



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

September 19, 2013

**ALL ASSOCIATION MEMBERS**

Circular Letter No. 13-1641

**RE: NCCI Item E-1402–Revisions to the Experience Rating Plan Primary/Excess Split Point Value and Maximum Debit Modification Formula – 2014 Frequently Asked Questions**

Circular Letter No. 12-1614 announced the approval of the captioned filing effective January 1, 2013. The major piece of this filing was an increase to the primary/excess loss split point used in MWCIA's Experience Rating Plan over a three year period. January 1, 2014, begins the second year of this three year period with the split point increasing from the current \$10,000 to \$13,500. The frequently asked questions below were developed to aid your understanding of the changes to become effective January 1, 2014.

**1. Why does the experience rating split point need to change?**

In the past two decades, the average cost of the claim has tripled and is expected to continue increasing. Without the split point increase, the portion of each claim that flows into the experience rating formula at full value (primary loss amount) will be much smaller, and the Experience Rating Plan (Plan) will give less weight to each employer's actual experience. To address this issue, a transition plan to increase the split point amount over time has been implemented.

**2. How will the experience rating split point change in 2014?**

Effective January 1, 2014, the split point will increase from \$10,000 to \$13,500.

**3. What will happen to the experience rating split point after 2014?**

Effective January 1, 2015, the split point will increase from \$13,500 to \$15,000 plus an adjustment for inflation. MWCIA will examine the changes in both the Minnesota and countrywide total average costs per case on an annual basis. Every year thereafter, annual inflation factors will be judgmentally selected and multiplied with the previous split point.

**4. What will be the impact of increasing the experience rating split point from \$10,000 to \$13,500 on experience mod factors?**

- There will be no measurable change in the overall average statewide experience modification level in 2014.
- 85% of current rated insureds will either see modification decreases, or increases of no more than 2%
- 13% of current rated insureds will see modification increases between 2% and 10% - with an average around +4%
- 2% of current rated insureds will see modification increases of more than 10% - these changes will primarily affect businesses with current modifications exceeding 1.53

Please direct any questions you may have concerning this item to MWCIA's Actuarial Department at (952) 897-1737, option 3, or email at [actuarial@mwcia.org](mailto:actuarial@mwcia.org).