



Minnesota Workers' Compensation
Insurers Association, Inc.
7701 France Avenue South • Suite 450
Minneapolis, MN 55435-3200

August 17, 2005

ALL ASSOCIATION MEMBERS

Circular Letter No. 05-1459

RE: Large Risk Alternative Rating Option (LRARO)

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., July 22, 2005. The purpose of this filing is to revise the language of the Large Risk Alternative Rating Option Rule (LRARO) in the ***Retrospective Rating Plan Manual***.

During the 2005 legislative session, the Minnesota legislature made several changes affecting large risk filings. Minnesota Statute 79.56, Subd. 3(b) has been revised and re-numbered as Minnesota Statute 79.56, Subd. 1(b). and became effective July 1, 2005. The following are changes that affect large risk filings:

- The threshold for all large risk filings is now \$250,000 in countrywide annual written workers' compensation premium. The insurer still must file a certification, with the Minnesota Department of Commerce, verifying that it will use the mutually agreed upon rating plan or rates only to write specific employers that meet this threshold.
- This certification must be re-filed, with the Minnesota Department of Commerce, upon each renewal of the employer's policy.
- The Large Risk Rating form [DOC-WC-10] contained in the Minnesota Department of Commerce's Bulletin 2004-3 has been codified, with the only change being that the threshold language now refers strictly to countrywide written workers' compensation premium. Carriers are to submit their large risk filings, to the Minnesota Department of Commerce, using substantially the form set out in the statute.

Exhibits I, II, and III illustrate the changes to Part I, Rule II.K., Part I, Rule III.E., and Part II, Rule I.A. to implement this filing into the Minnesota Exception Pages of the ***Retrospective Rating Plan Manual*** and to bring the Large Risk Alternative Rating Option Rule into compliance with Minnesota law. Please note that the proposed language contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text.

Please direct any questions you may have regarding this filing item to one of MWCIA's Member & Customer Services staff at 952.897.1737 (Option 1) or via email at info@mwcia.org.

EXHIBIT I

RETROSPECTIVE RATING PLAN MANUAL

PART I

RULE II. K.

CURRENT MINNESOTA PHRASEOLOGY	PROPOSED MINNESOTA PHRASEOLOGY
II. DEFINITIONS	II. DEFINITIONS
K. LARGE RISK ALTERNATIVE RATING OPTION	K. LARGE RISK ALTERNATIVE RATING OPTION
The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for all risks that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.	The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for all risks that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans, <u>provided that the carrier files a certification in the form specified in Minnesota Statute 79.56, subd. 1(b) for each impacted policy with the Minnesota Department of Commerce verifying compliance with the statute.</u>

EXHIBIT II

RETROSPECTIVE RATING PLAN MANUAL

PART I

RULE III.E

CURRENT MINNESOTA PHRASEOLOGY	PROPOSED MINNESOTA PHRASEOLOGY
III. ELIGIBILITY FOR THE PLAN	III. ELIGIBILITY FOR THE PLAN
E. Large Risk Alternative Rating Option	E. Large Risk Alternative Rating Option
<p>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for all risks that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.</p>	<p>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for all risks that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans, <u>provided that the carrier files a certification in the form specified in Minnesota Statute 79.56, subd. 1(b) for each impacted policy with the Minnesota Department of Commerce verifying compliance with the statute.</u></p>

EXHIBIT III

RETROSPECTIVE RATING PLAN MANUAL

PART II

RULE I.A.

CURRENT MINNESOTA PHRASEOLOGY	PROPOSED MINNESOTA PHRASEOLOGY
OPERATION OF THE PLAN	OPERATION OF THE PLAN
I. HOW PREMIUM IS DETERMINED UNDER THE PLAN	I. HOW PREMIUM IS DETERMINED UNDER THE PLAN
<p>Retrospective Premium is computed on the basis of the formulas in I-A and D of the Plan.</p> <p>A. The Retrospective Premium Formula</p> <p>The Premium for a risk subject to this Plan is determined by the following retrospective premium formula:</p> <p>Retrospective Premium =</p> <ol style="list-style-type: none"> 1. Basic Premium plus 2. Converted Losses or Converted Loss plus Allocated Loss Adjustment Expense 3. The Sum of 1 + 2 is multiplied by the Tax Multiplier <p>This formula produces a retrospective premium which shall be subject to the Minimum Retrospective Premium and the Maximum Retrospective Premium.</p> <p>If the risk to which the Plan is applied includes more than one legal entity, a single retrospective premium is computed on the basis of the combined entities, not individually for each legal entity.</p>	<p>Same</p>
<p>A risk is eligible for the Large Risk Alternative Rating Option if that risk generates \$250,000 or more in written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans as specified in Minnesota Statute 79.56, subd. 3 provided that all plans must be filed with the Minnesota Department of Commerce.</p>	<p><u>The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by the carrier and insured. It is an available option for all risks that generate \$250,000 or more in annual written workers' compensation premium from Minnesota and other states before the application of any large deductible rating plans, provided that the carrier files a certification in the form specified in Minnesota Statute 79.56, subd. 1(b) for each impacted policy with the Minnesota Department of Commerce verifying compliance with the statute.</u></p>