN EXPERIENCE MODIFICATION	6. CHANGES IN EXPERIENCE MODIFICATION
<p>a. Changes in experience modifications which result in a decrease in the modification, whether determined during the policy period or at audit, shall be applied retroactively to the inception of the policy or to the Anniversary Rating Date, if different than the policy effective date.</p> <p>b. Changes in experience modifications which result in an increase in the last modification applied or endorsed to the policy shall be implemented as follows:</p> <p style="padding-left: 40px;">a. During the first 90 days of the policy period, the increase in premium is applied retroactively to the inception of the policy.</p> <p style="padding-left: 40px;">b. After the first 90 days of the policy period, the increase in premium is computed pro rata from the date the insurer endorses the policy. Or,</p> <p style="padding-left: 40px;">c. Within the first 90 days after the Anniversary Rating Date, the increase in modification is applied retroactively to the Anniversary Rating Date, if different than the policy effective date. Or</p>	<p>Same</p>

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<p>d. More than 90 days after the Anniversary Rating Date, the increase in modification is computed pro rata from the date the insurer endorses the policy.</p> <p>c. The provisions contained in Rule b.(2), b.(3) and b.(4) above do not apply to increases in modifications resulting from:</p> <p>(1) Late issuance of an experience modification due to an employer who has failed to cooperate with audits or because of the other faults attributable to the employer or agents of the employer.</p> <p>(2) Retroactive reclassification of a risk</p> <p>(3) Changes in risk ownership.</p>	
F. WRAP-UP CONSTRUCTION PROJECT	F. WRAP-UP CONSTRUCTION PROJECT
<p>A policy issued for an entity participating in a wrap-up construction project shall be subject to its own experience modification. This also applies to an experience 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 modifications of the participating entities. There shall be not experience modification for the wrap-up construction project as a unit.</p>	<p>Same</p>

EXHIBIT III
FORMS MANUAL

Current Endorsement language as follows: _____

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 22 04 02

Original Print

~~Effective September 20, 1995~~

Standard

MINNESOTA ANNIVERSARY RATING DATE ENDORSEMENT

The experience rating modification factor, if any, may change on your anniversary rating date shown in the schedule

Schedule

Anniversary Rating Date _____ (Month) _____ (Date)

Notes:

1. The anniversary rating date is explained in ~~Rule 1 of the Basic Manual~~
2. Use this endorsement to show the insured's normal anniversary rating date if different from the policy effective date.
3. The insurer may show the anniversary rating date in Item 2 or Item 4 of the Information Page.

EXHIBIT III
FORMS MANUAL

Revised Endorsement language as follows:

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 22 04 02

First Reprint

Effective XX XX, 2001

Standard

MINNESOTA ANNIVERSARY RATING DATE ENDORSEMENT

The experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule.

Schedule

Anniversary Rating Date _____ (Month) _____ (Day)

Notes:

1. The anniversary rating date rule is explained under Part III E. of the Experience Rating Plan Manual.
2. Use this endorsement to show the insured's normal anniversary rating date if different, from the policy effective date
3. The insurer may show the anniversary rating date in Item 2 or Item 4 of the Information Page