



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

November 17, 2005

ALL ASSOCIATION MEMBERS

Circular Letter No. 05-1472

RE: NCCI Item B-1398 — Miscellaneous Values for Foreign Terrorism

The Minnesota Department of Commerce has approved the above filing to be effective 12:01 a.m., January 1, 2006, for use in the State of Minnesota on new and renewal business.

The basic purpose of the above filing is to change all manual references from "Terrorism Risk Insurance Act of 2002 (TRIA)" to "Foreign Terrorism" in anticipation of the expiration of the federal act effective December 31, 2005. In addition to relabeling all manual references to "Foreign Terrorism", Foreign Terrorism Premium Endorsement (WC 00 04 22) was created. The purpose of this endorsement is to clarify for policyholders that a premium charge for foreign terrorism may either continue to be applied, or change from the amount currently applied in the event that TRIA expires. The Minnesota Department of Commerce suggests, therefore, that all carriers endorse the Foreign Terrorism Premium Endorsement WC 00 04 22 on policies effective January 1, 2006 and after.

Exhibits II-a, III, IV-a, and VI-a illustrate changes necessary to the **Minnesota Basic Manual**, NCCI's **Retrospective Rating Plan Manual**, **Minnesota Forms Manual**, and the **Minnesota Statistical Plan Manual**, respectively, to implement Item B-1398 in Minnesota. Further, Exhibits II-b, IV-b, and VI-b illustrate updates to each index for the affected Minnesota manuals. As you review the Minnesota exhibits for B-1398, please note they may contain underlined and strikethrough text. The underlining indicates new or added text, while the strikethroughs indicate deleted text. You may also notice gaps in the numbering of these exhibits. This is intentional as MWCIA exhibits were filed only for the changes in B-1398 that specifically affect Minnesota. Please note that other changes submitted as part of NCCI's original filing packet for B-1398 do not apply in Minnesota.

A copy of National Council's original background memo regarding Item B-1398 is also included for your convenience.

Remember, Minnesota manuals are available for viewing on MWCIA's website at www.mwcia.org. Simply select the desired manual in the dropdown menu under "Minnesota Manuals" on the left-hand margin of our homepage.

Should you have questions regarding this filing item, please direct them to one of our Member & Customer Services staff by calling 952.897.1737 (Option 1) or emailing info@mwcia.org.

Note: Because of the uncertainty of the continuation of TRIA, the Minnesota Department of Commerce is recommending that policies issued on or after January 1, 2006 include the *Foreign Terrorism Premium Endorsement (WC 00 04 22)* but do not need to include the *Policyholder Disclosure – Notice of Terrorism Coverage* form. Policies with effective dates prior to January 1, 2006 should include the *Terrorism Risk Insurance Act Endorsement (WC 00 04 20)* but do not need the *Foreign Terrorism Premium Endorsement (WC 00 04 22)* attached until the policy renewal date. After December 31, 2005, any necessary changes to Minnesota's forms or rules resulting from Congressional action on TRIA will be implemented into the applicable manuals.

A NOTICE TO MEMBERSHIP:

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing items were filed by MWCIA on behalf of all member carriers. Approval of the above filing by the Department of Commerce, therefore, applies automatically to all member carriers and separate filings of the manual rules and forms in connection with this filing by individual carriers is not required.

MINNESOTA BASIC MANUAL
Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
PART ONE—RULES	PART ONE—RULES	
RULE 3 — RATING DEFINITIONS & APPLICATIONS OF PREMIUM ELEMENTS	RULE 3 — RATING DEFINITIONS & APPLICATIONS OF PREMIUM ELEMENTS	
A. EXPLANATION AND APPLICATION	A. EXPLANATION AND APPLICATION	
11. Expense Constant	11. Expense Constant	
Expense Constant is a premium charge that is applied to every policy regardless of premium size. The expense constant contributes to the recovery of expenses common to issuing, recording, and auditing a policy. The expense constant charged at the inception of the policy will not change when a state is added or deleted during the policy term.	SAME	
In Minnesota, the expense constant is filed by each carrier and approved for use in Minnesota by the Department of Commerce.	SAME	
a. The expense constant is:	SAME	
<ul style="list-style-type: none"> • Not subject to premium discount, experience rating modification, Minnesota Contractors Premium Adjustment Program (MCPAP) credit factors, carrier filed credit/debit programs, merit credit/debit factors (Assigned Risk only), retrospective rating adjustment, or additional charge for the Terrorism Risk Insurance Act of 2002 	<ul style="list-style-type: none"> • Not subject to premium discount, experience rating modification, Minnesota Contractors Premium Adjustment Program (MCPAP) credit factors, carrier filed credit/debit programs, merit credit/debit factors (Assigned Risk only), retrospective rating adjustment, or additional charge for Foreign Terrorism* coverage <p>* Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].</p>	AMENDED TO RELABEL "TERRORISM RISK INSURANCE ACT OF 2002" AS "FOREIGN TERRORISM".
20. STANDARD PREMIUM	20. STANDARD PREMIUM	
Standard Premium, for the purpose of this rule, is the premium before the application of the premium discount.	SAME	
It is the state premium determined on the basis of:	SAME	
It is the state premium determined on the basis of: <ul style="list-style-type: none"> • Carrier rates filed and approved for use by the Minnesota Department of Commerce • Aircraft seat surcharges • Premium for increased limits of liability 	SAME	

MINNESOTA BASIC MANUAL
 Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
<ul style="list-style-type: none"> • Experience rating modification • Applicable schedule rating modification • Minimum premiums 		
<p>Total Standard Premium is the total premium for all states covered by the policy excluding expense constant, Special Compensation Fund Surcharge, and additional charges for the Terrorism Risk Insurance Act of 2002 and before the application of the premium discount. Premium charges for disease loading and non-ratable elements do not apply in the State of Minnesota.</p>	<p>Total Standard Premium is the total premium for all states covered by the policy excluding expense constant, Special Compensation Fund Surcharge, and additional charges for <u>Foreign</u> Terrorism and before the application of the premium discount. Premium charges for disease loading and non-ratable elements do not apply in the State of Minnesota.</p>	<p>AMENDED TO RELABEL "TERRORISM RISK INSURANCE ACT OF 2002" AS "FOREIGN TERRORISM".</p>
<p>Note: The Annual Financial Calls for experience, which are used for ratemaking, contain a different definition of standard premium.</p>	<p>SAME</p>	
<p>24. Terrorism Risk Insurance Act of 2002</p>	<p><u>24. Foreign Terrorism</u></p>	
<p>Premium for the Terrorism Risk Insurance Act of 2002 is calculated on the basis of total payroll according to Rule 2. An employer's total payroll in Minnesota is divided by units of \$100 and multiplied by the Terrorism Rate filed by each carrier and approved for use in Minnesota by the Department of Commerce. The <i>Minnesota Ratemaking Report</i> contains an advisory loss cost which carriers may apply to their loss cost multiplier to produce ultimate rates. The calculation is expressed as (Payroll/100 x Terrorism Rate x advisory loss cost multiplier = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, retrospective rating, MCPAP, the Special Compensation Fund Surcharge, or any other individual risk rating plan.</p>	<p>Premium for the <u>Foreign Terrorism</u> is calculated on the basis of total payroll according to Rule 2. An employer's total payroll in Minnesota is divided by units of \$100 and multiplied by the <u>Foreign</u> Terrorism rate filed by each carrier and approved for use in Minnesota by the Department of Commerce. The <i>Minnesota Ratemaking Report</i> contains an advisory loss cost which carriers may apply to their loss cost multiplier to produce ultimate rates. The calculation is expressed as (Payroll/100 x <u>Foreign</u> Terrorism Rate x advisory loss cost multiplier = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, retrospective rating, MCPAP, the Special Compensation Fund Surcharge, or any other individual risk rating plan.</p>	<p>AMENDED TO RELABEL "TERRORISM RISK INSURANCE ACT OF 2002" AS "FOREIGN TERRORISM".</p>

MINNESOTA BASIC MANUAL
Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
<p>Premium developed under this Act is not included in standard premium.</p> <p>Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis will not be charged a terrorism rate.</p> <p>Expense constant and per capita charges are not subject to premium under this Act.</p>	<p>Premium developed for Foreign Terrorism coverage is not included in standard premium.</p> <p>Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis <u>should</u> not be charged a <u>foreign</u> terrorism rate.</p> <p>Expense constant and per capita charges are not subject to premium <u>for Foreign Terrorism* coverage</u>.</p> <p><u>* Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].</u></p>	<p>AMENDED TO RELABEL “TERRORISM RISK INSURANCE ACT OF 2002” AS “FOREIGN TERRORISM”.</p>
<p>C. DOMESTIC WORKERS—RESIDENCES</p>	<p>C. DOMESTIC WORKERS—RESIDENCES</p>	
<p>5. Carrier Rates and Premium</p>	<p>5. Carrier Rates and Premium</p>	
<p>d. Terrorism Risk Insurance Act</p>	<p>d. <u>Foreign Terrorism</u></p>	<p>AMENDED TO RELABEL “TERRORISM RISK INSURANCE ACT OF 2002” AS “FOREIGN TERRORISM”.</p>
<p>Premium for the Terrorism Risk Insurance Act of 2002 does not apply to per capita classifications.</p>	<p>Premium for <u>Foreign Terrorism coverage</u> does not apply to per capita classifications.</p>	
<p>APPLICABLE TO ASSIGNED RISK POLICIES ONLY</p>	<p>APPLICABLE TO ASSIGNED RISK POLICIES ONLY</p>	
<p>MISCELLANEOUS VALUES</p>	<p>MISCELLANEOUS VALUES</p>	
<p>Terrorism Risk Insurance Act per \$100 of payroll \$0.02</p>	<p><u>Foreign Terrorism* coverage</u> per \$100 of payroll \$0.02</p>	<p>AMENDED TO RELABEL “TERRORISM RISK INSURANCE ACT OF 2002” AS “FOREIGN TERRORISM”.</p>
	<p><u>* Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].</u></p>	
<p>USER’S GUIDE</p>	<p>USER’S GUIDE</p>	
<p>F. REFERENCE TABLES</p>	<p>F. REFERENCE TABLES</p>	
<p>2. Premium Elements Reference Table</p>	<p>2. Premium Elements Reference Table</p>	
<p>The following table provides a summary list of the common premium elements available in Minnesota. A standard premium algorithm is <u>not</u> approved for use in Minnesota. Carriers are advised to refer to the Minnesota Basic Manual for complete details on the standard application of any rule concerning premium determination in Minnesota.</p>	<p>SAME</p>	

MINNESOTA BASIC MANUAL

Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
Terrorism Risk Insurance Act Surcharge	<u>Foreign Terrorism</u> * Surcharge * Premium previously reported under the <u>Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005]</u> .	AMENDED TO RELABEL "TERRORISM RISK INSURANCE ACT OF 2002" AS "FOREIGN TERRORISM".

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RETROSPECTIVE RATING PLAN MANUAL

Effective January 1, 2006

CURRENT MANUAL LANGUAGE	PROPOSED MANUAL LANGUAGE	COMMENTS
PART ONE	PART ONE	
DESCRIPTION OF THE PLAN	DESCRIPTION OF THE PLAN	
II. DEFINITIONS	II. DEFINITIONS	
E. STANDARD PREMIUM	E. STANDARD PREMIUM	
For the purpose of this Plan, standard premium means the premium for the risk determined on the basis of authorized rates, any experience rating modification, loss constants where applicable, and minimum premiums. Determination of standard premium shall exclude:	SAME:	
<ol style="list-style-type: none"> 1. Premium Discount 2. The Expense Constant 3. Premium resulting from the Non-Ratable Element Codes listed in the <i>Experience Rating Plan Manual</i> 4. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew 5. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health & Safety Act 6. Premium developed by the Terrorism Risk Insurance Act of 2002 7. Premium developed by the Domestic Terrorism, Earthquake, & Catastrophic Industrial Accidents catastrophe provisions located in the <i>Basic Manual</i> 	<ol style="list-style-type: none"> 1. Premium Discount 2. The Expense Constant 3. Premium resulting from the Non-Ratable Element Codes listed in the <i>Experience Rating Plan Manual</i> 4. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew 5. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health & Safety Act 6. Premium developed by <u>catastrophe provisions as outlined in Rule 3—A-24 of the <i>Basic Manual</i></u> 	
CURRENT MN EXCEPTION:	AMEND MN EXCEPTION:	
E. STANDARD PREMIUM	E. STANDARD PREMIUM	
For the purpose of this Plan, standard premium means the premium for the risk determined on the basis of authorized rates, any experience rating modification, loss constants where applicable, and minimum premiums. Determination of standard premium shall exclude:	SAME	

RETROSPECTIVE RATING PLAN MANUAL

Effective January 1, 2006

CURRENT MANUAL LANGUAGE	PROPOSED MANUAL LANGUAGE	COMMENTS
<ol style="list-style-type: none"> 1. Premium Discount 2. The Expense Constant 3. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew 4. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health & Safety Act 5. Premium developed by the Terrorism Risk Insurance Act of 2002 6. Premium developed by the Domestic Terrorism, Earthquake, & Catastrophic Industrial Accidents catastrophe provisions located in the Basic Manual 	<ol style="list-style-type: none"> 1. Premium Discount 2. The Expense Constant 3. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew 4. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health & Safety Act 5. Premium developed by <u>Foreign Terrorism provisions as outlined in Rule 3-A-24-a of the</u> <u>Minnesota Basic Manual</u> 	<p>AMENDS EXISTING MN EXCEPTION LANGUAGE TO CORRESPOND WITH NCCI'S LANGUAGE CHANGES FOR PART ONE.II.E.IN CONNECTION WITH THE ELIMINATION OF THE TERRORISM RISK INSURANCE ACT OF 2002.</p>

FOREIGN TERRORISM PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of foreign terrorism.

Your policy provides coverage for workers' compensation losses caused by acts of foreign terrorism, including workers' compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

For purposes of this endorsement, an "act of foreign terrorism" is defined as:

- a. Any act that is violent or dangerous to human life, property, or infrastructure; and
- b. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

The premium charge for the coverage your policy provides for workers' compensation losses caused by an act of foreign terrorism is shown in Item 4 of the Information Page or in the Schedule below:

Schedule

State

Rate per \$100 of payroll

EXHIBIT IV-b

INDEX MINNESOTA FORMS MANUAL

The following forms and endorsements in this Minnesota Forms Manual have been approved by the Minnesota Commerce Department and are available for use in Minnesota.

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- WC 00 01 01 A Defense Base Act Coverage Endorsement
- WC 00 01 04 A Federal Employers' Liability Act Coverage Endorsement
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MINNESOTA UNIT STATISTICAL PLAN MANUAL
Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
SECTION ONE — REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	SECTION ONE — REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	
PART III — REPORTING INSTRUCTIONS — EXPOSURE AND PREMIUM	PART III — REPORTING INSTRUCTIONS — EXPOSURE AND PREMIUM	
18. Premium Not Subject to Experience Modification – Lines J, K and L	18. Premium Not Subject to Experience Modification – Lines J, K and L	
Terrorism Risk Insurance Act of 2002. Premium debit earned under the Terrorism Risk Insurance Act of 2002 — Certified Losses is reported on a hard copy unit report subsequent to experience modification on the line after the expense constant.	Foreign Terrorism*. Premium debit earned under Foreign Terrorism — Certified Losses is reported on a hard copy unit report subsequent to experience modification on the line after the expense constant.	TERRORISM RISK INSURANCE ACT OF 2002 IS TO BE DISCONTINUED EFFECTIVE 12/31/2005. MN STAT PLAN MANUAL AMENDED TO RELABEL AS “FOREIGN TERRORISM”.
NONE	* Premium previously reported under the Terrorism Risk Insurance Act of 2002 [discontinued 12/31/2005].	
SECTION ONE -- REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	SECTION ONE -- REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	
PART VII -- DATA VALUES AND STATISTICAL CODES	PART VII -- DATA VALUES AND STATISTICAL CODES	
<i>Exposure Information Codes</i>	<i>Exposure Information Codes</i>	
3. Premium Codes	SAME	
C. Premium Not Subject to Experience Modification	SAME	
3. Terrorism Risk Insurance Act of 2002 Code 9740	3. <u>Foreign Terrorism</u> Code 9740*	TERRORISM RISK INSURANCE ACT OF 2002 IS TO BE DISCONTINUED EFFECTIVE 12/31/2005. MN STAT PLAN MANUAL AMENDED TO RELABEL DESCRIPTION FOR CODE 9740 AS “FOREIGN TERRORISM”.
NONE	* Previous code description “Terrorism Risk Insurance Act of 2002 – Certified Losses” [discontinued 12/31/2005].	

MINNESOTA UNIT STATISTICAL PLAN MANUAL

Effective January 1, 2006

CURRENT MN MANUAL LANGUAGE	PROPOSED MN MANUAL LANGUAGE	COMMENTS
SECTION ONE -- REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	SECTION ONE -- REPORTING OF INDIVIDUAL EMPLOYER EXPERIENCE	
PART VII -- DATA VALUES AND STATISTICAL CODES	PART VII -- DATA VALUES AND STATISTICAL CODES	
<i>Loss Information Codes</i>	<i>Loss Information Codes</i>	
5. Injury Description Code	5. Injury Description Code	
CAUSE OF INJURY (Position 5-6)	CAUSE OF INJURY (Position 5-6)	
X. MISCELLANEOUS CAUSES	X. MISCELLANEOUS CAUSES	
96. Terrorism (for use with an assigned Catastrophe Code only)	SAME	LEAVE 'AS IS'. CODE 96 TO BE USED FOR REPORTING DOMESTIC &/OR FOREIGN TERRORISM CLAIMS.
SECTION TWO — REPORTING OF AGGREGATE FINANCIAL DATA	SECTION TWO — REPORTING OF AGGREGATE FINANCIAL DATA	
PART II — ANNUAL CALLS FOR EXPERIENCE	PART II — ANNUAL CALLS FOR EXPERIENCE	
<p>There are five financial aggregate Calls that are submitted to MWCIA. These Calls are used directly for ratemaking in determining the overall rate level. The Policy Year and Calendar-Accident Year Calls are the major ratemaking Calls. They provide historical information on earned premium and aggregate claim data enabling MWCIA to analyze loss ratios and emerging claim patterns. Since rates for federal classes are calculated separately, this experience is NOT included in the two Calls. Also, premium generated and losses arising from the Terrorism Risk Insurance Act of 2002 are excluded from the standard financial calls. By collecting historical data on both Calls valued as of year-end, MWCIA is able to compare the current Call with Calls from past years in order to calculate loss development factors and trend factors necessary in determining an overall pure premium rate level change.</p>	<p>There are five financial aggregate Calls that are submitted to MWCIA. These Calls are used directly for ratemaking in determining the overall rate level. The Policy Year and Calendar-Accident Year Calls are the major ratemaking Calls. They provide historical information on earned premium and aggregate claim data enabling MWCIA to analyze loss ratios and emerging claim patterns. Since rates for federal classes are calculated separately, this experience is NOT included in the two Calls. Also, premium generated and losses arising from the <u>Foreign</u> Terrorism are excluded from the standard financial calls. By collecting historical data on both Calls valued as of year-end, MWCIA is able to compare the current Call with Calls from past years in order to calculate loss development factors and trend factors necessary in determining an overall pure premium rate level change.</p>	<p>TERRORISM RISK INSURANCE ACT OF 2002 IS TO BE DISCONTINUED EFFECTIVE 12/31/2005. MN STAT PLAN MANUAL AMENDED TO RELABEL AS "FOREIGN TERRORISM".</p>

MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
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FILING MEMORANDUM

ITEM B-1398—MISCELLANEOUS VALUES FOR FOREIGN TERRORISM

PURPOSE

The purpose of this item is to continue and relabel catastrophe provisions, by state, to address the risk of foreign terrorism on workers compensation policies, effective January 1, 2006.

BACKGROUND

In response to the passage of the Terrorism Risk Insurance Act of 2002 (TRIA), NCCI filed Item B-1383 on December 27, 2002 in order to propose catastrophe provisions for foreign terrorism. These catastrophe provisions were approved in all NCCI jurisdictions. The values and rate pages underlying this filing B-1398, does not contemplate rate level need post TRIA.

PROPOSAL

It is proposed that effective 12:01 a.m. on January 1, 2006, all references to TRIA in NCCI's manuals, rules, and rate pages be relabeled "Foreign Terrorism".

IMPACT

There will be no premium impact associated with the implementation of this filing. This filing proposes no change from currently approved Miscellaneous Values.

IMPLEMENTATION

The attached exhibits include the proposed endorsement changes necessary to implement this item.

In all states **except** Hawaii and Virginia, this item will be implemented effective 12:01 a.m. on January 1, 2006, applicable to new and renewal business only.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. on January 1, 2006.

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