



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

September 9, 1999

**ALL ASSOCIATION MEMBERS**

Circular Letter No. 99-1329

**RE: MINNESOTA WRAP-UP CONSTRUCTION PROJECTS PROGRAM**

The above filing creates a special Minnesota rule designed to assist the industry in providing uniform coverage for employers involved in large construction projects that will adhere to the rules of the various manuals currently approved for use in Minnesota. The Minnesota Department of Commerce has approved the referenced filing to be effective 12:01 a.m., 10-1-99, applicable to new and renewal business only.

The attached exhibits outline the changes necessary to the *Basic Manual*, *Experience Rating Plan Manual*, and *Retrospective Rating Plan Manual* necessary to implement a Wrap-Up Construction Projects Program in Minnesota. Please note that the language on the exhibit pages contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. Special Minnesota language or exceptions have been added or amended as applicable.

Association staff requested participation by a number of carriers in a special task force designed to review and analyze wrap-up programs and owner-controlled insurance programs in other states. The following carriers participated as members of Minnesota's Wrap-Up Task Force: St. Paul Companies; Zurich Construction Insurance Company; and Liberty Mutual Insurance Company. Through their participation, these carriers were instrumental in assisting MWCIA and the Department of Commerce staff in gaining a clearer understanding of the needs of our industry for a large construction program in Minnesota. We would like to extend our appreciation to Mary Ann Krautheim, Nancy Simonson, and Randy Adams for their participation in the Wrap-Up Task Force. This process was so successful, MWCIA plans to create additional task forces in the future to assist Association staff in meeting the needs of our industry.

In addition to the side by side exhibits, a full-page version of the Minnesota Wrap-Up Construction Projects Program is included for your convenience. Please direct questions concerning this program or the attached exhibits to either Gary Bauer at 612.897.6411, or Marie Johnson at 612.897-6410 for further information.

Very truly yours,

M. A. Johnson  
Director of Und. Services

# EXHIBIT I

## BASIC MANUAL PART ONE – RULES

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
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<b>NCCI PAGE:</b>	<b>NCCI PAGE:</b>
<b>RULE VII-PREMIUM DISCOUNT</b>	<b>RULE VII-PREMIUM DISCOUNT</b>
<b>G. Wrap-up Construction Projects</b>	<b>G. Wrap-up Construction Projects</b>
<b>1. General Explanation</b>	<b>1. General Explanation</b>
A wrap-up construction project is a large construction, erection or demolition project for which policies have been issued by one or more insurance carriers under the same management to insure two or more legal entities engaged in such a project.	SAME
Separate policies shall be issued to each eligible entity involved in the wrap-up construction project unless combination is permitted under Rule III-B.1.	SAME
The following application of the premium discount is optional for wrap-up construction projects that are not in a retrospective rating plan:	SAME
Policies issued to two or more legal entities engaged in a construction, erection, or demolition project may be combined for the purpose of computing premium discount, subject to the conditions in 2., 3., and 4. below:	SAME
<b>2. Insurance Carrier</b>	<b>2. Insurance Carrier</b>
All such policies must be issued by one or more insurance carriers under the same management.	SAME
<b>3. Policy Limitation</b>	<b>3. Policy Limitation</b>
The policies shall be limited to insurance on such large construction projects by attaching the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02).	SAME
<b>Note:</b> Also use the standard designated workplaces exclusion endorsement (WC 00 03 02) to exclude wrap-up construction projects from coverage under other policies issued to the entities covered under the wrap-up by attaching that endorsement to such other policies.	SAME
<b>4. Eligible Entities</b>	<b>4. Eligible Entities</b>
Entities eligible for combination shall be limited to the general contractor (including any owner or principal acting as a general contractor) and	SAME

# EXHIBIT I

## BASIC MANUAL PART ONE – RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
subcontractors performing work under contracts 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 or principal shall be an eligible entity under this rule.	
<b>MN EXCEPTION:</b>	<b>AMEND MN EXCEPTION:</b>
<b>RULE VII-PREMIUM DISCOUNT</b>	<b>RULE VII-PREMIUM DISCOUNT</b>
<b>G. Wrap-up Construction Projects</b>	<b>G. Wrap-up Construction Projects</b>
<b>1. General Explanation</b>	<b>1. General Explanation</b>
This rule is not applicable in the State of Minnesota.	<u>A wrap-up construction project is a single contract large construction, erection or demolition project for which policies have been issued to insure two or more legal entities engaged in such a project.</u>
NONE	<u>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 project, only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.</u>
NONE	<u>Policies issued to each eligible entity involved in a wrap-up program shall include the wrap-up project description as part of the address under Item #1 and shall indicate the policy type as a “Wrap-Up” policy.</u>
NONE	<u>The following application of the premium discount is optional for wrap-up construction projects that are not in a retrospective rating plan:</u>
NONE	<u>Policies issued to two or more legal entities engaged in a single contract large construction, erection, or demolition project may be combined for the purpose of computing premium discount, subject to the conditions in 2., 3., and 4. below:</u>
<b>2. Insurance Carrier</b>	<b>2. Insurance Carrier</b>
NONE	<u>One or more insurance carriers under the same management may participate in a wrap-up program, provided that all</u>

# EXHIBIT I

## BASIC MANUAL PART ONE – RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
	<u>policies covering workers’ compensation and employers’ liability benefits issued to an eligible entity on a project covered by a single large construction contract must be issued by a single carrier.</u>
NONE	<b>Note:</b> <u>In instances where one or more insurance carriers under the same management are involved in developing a wrap-up program for a project covered by a single large construction contract, only one carrier may issue individual policies covering eligible employers’ workers compensation and employers’ liability benefits on that project; however, that carrier need not be the same carrier contracting with the sponsoring party of the program (such as the owner, general contractor or principle acting as a general contractor) for other aspects or pricing of the program.</u>
<b>3. Policy Limitation</b>	<b><u>3. Policy Limitation</u></b>
NONE	<u>The policies shall be limited on such large construction projects by attaching the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02).</u>
NONE	<b>Note:</b> <u>Also use the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02) to exclude wrap-up construction projects from coverage under other policies issued to the same entities covered under the wrap-up by attaching that endorsement to such other policies.</u>
<b>4. Eligible Entities</b>	<b><u>4. Eligible Entities</u></b>
NONE	<u>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 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 or principal shall be an eligible entity under this rule.</u>

**EXHIBIT II**

**EXPERIENCE RATING PLAN MANUAL**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
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<b>NCCI PAGE:</b>	<b>NCCI PAGE:</b>
<b>PART ONE</b>	<b>PART ONE</b>
<b>DESCRIPTION OF THE PLAN</b>	<b>DESCRIPTION OF THE PLAN</b>
<b>II. DEFINITIONS</b>	<b>II. DEFINITIONS</b>
<b>H. Wrap-Up Construction Project</b>	<b>H. Wrap-Up Construction Project</b>
A wrap-up construction project is a construction, erection or demolition project for which policies have been issued by one or more insurance carriers under the same management to insure two or more legal entities engaged in such a project. The entities insured shall be limited to the general contractor (including any owner or principal acting as a general contractor) and subcontractors performing work under contracts let on an ex-insurance basis. If the contract between the owner or principal and such general contractor is on an ex-insurance basis, the owner or principal is an eligible entity for the combination.	SAME
<b>MN EXCEPTION:</b>	<b>AMEND MN EXCEPTION:</b>
<b>PART ONE</b>	<b>PART ONE</b>
<b>DESCRIPTION OF THE PLAN</b>	<b>DESCRIPTION OF THE PLAN</b>
<b>II. DEFINITIONS</b>	<b>II. DEFINITIONS</b>
<b>H. Wrap-Up Construction Project</b>	<b>H. Wrap-Up Construction Project</b>
This rule is not applicable in the State of Minnesota.	<u>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.</u>
NONE	<u>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 project, only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.</u>
NONE	<u>Entities eligible for combination shall be limited to the sponsoring entity (including any owner, general contractor or principle acting as a general contractor) and the subcontractors performing work under contracts to let on an ex-</u>

**EXHIBIT II**

**EXPERIENCE RATING PLAN MANUAL**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
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	<u>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.</u>
<b>NCCI PAGE:</b>	<b>NCCI PAGE:</b>
<b>PART THREE</b>	<b>PART THREE</b>
<b>ADMINISTRATION OF THE PLAN</b>	<b>ADMINISTRATION OF THE PLAN</b>
<b><u>F. Wrap-up Construction Project</u></b>	<b>F. Wrap-up Construction Project</b>
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 no experience modification for the wrap-up construction project as a unit.	SAME
<b>Note:</b> All references to Wrap-Up Construction Projects in this Manual are not applicable in the following states: [ ___ ] Louisiana <del>Minnesota</del> Mississippi Oklahoma Oregon	<b>Note:</b> All references to Wrap-Up Construction Projects in this Manual are not applicable in the following states: [ ___ ] Louisiana [ ___ ] Mississippi Oklahoma Oregon
<b>MN EXCEPTION:</b>	<b>DELETE MN EXCEPTION:</b>
<b>PART THREE</b>	<b>PART THREE</b>
<b>ADMINISTRATION OF THE PLAN</b>	<b>ADMINISTRATION OF THE PLAN</b>
<b><u>F. Wrap-up Construction Project</u></b>	<b>F. Wrap-up Construction Project</b>
<del>This rule is not applicable in the State of Minnesota.</del>	NONE

**EXHIBIT III**

**RETROSPECTIVE RATING PLAN MANUAL**

MINNESOTA PAGE RR 2

**STATE SPECIAL RATING VALUES**

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
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<b>NCCI PAGE:</b>	<b>NCCI PAGE:</b>
<b>PART ONE</b>	<b>PART ONE</b>
<b>DESCRIPTION OF THE PLAN</b>	<b>DESCRIPTION OF THE PLAN</b>
<b>II. DEFINITIONS</b>	<b>II. DEFINITIONS</b>
<b>J. Wrap-up Construction Project</b>	<b>J. Wrap-up Construction Project</b>
A wrap-up construction project is a construction, erection or demolition project for which policies have been issued by one or more insurance carriers under the same management to insure two or more legal entities engaged in such a project. The entities insured shall be limited to the general contractor (including any owner or principal acting as a general contractor) and subcontractors performing work under contracts let on an ex-insurance basis. If the contract between the owner or principal and such general contractor is on an ex-insurance basis, the owner or principal is an eligible entity for the combination.	SAME
<b>Note:</b> All references to Wrap-Up Construction Projects in this Manual are not applicable in the following states: [ ___ ] Louisiana Minnesota Mississippi Oklahoma Oregon	<b>Note:</b> All references to Wrap-Up Construction Projects in this Manual are not applicable in the following states: [ ___ ] Louisiana [ ___ ] Mississippi Oklahoma Oregon
<b>MN EXCEPTION:</b>	<b>AMEND MN EXCEPTION:</b>
<b>PART ONE</b>	<b>PART ONE</b>
<b>DESCRIPTION OF THE PLAN</b>	<b>DESCRIPTION OF THE PLAN</b>
<b>II. DEFINITIONS</b>	<b>II. DEFINITIONS</b>
<b>J. Wrap-Up Construction Project</b>	<b>J. Wrap-Up Construction Project</b>
<del>This rule is not applicable in the State of Minnesota.</del>	<u>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</u>

**EXHIBIT III**

**RETROSPECTIVE RATING PLAN MANUAL**

MINNESOTA PAGE RR 2

**STATE SPECIAL RATING VALUES**

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
NONE	<u>entities engaged in such a project.</u> <u>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 project only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.</u>
NONE	<u>Entities eligible for combination shall be limited to the sponsoring entity (including any owner, general contractor or principle acting as a general contractor) and the subcontractors performing work under contracts 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 or principal shall be an eligible entity under the rule.</u>
<b>NCCI PAGE:</b>	<b>NCCI PAGE:</b>
<b>PART TWO</b>	<b>PART TWO</b>
<b>OPERATION OF THE PLAN</b>	<b>OPERATION OF THE PLAN</b>
<b>II. RETROSPECTIVE RATING – SELECTION OF FACTORS</b>	<b>II. RETROSPECTIVE RATING – SELECTION OF FACTORS</b>
<b>C. LONG-TERM OR WRAP-UP CONSTRUCTION PROJECTS</b>	<b>C. LONG-TERM OR WRAP-UP CONSTRUCTION PROJECTS</b>
1. Retrospective rating may be applied to such projects in the following manner:	SAME
a. The project may be insured under a series of one-year policies. Use Rule II-B above.	SAME
b. The project may be insured under a series of three-year policies. Use Rule II-C above.	SAME
c. The Plan shall apply to such projects so that the Retrospective Premium is computed on the basis of the Standard Premium for the entire duration of the project.	SAME
<b>Note:</b> For determining retrospective premium for plans applied on a three-year basis, or Long-Term or Wrap-Up Construction Projects, any revision in Tax Multipliers and Excess Loss Factors shall be applied to policies as of the first normal anniversary date of the risk, which is on or after the date of revision, unless	SAME



**EXHIBIT III**

**RETROSPECTIVE RATING PLAN MANUAL**

MINNESOTA PAGE RR 2

**STATE SPECIAL RATING VALUES**

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
the revision is authorized for application to outstanding policies.	
<b>MN EXCEPTION:</b>	<b>AMEND MN EXCEPTION:</b>
<b>PART TWO</b>	<b>PART TWO</b>
<b>OPERATION OF THE PLAN</b>	<b>OPERATION OF THE PLAN</b>
<b>II. RETROSPECTIVE RATING – SELECTION OF FACTORS</b>	<b>II. RETROSPECTIVE RATING – SELECTION OF FACTORS</b>
<b>C. LONG-TERM OR WRAP-UP CONSTRUCTION PROJECTS</b>	<b>C. LONG-TERM OR WRAP-UP CONSTRUCTION PROJECTS</b>
<del>This rule is not applicable in the State of Minnesota.</del>	<u>1. Retrospective rating may be applied to such projects in the following manner:</u>
	<u>a. The project may be insured under a series of one-year policies. Use Rule II-A above.</u>
	<u>b. The project may be insured under a series of three-year policies. Use Rule II-B above.</u>
	<u>c. The Plan shall apply to such projects so that the Retrospective Premium is computed on the basis of the Standard Premium for the entire duration of the project.</u>
	<u><b>Note:</b> For determining retrospective premium for plans applied on a three-year basis, or Long-Term or Wrap-Up Construction Projects, there shall be no revision in Tax Multipliers and Excess Loss Factors after the inception of the Wrap-Up policies.</u>
	<b>[Special Note – MN exception language is necessary in connection with Rule II .C as the rule references contained under Rule II.C.1.a. and Rule II.C.1.b are in error in the National Council pages. Additionally, the MN special language reflects the difference in Minnesota’s use of the anniversary rating date.]</b>

# **MINNESOTA WRAP-UP CONSTRUCTION PROJECTS PROGRAM**

## **BASIC MANUAL**

### **PART ONE – RULES**

#### **Rule VII – Premium Discount**

#### **G. WRAP-UP CONSTRUCTION PROJECTS**

##### **1. General Explanation**

A wrap-up construction project is a single contract 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 project, only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.

Policies issued to each eligible entity involved in a wrap-up program shall include the wrap-up project description as part of the address under Item #1 and shall indicate the policy type as a “Wrap-Up” policy.

The following application of the premium discount is optional for wrap-up construction projects that are not in a retrospective rating plan:

Policies issued to two or more legal entities engaged in a single contract large construction, erection, or demolition project may be combined for the purpose of computing premium discount, subject to the conditions in 2., 3., and 4. below:

##### **2. Insurance Carrier**

One or more insurance carriers under the same management may participate in a wrap-up program, provided that all policies covering workers’ compensation and employers’ liability benefits issued to an eligible entity on a project covered by a single large construction contract must be issued by a single carrier.

**Note:** In instances where one or more insurance carriers under the same management are involved in developing a wrap-up program for a project covered by a single large construction contract, only one carrier may issue individual policies covering eligible employers’ workers compensation and employers liability benefits on that project; however, that carrier need not be the same carrier contracting with the sponsoring party of the program (such as the owner, general contractor or principal acting as a general contractor) for other aspects or pricing of the program.

3. **Policy Limitation**

The policies shall be limited on such large construction projects by attaching the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02).

**Note:** Also use the standard Designated Workplaces Exclusion Endorsement (WC 00 03 02) to exclude wrap-up construction projects from coverage under other policies issued to the same entities covered under the wrap-up by attaching that endorsement to such other policies.

4. **Eligible Entities**

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 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 or principal shall be an eligible entity under the rule.

# **MINNESOTA WRAP-UP CONSTRUCTION PROJECTS PROGRAM**

## **EXPERIENCE RATING PLAN MANUAL**

### **PART ONE DESCRIPTION OF THE PLAN**

#### **II. DEFINITIONS**

##### **H. Wrap-Up Construction Project**

A wrap-up construction project is a single contract 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 project, only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.

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 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 or principle shall be an eligible entity under the rule.

### **PART THREE ADMINISTRATION OF THE PLAN**

##### **F. Wrap-Up Construction Project**

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 no experience modification for the wrap-up construction project as a unit.

# **MINNESOTA WRAP-UP CONSTRUCTION PROJECTS PROGRAM**

## **RETROSPECTIVE RATING PLAN MANUAL**

### **PART ONE DESCRIPTION OF THE PLAN**

#### **II. DEFINITIONS**

##### **J. Wrap-up Construction Project**

A Wrap-up construction project is a single contract 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 project, only if the same persons or group of persons owns the majority interest in such entities as permitted under Rule III-B-1.

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 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 or principal shall be an eligible entity under the rule.

### **PART TWO OPERATION OF THE PLAN**

#### **II. RETROSPECTIVE RATING – SELECTION OF FACTORS**

##### **C. Long Term or Wrap-Up Construction Projects**

1. Retrospective rating may be applied to such projects in the following manner:
  - a. The project may be insured under a series of one year policies. Use Rule II-A above.
  - b. The project may be insured under a series of three year policies. Use Rule II-B above.
  - c. The Plan shall apply to such projects so that the Retrospective Premium is computed on the basis of the Standard Premium for the entire duration of the project.

**Note:** For determining retrospective premium for plans applied on a three year basis, or Long-Term or Wrap-Up Construction Projects, there shall be no revision in Tax Multipliers and Excess Loss Factors after the inception of the Wrap-Up policies.