



Minnesota Workers' Compensation Insurers Association
Data Service Provider Since 1921

Essentials of Workers Compensation



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MWCIA's mission

Collect, process, and analyze workers' compensation data so that we can provide high quality, consistent information to our insurer members and regulators. We will develop and deliver useful services and products to the workers' compensation community.



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Previously known as-

- MCRB- Minnesota Compensation Rating Bureau 1921- 1981
- WCIRAM- Workers' Compensation Insurers Rating Association of Minnesota 1981-1983



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MCRB 1920's-1970's

- In 1921 the MN Legislature recognized the need for a state rating bureau which collected information and statistics on workers' compensation policies as claims.
- That initial law created the Minnesota Compensation Rating Bureau (MCRB).
- Duties of the MCRB
 - Collected detailed information on all policies and claims
 - Published manuals directing how policies would be issued and how workers would be classified
 - Proposed annual rates, subject to approval by the Insurance Department, that were mandatory for all insurers
 - Managed the assigned risk plan as it existed in Minnesota



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1970's- Volatile Marketplace

- **1972**- National Commission on Workers' Compensation prompted dramatic law changes that vastly expanded workers' compensation benefits. Minnesota, as well as many other states, was affected.
- These expanded benefits along with rising inflation took a heavy toll on businesses and industries.
- These same factors also stressed many Workers' Compensation Carrier finances leading to a rise in carrier insolvencies.
- **1977**- Faced with data on increasing costs, MCRB asked the Insurance Commissioner for a one year **67.5%** overall average rate increase. Unpopular filing prompted legislative hearings, litigation, and turmoil in the system.
- Final increase that was approved by the Commissioner in 1978 was about **30%**.
- Sweeping changes occurred to the Worker's Compensation laws in MN, including the law governing the MCRB.
- Through the end of the 1970's, continued controversy regarding the administered pricing model and high costs alluded to forthcoming drastic changes to the Workers' Compensation system.



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1980's-

- Ongoing controversy with the administered pricing model and costs continued to be high. In 1983, there was a wholesale restructuring of the Workers' Compensation pricing law. With that came a dramatic change in the old rating bureau structure
- The Assigned Risk plan was transferred to the jurisdiction of the insurance commissioner;
- The Association was incorporated to implement its new status as a Data Service Organization, which under the law would focus on providing loss costs of benefits, policy form and other duties in a new Open Competition system of ratemaking



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Who MWCIA is today

- Since 1983, MWCIA has evolved into a non profit corporation having the duties and responsibilities of a Data Service Organization;
- Regulated and licensed by the Department of Commerce
- Governed by a Board of Directors (not in excess of 12 plus 2 employer representatives appointed by the Commissioner of Commerce);
- All insurers doing business in the state of MN must be a member of MWCIA.



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Duties of MWCIA today

- Collect and analyze data
- Filing statistical plans, including classification definitions, amendments to the plans, and definitions
- Prepare and distribute periodic ratemaking reports, track and trend the costs of the workers' compensation system, propose pure premium rates (rates without insurer internal expenses or profits necessary to pay those costs), and evaluate the effects of changes in law
- Prepare merit rating plans, such as experience rating, to more closely match the costs of the system to the actual experience of individual employers
- Provide education and resources for our member carriers, agents, and employer groups on varying workers' compensation topics such as reporting requirements, technical underwriting support, and other related topics



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Competitive Rating

State of the Market



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Competitive Rating

- Pure Premium Base Rate Level
- Insurance Company Rate Level
- Insurance Company Premiums
- Historical Rate Level Comparisons



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Pure Premium Base Rate Level

- Defined by Statute

- Includes:
 - Limited Loss Cost – excluding:
 - Late Loss Development
 - Trend
 - Employers' Liability Increased Limits
 - Experience Rating



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Insurance Company Rate Level

- Pure Premium Level Plus:
 - Late Loss Development
 - Trend
 - Expense Constants/Minimum Premiums
 - Claims Adjustment Expense
 - Operating Expenses
 - MN Premium Tax



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Insurance Company Rate Level

- Pure Premium Level Plus:
 - Class Rate Deviations
 - MCPAP Adjustments
 - Investment Income
 - WCRA Premium
 - Terrorism Surcharge
 - Catastrophe Surcharge



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Insurance Company Premiums

- Factors not Associated with Individual Insured Claim Potential
 - Special Compensation Fund Assessment
 - Premium Discounts
 - Dividends



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Insurance Company Premiums

- Factors Associated with Individual Insured Claim Potential
 - Merit Rating – ARP
 - Schedule Rating
 - Retrospective Rating
 - Deductible Plans
 - Retention Plans
 - Dividend Plans



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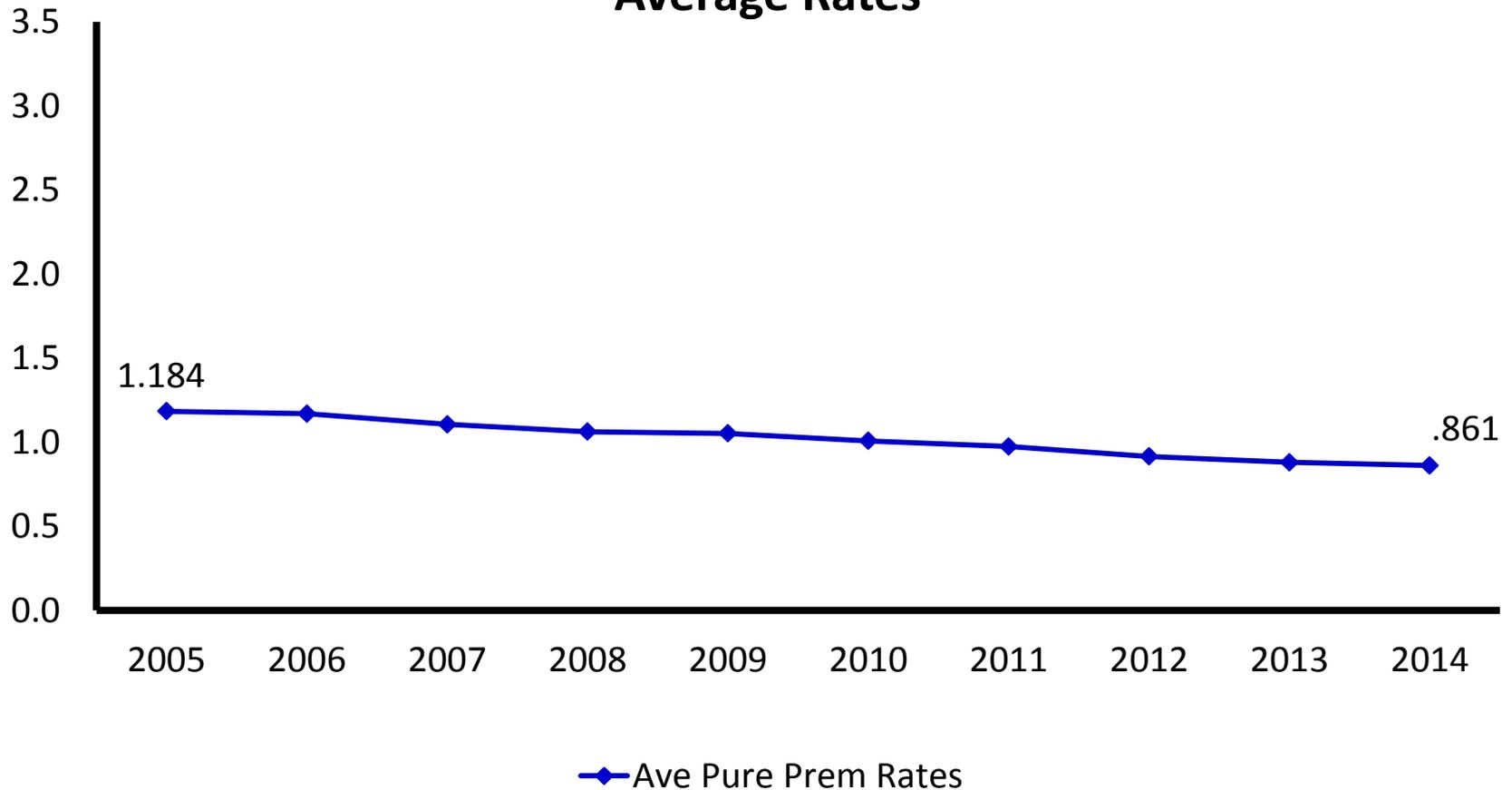
Historical Rate Level Comparisons

- Average Pure Premium Rates
- Average Pure Premium and ARP Rates
- Average Pure Premium, ARP, and Insurer Rates
- Average Pure Premium, ARP, Insurer Rates, and Net Prices



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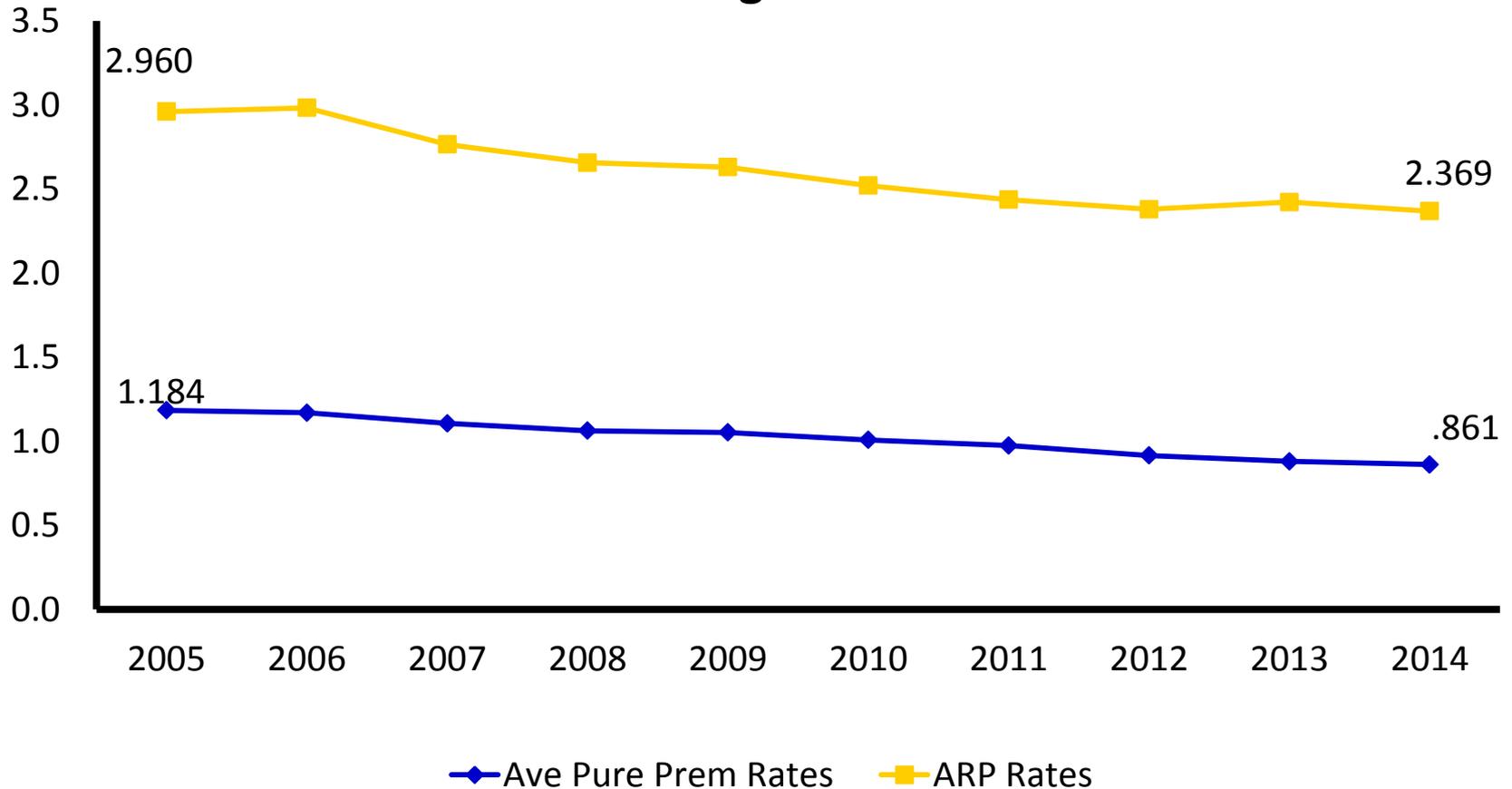
Average Rates





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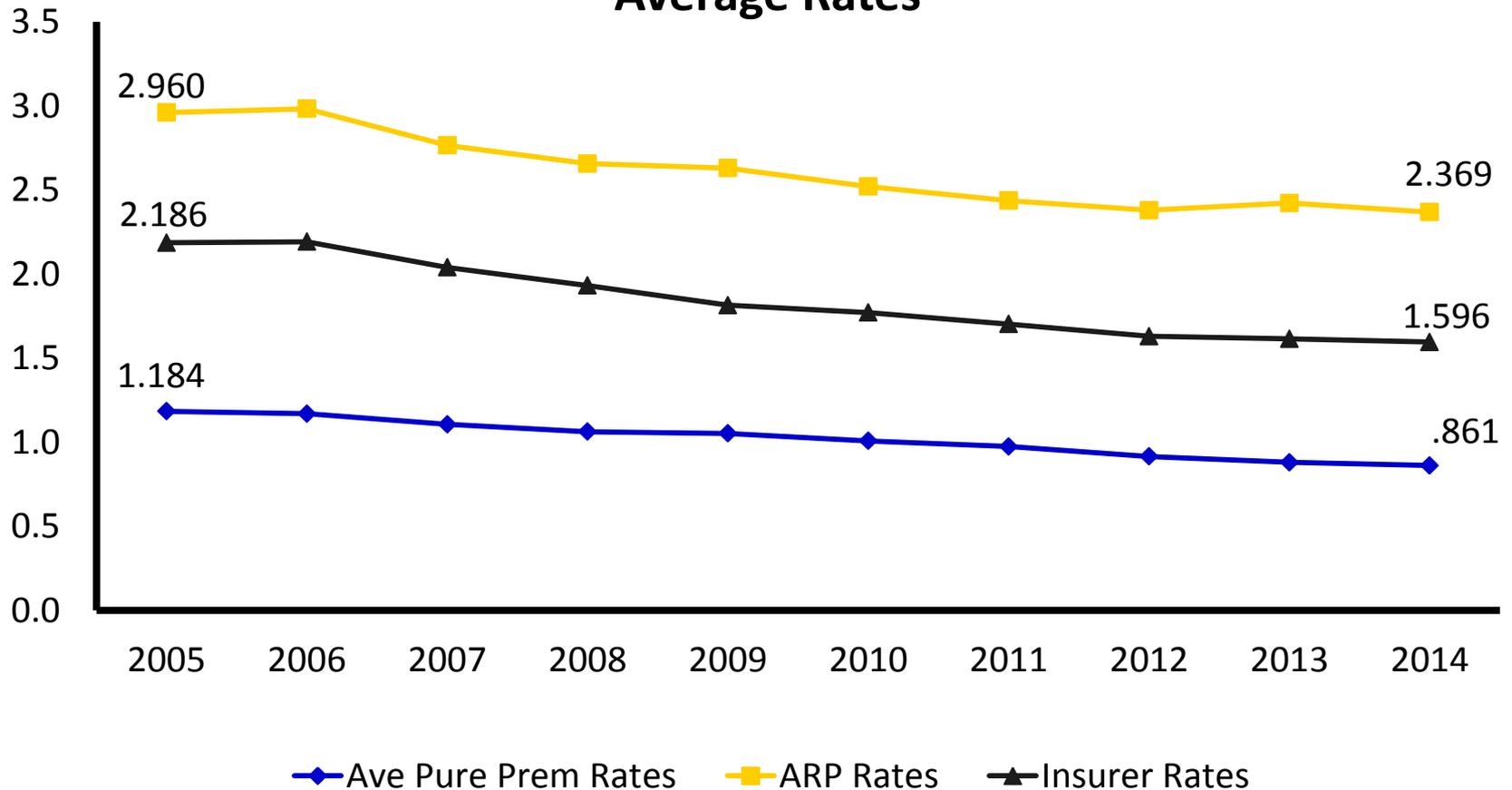
Average Rates





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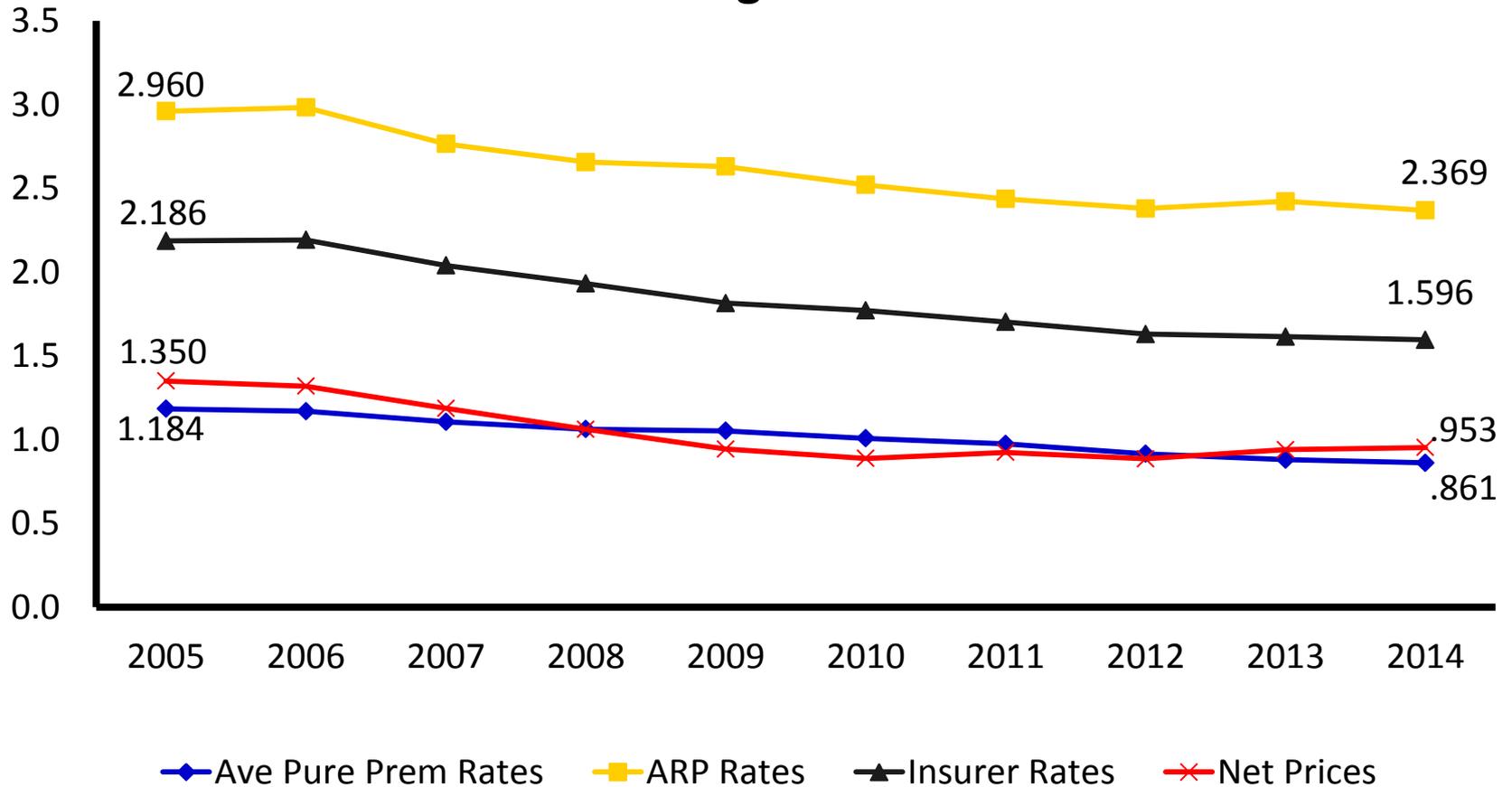
Average Rates





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Average Rates





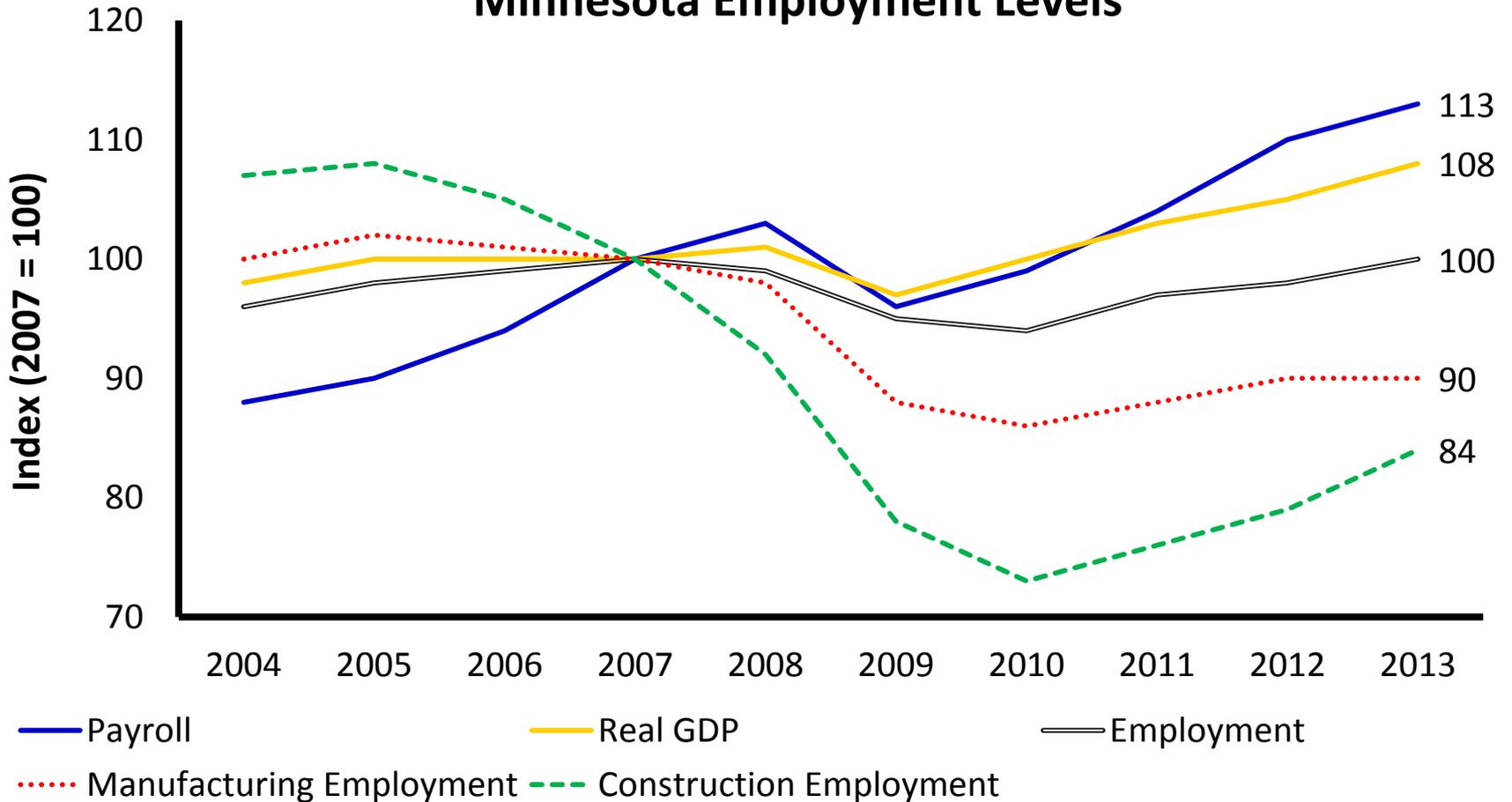
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State of the Market

- PREMIUM and LOSS DRIVERS

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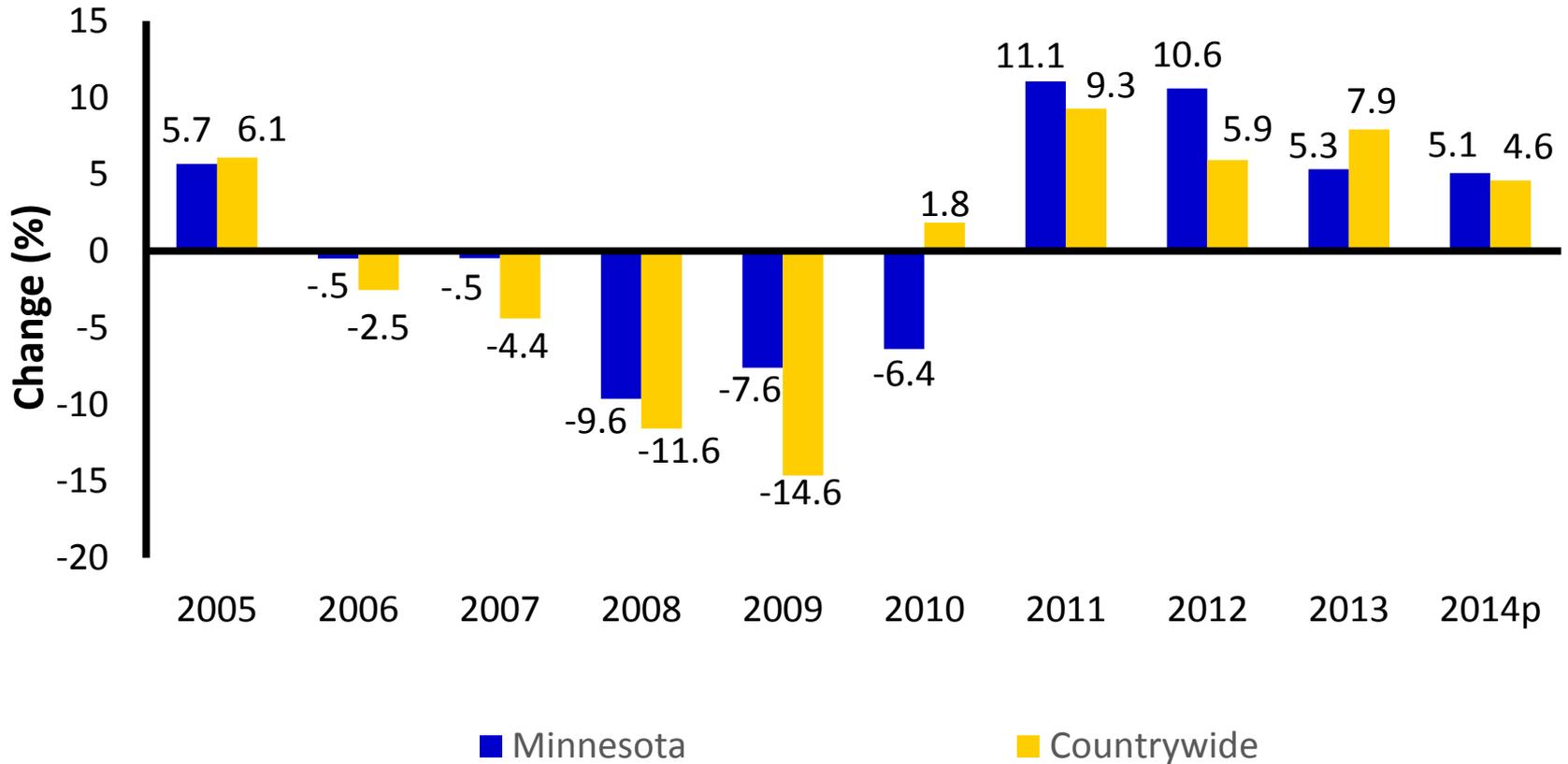
Minnesota Employment Levels





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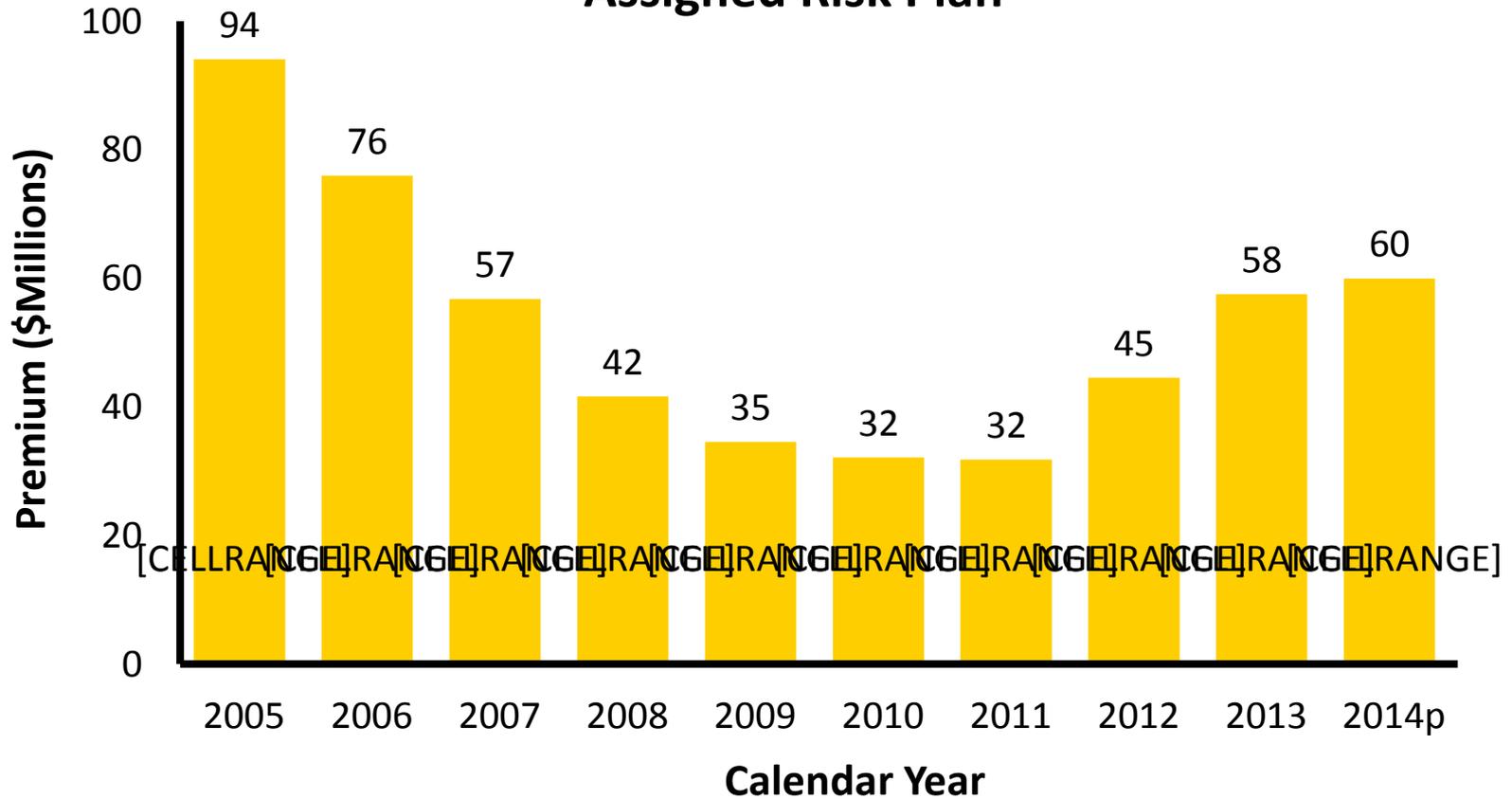
Premium Volume Change





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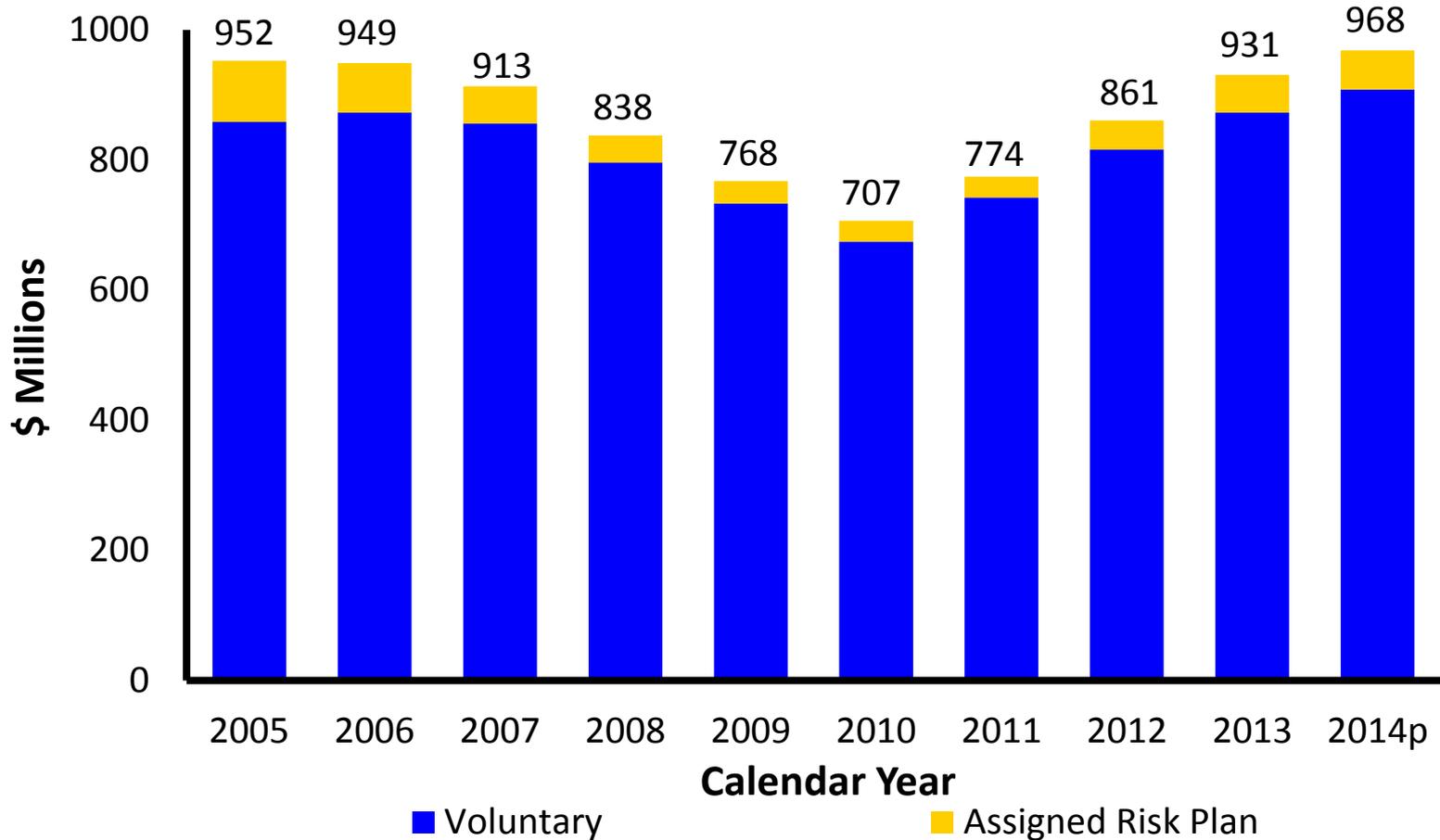
Assigned Risk Plan





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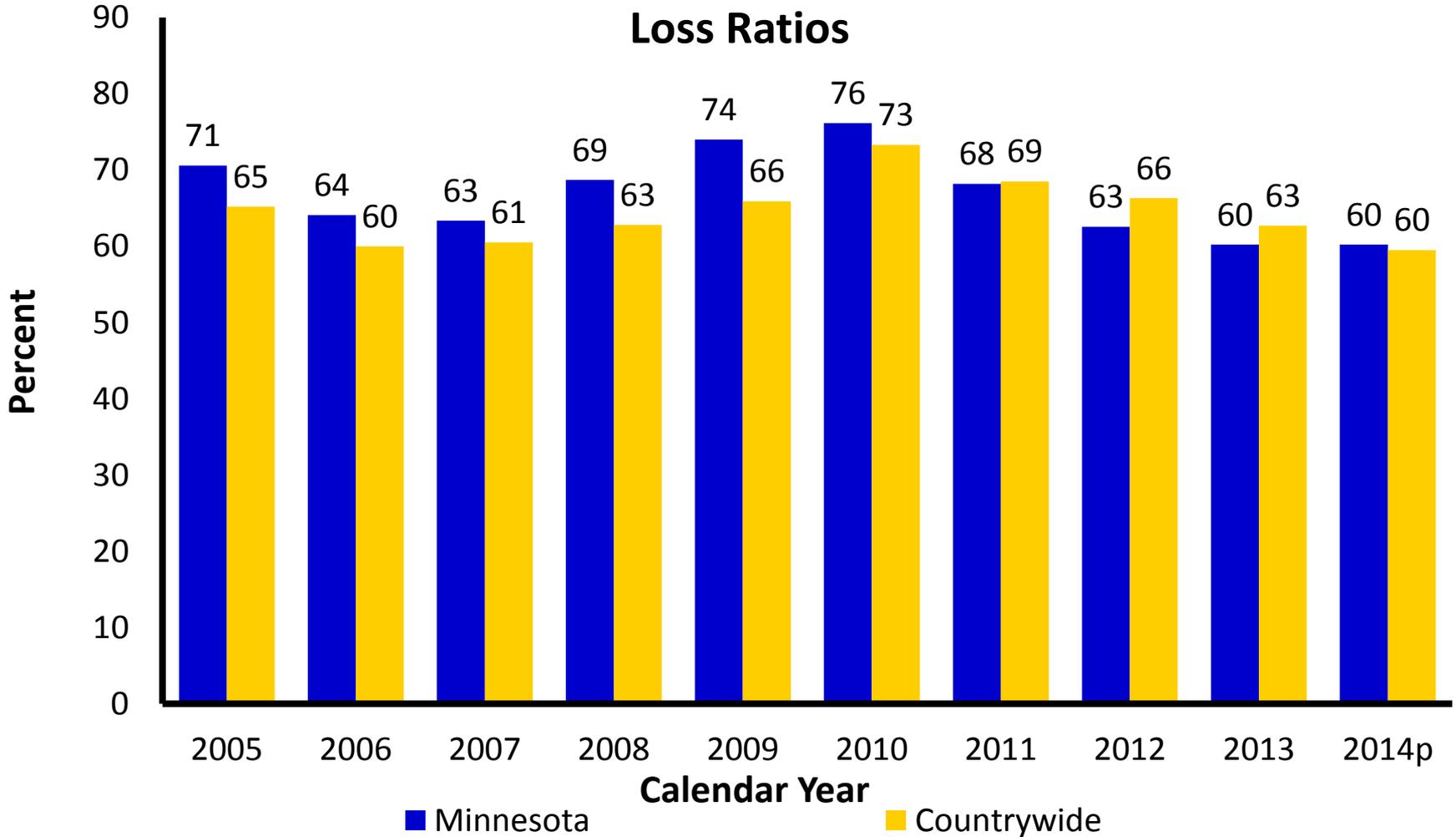
Premium Growth





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Loss Ratios

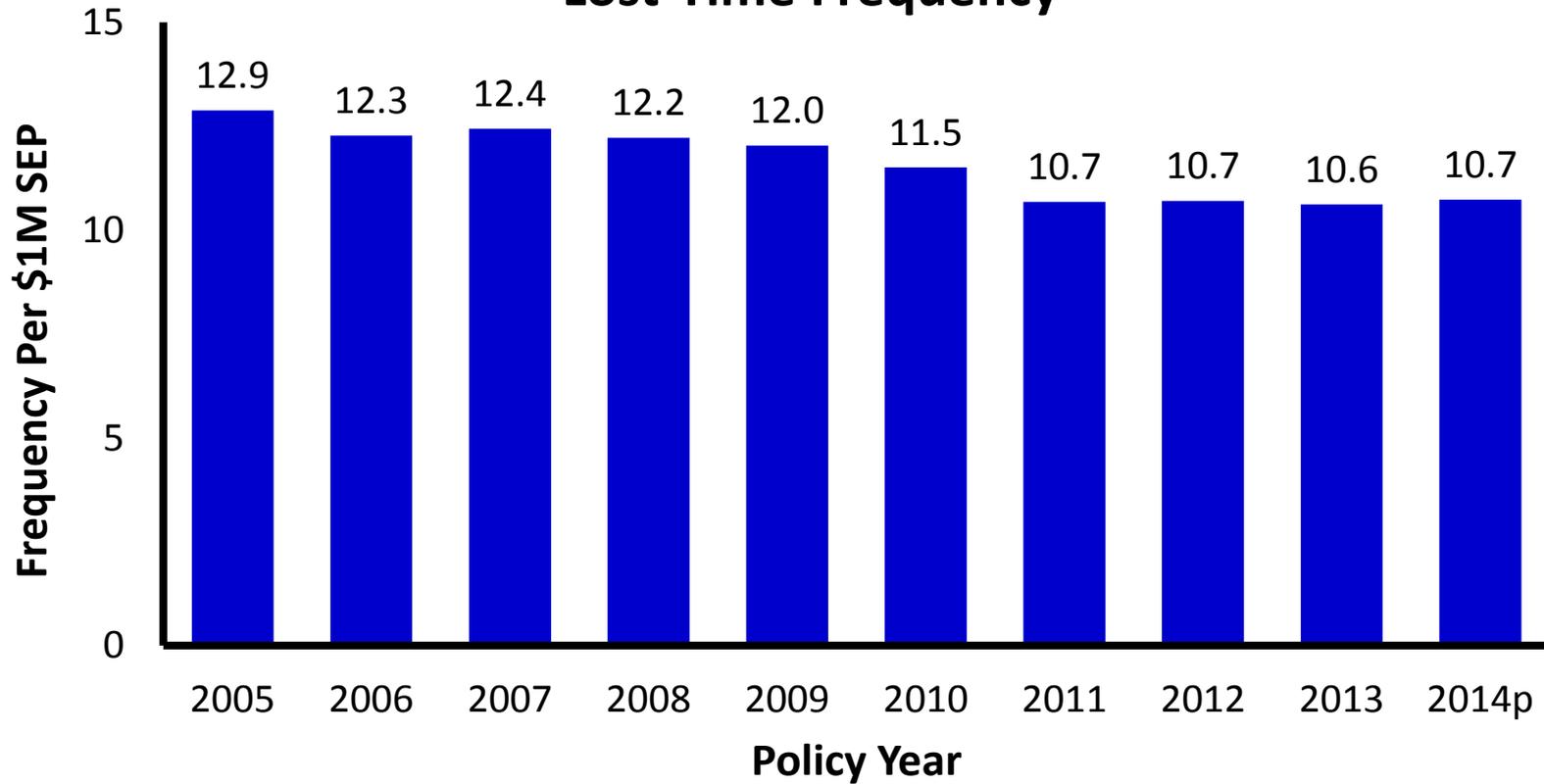


Loss Ratios cited from the AM Best State of the Line Report



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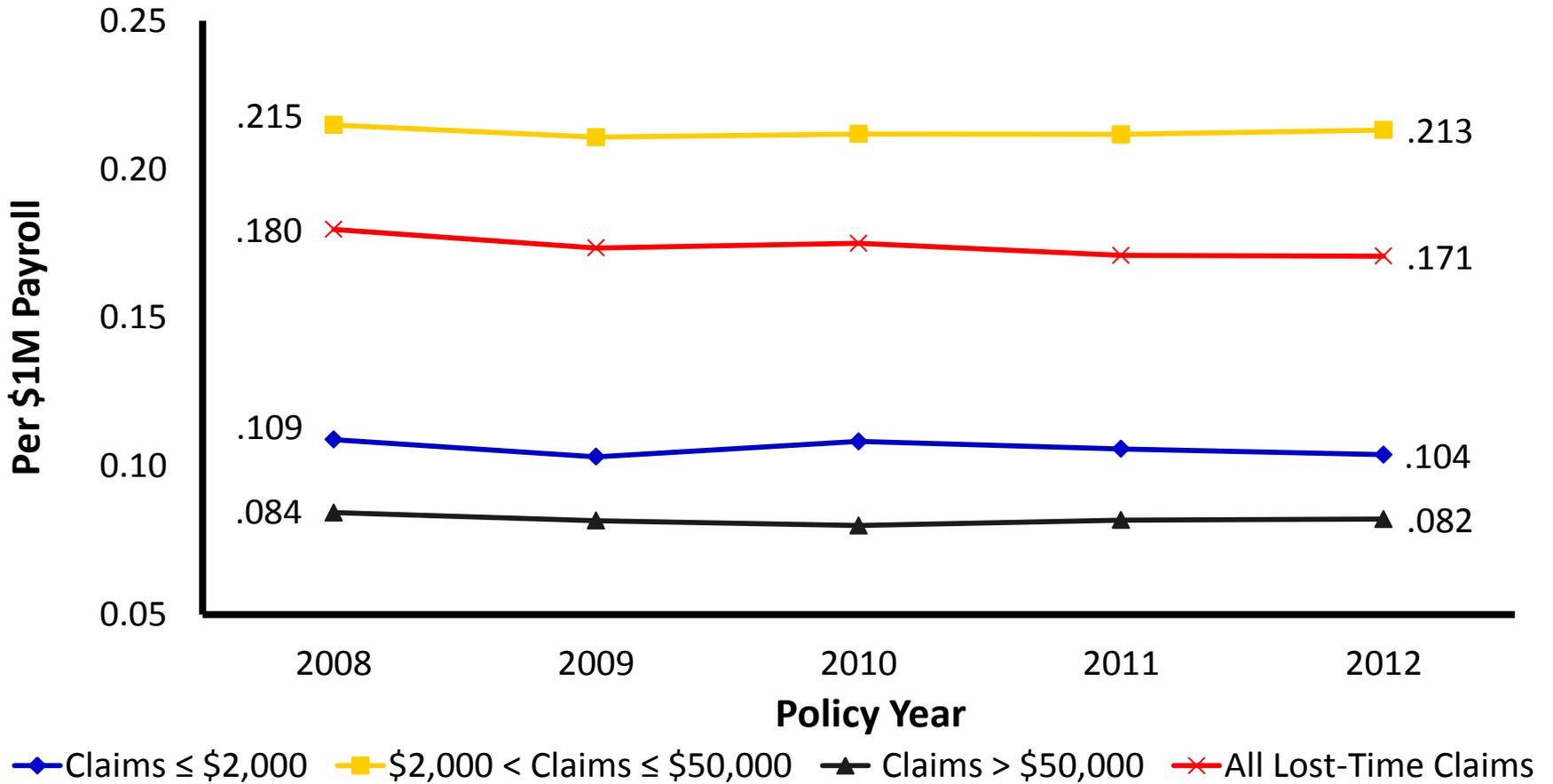
Lost-Time Frequency





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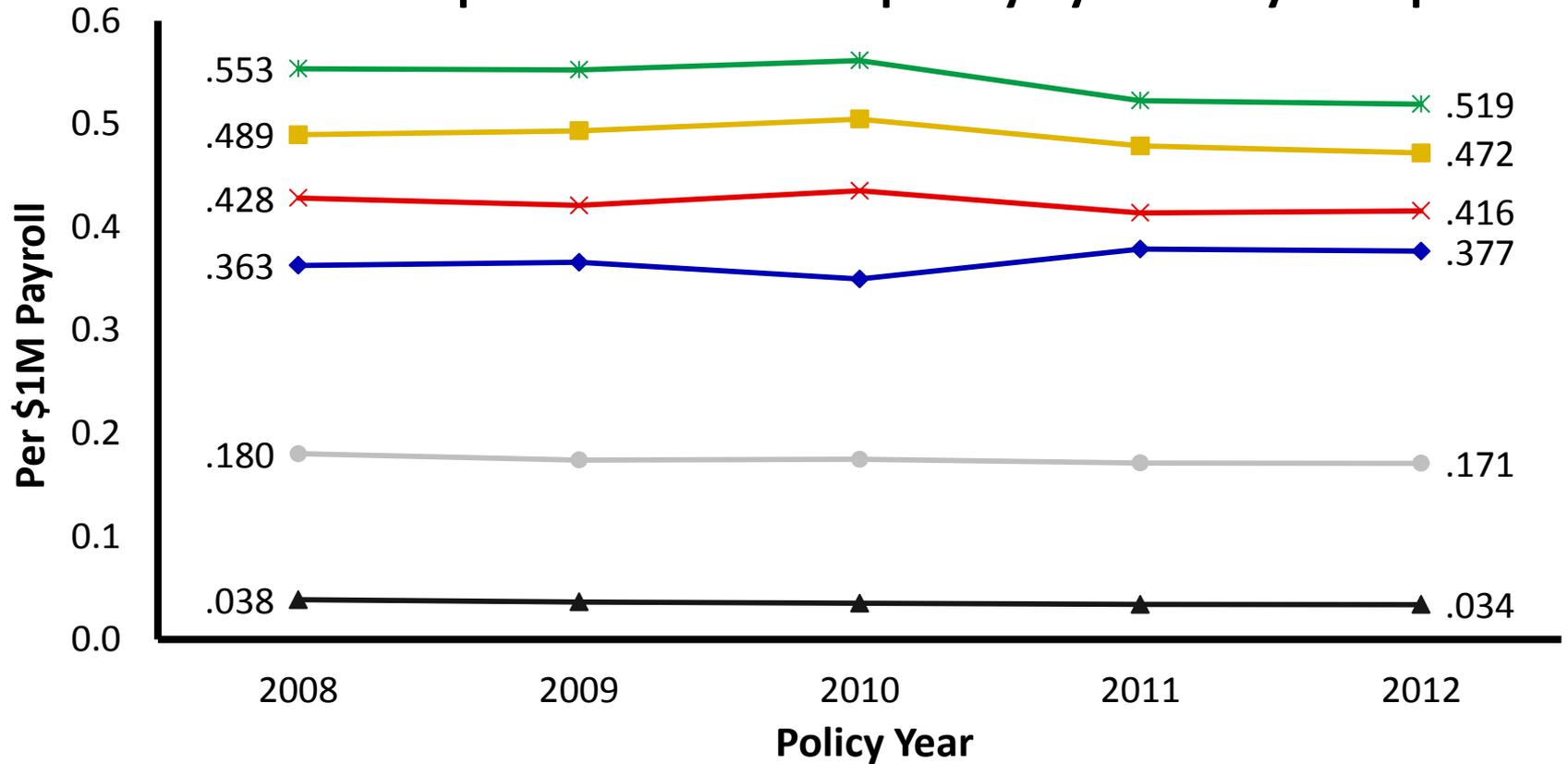
First Report Lost-Time Frequency





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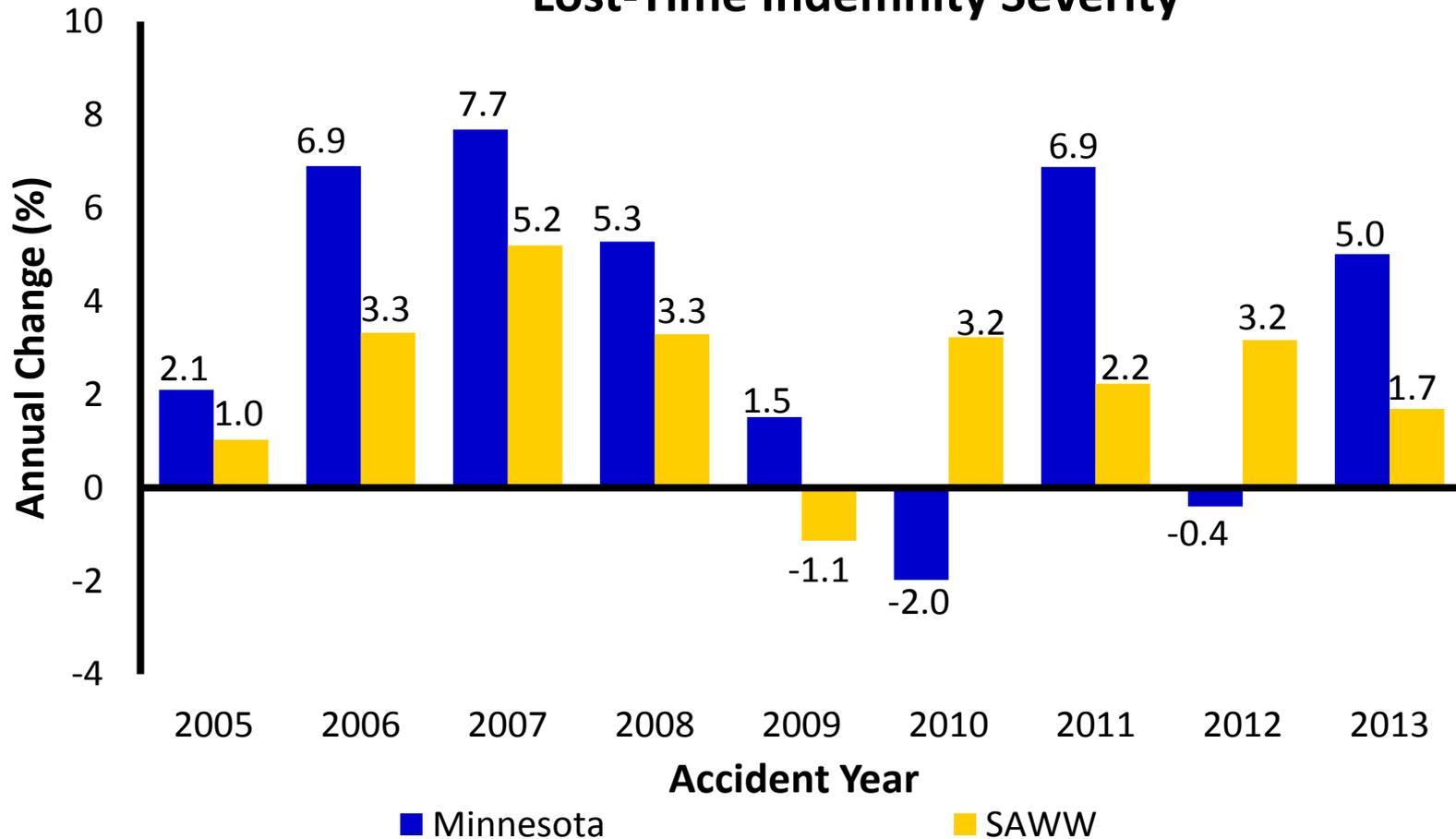
First Report Lost-Time Frequency by Industry Group



◆ Manufacturing ■ Contracting ▲ Office & Clerical ✕ Goods & Services * Miscellaneous ● Total

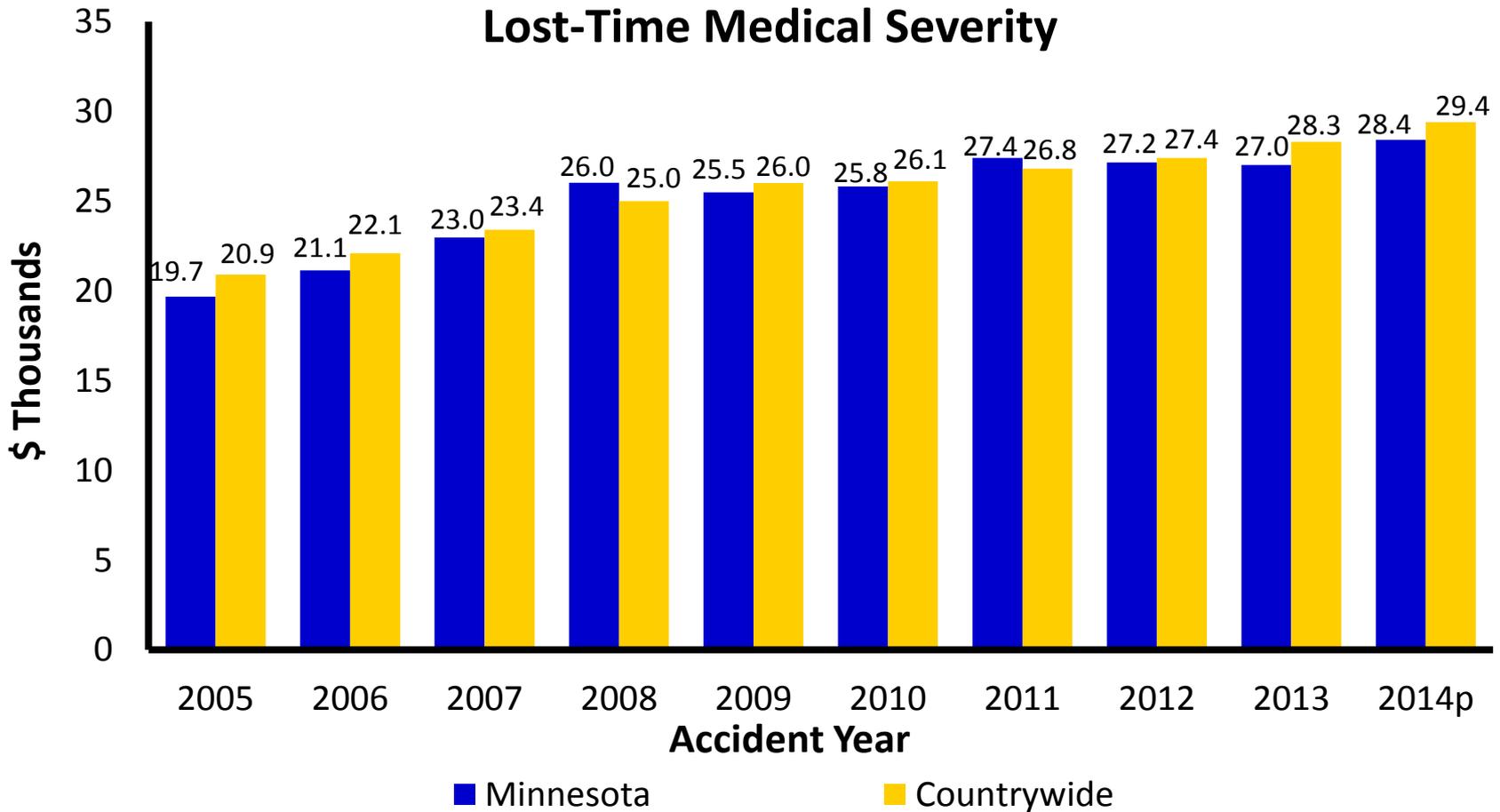
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Lost-Time Indemnity Severity





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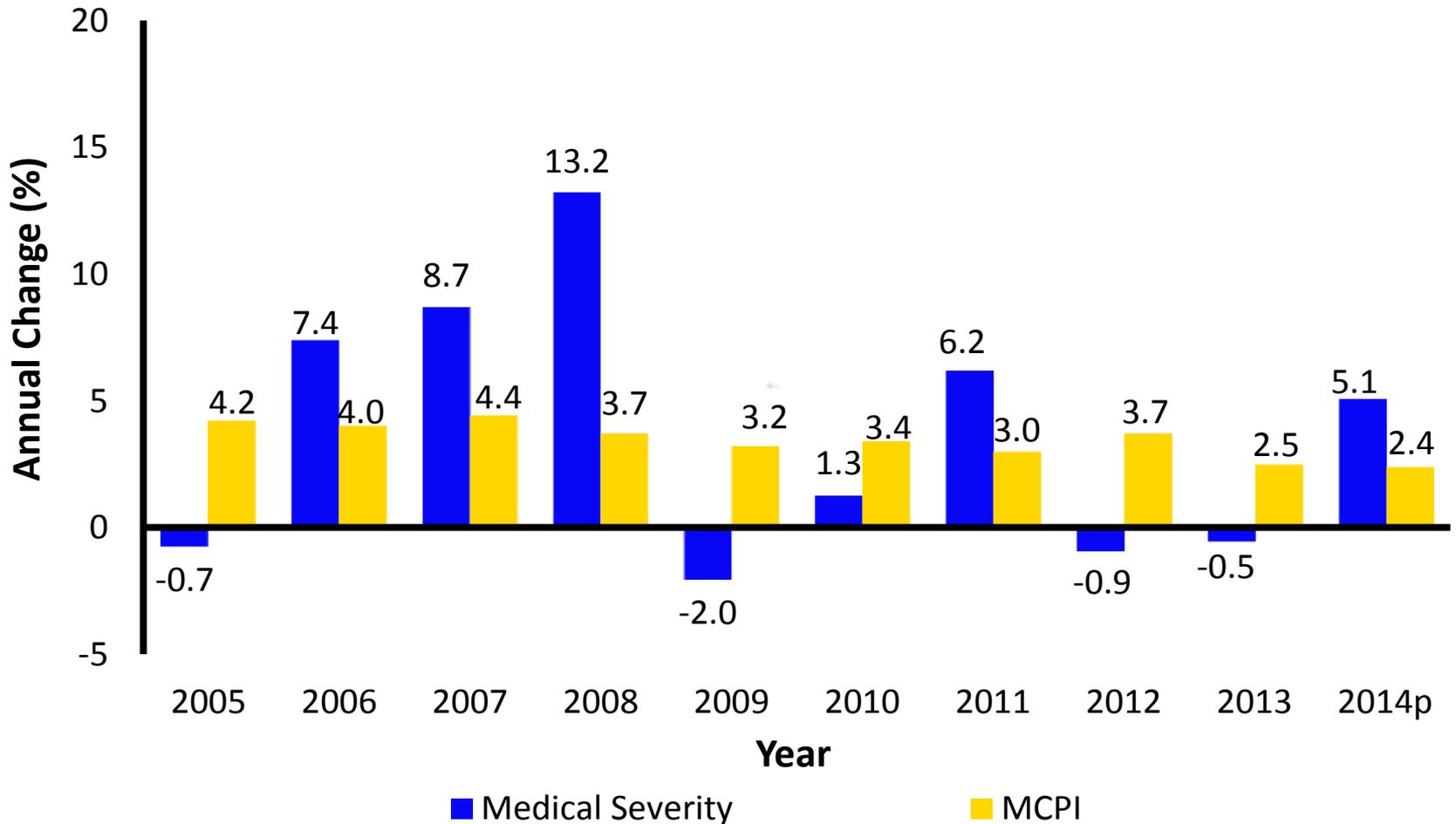


Countrywide series from NCCI Countrywide Frequency and Severity Analysis
Minnesota series from MWCIA Financial data



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Changes in Lost-Time Medical Severity and MCPI

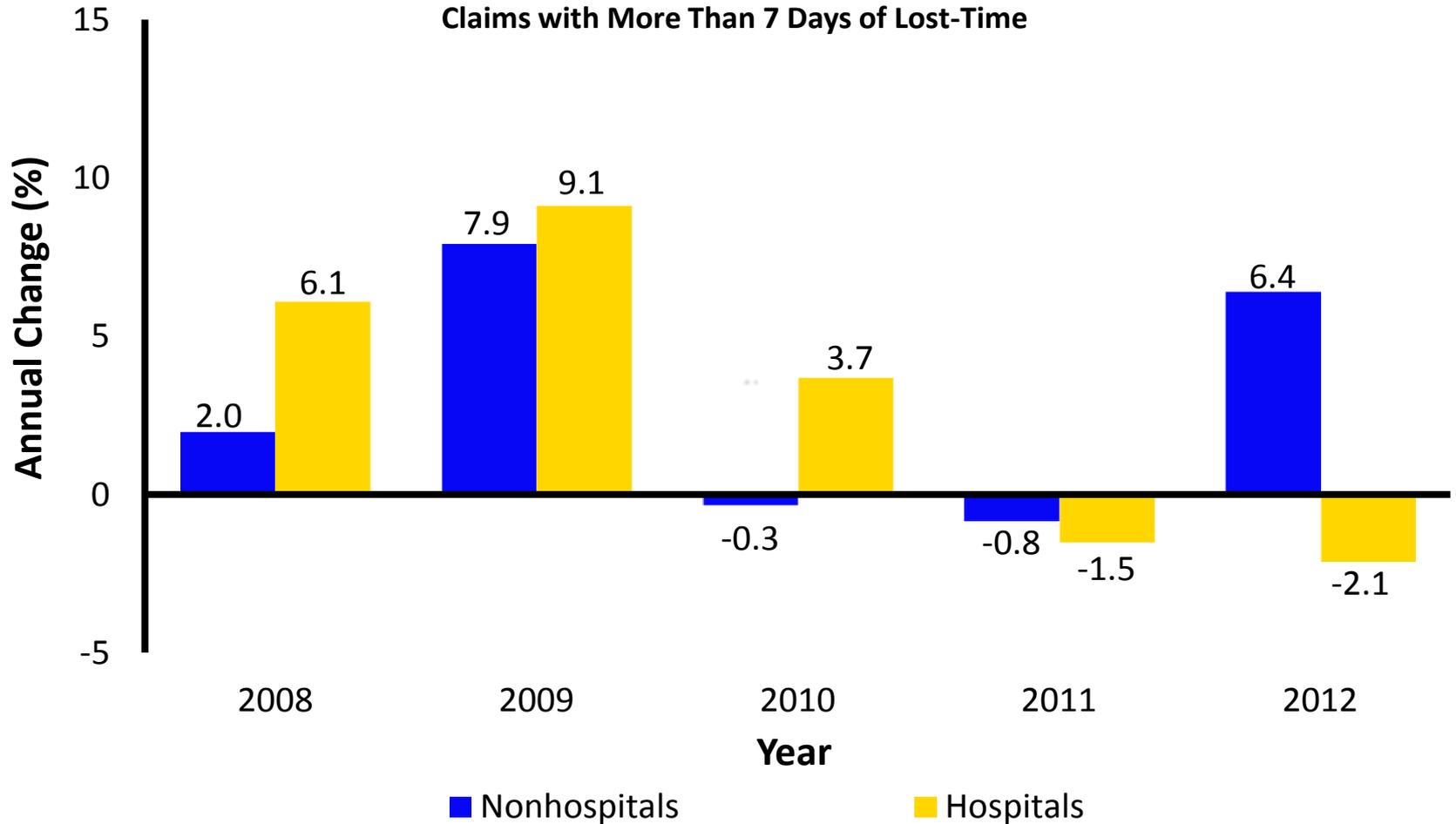




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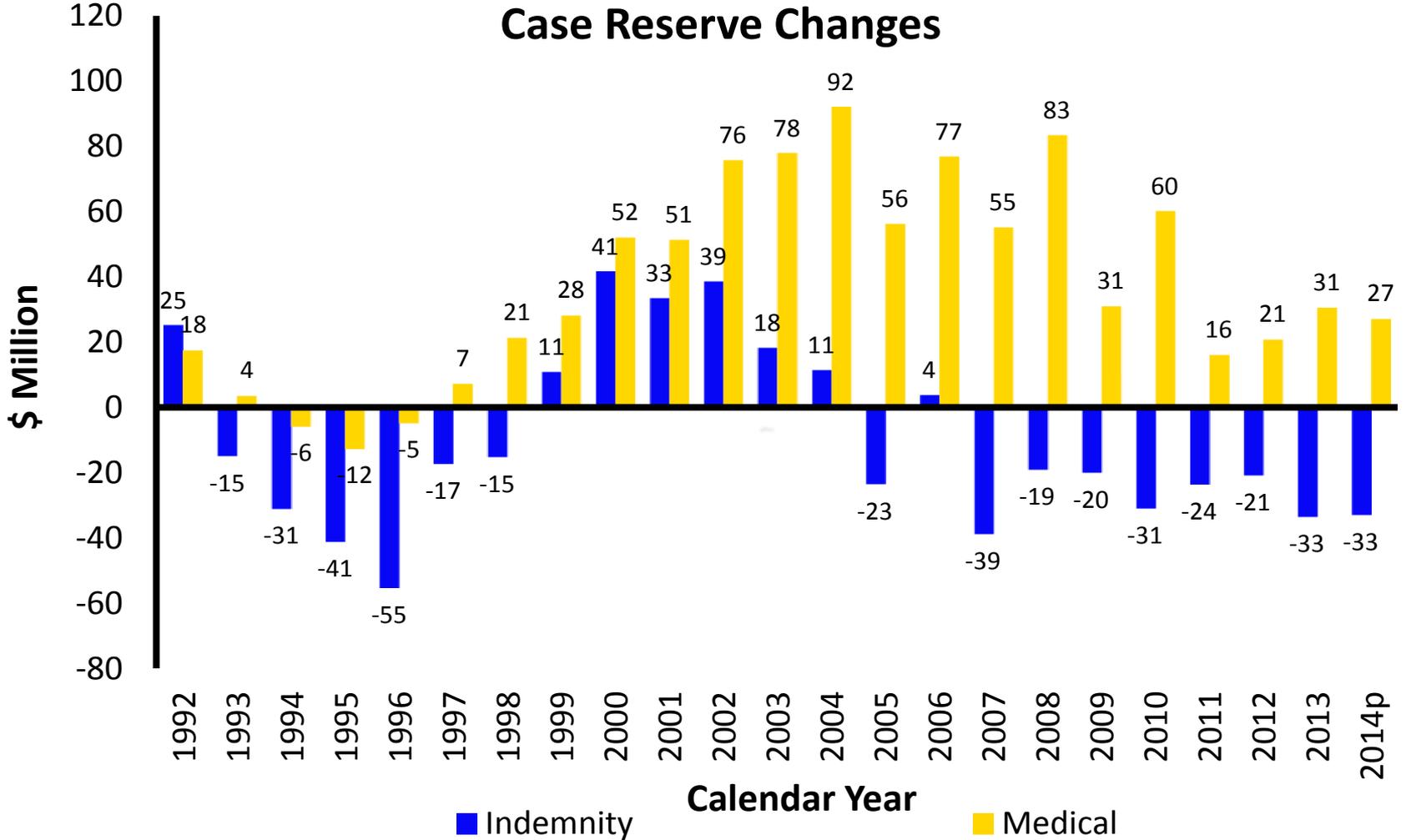
Average Payment per Claim to Medical Providers

Claims with More Than 7 Days of Lost-Time





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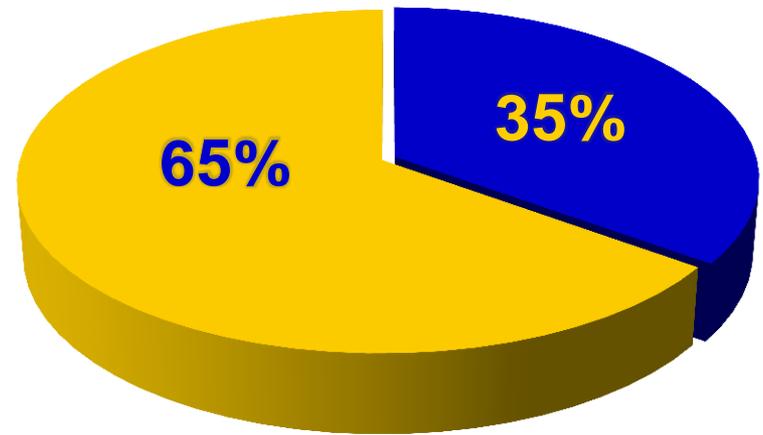
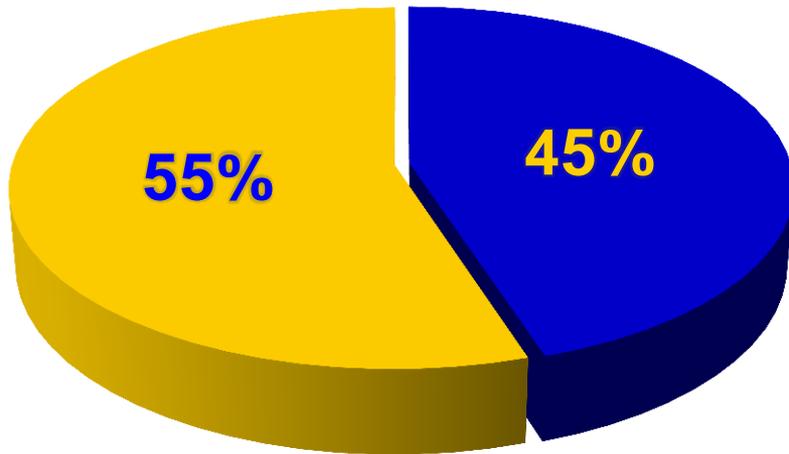


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**Indemnity and Medical
Loss Percentages**

1994

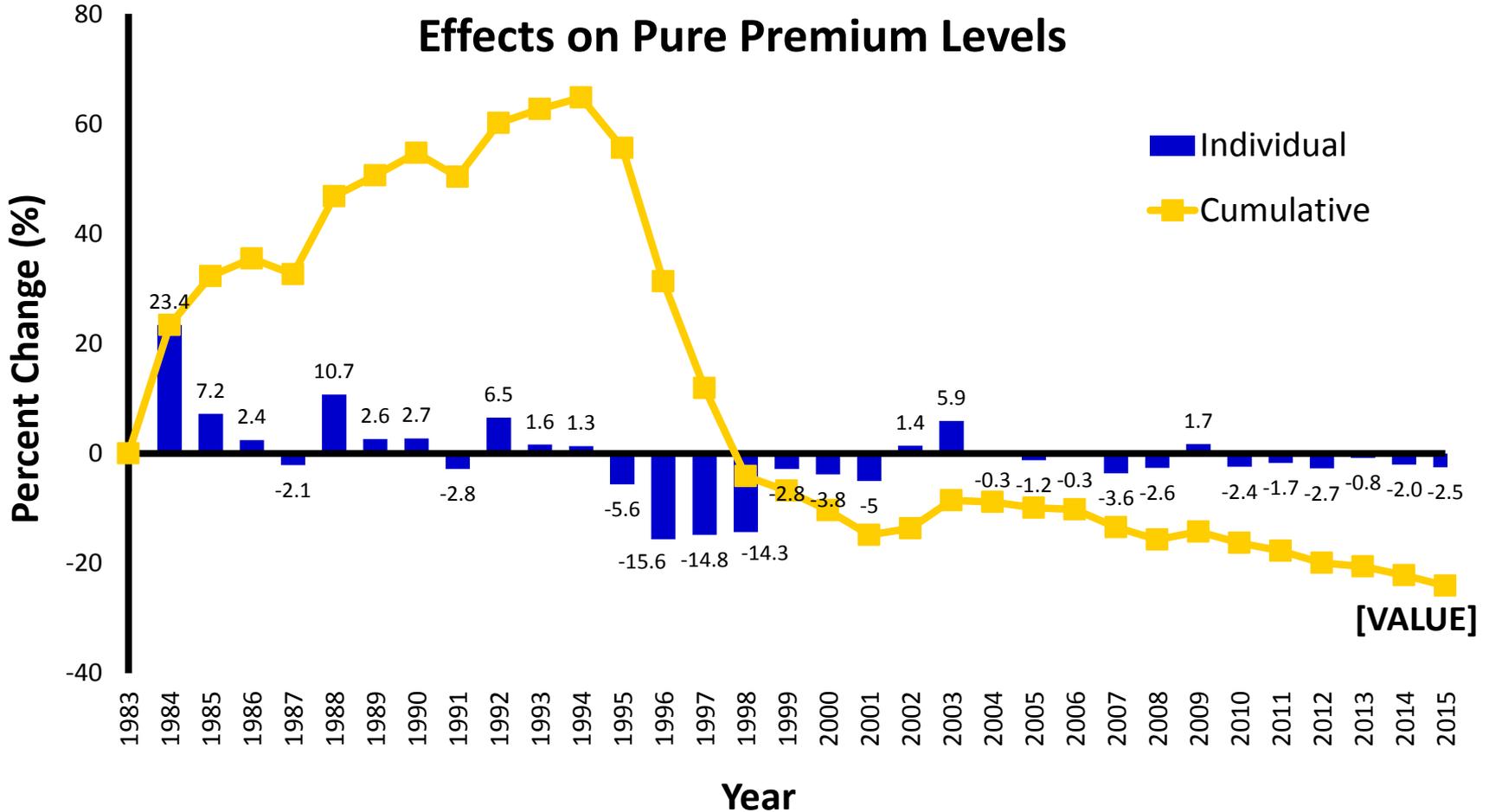
2014p



■ Indemnity
■ Medical

Figures were derived from the 1996 and 2006 MN Ratemaking Reports.
The 2014 figures are preliminary derivations from the MWCIA Financial Call Data valued as of 12/31/2014.

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SUMMARY

- Overall Employment Growth
- Lost-Time Frequency and Severity Stability
- Slowdown in Medical Severity Growth
- Improved Underwriting Results
- Predictable Pure Premiums



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Fundamentals of Experience Rating



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Purpose of Experience Rating

- Experience rating recognizes the differences among individual employers with respect to safety and loss prevention;
- It does this by comparing the experience of individual employers with the average employer in the same classification;
- The differences are reflected by an experience rating modification, based on individual payroll and loss records, which may result in an increase, decrease, or no change in premium;
- Experience rating remains a function of ownership. Two or more entities will be considered as one (combined) for the purposes of experience rating if they share common majority ownership:
 - The same person, group of persons or corporation owns more than 50% of each entity, or;
 - An entity owns a majority interest in another entity, which in turn owns a majority interest in another entity. All entities are combinable for experience rating purposes regardless of the number of entities involved.



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Minnesota Experience Rating Plan Manual

The ***Minnesota Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*** applies on a **mandatory** basis for employers that meet the premium eligibility requirements.

A policy cannot be cancelled, rewritten or extended for purposes of enabling an employer to qualify for, or avoid application of, this Plan.



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Administration of the Experience Rating Plan

1. MWCIA determines the applicability of all Plan rules in Minnesota.
2. The experience rating modification is calculated, issued and, if necessary, revised by MWCIA if intrastate rated, and by NCCI, if interstate rated.
3. Unless otherwise provided by this Plan, experience rating modification issuance and revision is limited to the current and two preceding experience rating modifications.
4. MWCIA will send the experience rating worksheet to the employer and to the carrier of record. Additional parties may be allowed access to the experience rating worksheet if authorized in writing by the employer or via MWCIA's online service.
5. The calculated experience rating modification factor is applied by the carrier(s) in accordance with this Plan, other applicable rules, statutes, and regulations.
6. Appeals involving the application of the rules of this Manual shall be resolved through the applicable administrative appeals process.



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Rules of the Experience Rating Plan

The rules of this Plan are based on policy periods not longer than one year.

A policy issued for a period not longer than one year and 16 days is treated as a one-year policy. A policy issued for a period longer than one year and 16 days is treated as follows:

The policy period is divided into consecutive 12-month units.

The Policy Period Endorsement (WC 00 04 05) specifies the first or last unit of less than 12 months as a short-term policy.

All Manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.



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What Determines Eligibility Requirements for Experience
Rating?

Premium and Experience Period



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Premium

An employer qualifies for experience rating when its unmodified premium, developed in its experience period, meets or exceeds the minimum eligibility amount.

An employer qualifies for experience rating in Minnesota if its data in the last year or last two years of the experience period develops a subject premium of at least \$10,000.

If an employer has more than two years of experience, then to qualify for experience rating the employer must develop an average annual unmodified premium of at least \$5,000.



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Experience Period

Experience rating uses past payroll and losses to predict future losses. The experience period represents the total amount of this data used in an experience rating. The calculation of an employer's experience rating modification must include all eligible experience developed during the experience period for all combinable employers. All experience is subject to verification by MWCIA.



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Experience Period (cont.)

An employer's rating effective date determines its experience period and generally consists of three completed years of experience ending one year prior to the effective date of the modification. Experience for each of an employer's policies is included if the policy effective date is:

- (1) Not less than 21 months before the rating effective date, and
- (2) Not more than 57 months before the rating effective date



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Experience Period (cont.)

An employer's experience period cannot contain more than 45 months (3 $\frac{3}{4}$ years) of data.

The 45-month limitation is a maximum period of time between the expiration date of the most recent policy and the effective date of the oldest policy.

While the experience period may not exceed 45 months, an experience rating modification may be produced with less than 12 months of data.



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Experience Rating Window 2015

2015 Experience Mods		
Rating Effective Date	Oldest Policy Effective Date	Most Recent Policy Effective Date
1/1/2015	4/1/2010	4/1/2013
2/1/2015	5/1/2010	5/1/2013
3/1/2015	6/1/2010	6/1/2013
4/1/2015	7/1/2010	7/1/2013
5/1/2015	8/1/2010	8/1/2013
6/1/2015	9/1/2010	9/1/2013
7/1/2015	10/1/2010	10/1/2013
8/1/2015	11/1/2010	11/1/2013
9/1/2015	12/1/2010	12/1/2013
10/1/2015	1/1/2011	1/1/2014
11/1/2015	2/1/2011	2/1/2014
12/1/2015	3/1/2011	3/1/2014



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Inclusion of Self Insured Data

Experience of self-insurers **may** be included in an experience rating.

The data must be submitted to MWCIA in an approved format (ERM-6 Form). The data is subject to verification by MWCIA prior to inclusion in an experience rating modification.

The carrier requesting the data inclusion must be the employer's insurer during the time for which the modification including the self-insurer data would apply.

For multiple carrier employers, agreement from only one of the employer's carriers, during the time for which the modification would apply, is required.

The self-insurer or carrier data will not be used to determine premium eligibility.



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MN Experience Modification Formula

We start with a definition of terms.

*Note, these definitions may be found in the MN Experience Rating Plan manual which is located on the MWCIA website www.MWCIA.org



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MN Experience Modification Formula

The experience modification is determined for all eligible employers using the following formula:

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F}$$

Where:

A= Actual Incurred Losses

B= Actual Primary Losses

C= Expected Losses

D= Expected Primary Losses

E= Weight Factor

F= Ballast Factor



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Limitation of Losses Employed in a Rating

Losses are limited to the per claim or multiple claim limitations found in **Minnesota's Table of Weighting Values** located in the current ***Minnesota Ratemaking Report***.

2015 State Per Claim Accident Limitation	\$213,500
2015 State Multiple Claim Accident Limitation	\$427,000
2015 Employer's Liability Accident Limitation	\$55,000



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Maximum Debit Modification

Experience rating modification factors determined by the formula in Rule 2-D-1 are subject to a cap if the debit modification exceeds a specific amount. The employer-specific maximum debit modification is determined as follows:

Maximum Debit Modification = $1.10 + (.00004 \times (\text{Total Expected Losses}/G))$.

“G” is a factor equal to the average cost per claim for losses used in experience rating, divided by 1000. “G” is located in the current ***Minnesota Ratemaking Report***.



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Decoding the detailed Worksheet- Injury Types

Code 01- Death Cases

Code 02- Permanent Partial Disability

Code 05- Temporary Injury/ Temporary Total or Temporary Partial

Code 06- Medical Only Claims

Code 07- Contract Medical

Code 09- Permanent Partial



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Decoding the detailed Worksheet- Claim Status

<u>Code</u>	<u>Description</u>
0	Open (final payment not made)
1	Closed
2	Reopened



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- Mod Examples



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Employer A- 2015 No losses/ credit

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED] RATING DATE: 02/01/15 to 02/01/16
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED] POLICY: [REDACTED]

Risk Name	Address	City	ST	Zip
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Policy Effective Date	Policy Number	Actual Incurred Losses	Actual Primary Losses	Expected Losses	Expected Primary Losses
02/01/11	[REDACTED]	0	0	1,855	743
02/01/12	[REDACTED]	0	0	1,887	756
02/01/13	[REDACTED]	0	0	1,282	513
EXPERIENCE TOTALS: A=		0	0	5,024	2,012

Experience Mod Formula Actual Calculation

Weight Factor
E = .05

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F} = 1 + \frac{(-5,024)(.05) + (-2,012)(.95)}{26,399}$$

Ballast Factor
F = 21,375

Experience Modification

.92

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED] RATING DATE: 02/01/15 to 02/01/16
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED] POLICY: [REDACTED]

Carrier		Policy #		Effective		02/01/11		to 02/01/12			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
						3632	125,145	1.45	1,815	.40	726
						8810	67,354	.06	40	.42	17
POLICY TOTALS:				0	0		192,499		1,855		743

Carrier		Policy #		Effective		02/01/12		to 02/01/13			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
						3632	127,609	1.45	1,850	.40	740
						8810	61,804	.06	37	.42	16
POLICY TOTALS:				0	0		189,413		1,887		756

Carrier		Policy #		Effective		02/01/13		to 02/01/14			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
						3632	85,910	1.45	1,246	.40	498
						8810	59,826	.06	36	.42	15
POLICY TOTALS:				0	0		145,736		1,282		513



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Employer B- 2014 losses/ credit

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED] RATING DATE: 10/01/14 to 10/01/15
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED] POLICY: [REDACTED]

Risk Name	Address	City	ST	Zip
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Policy Effective Date	Policy Number	Actual Incurred Losses	Actual Primary Losses	Expected Losses	Expected Primary Losses
10/01/10	[REDACTED]	2,292	2,292	12,858	4,992
10/01/11	[REDACTED]	400	400	13,039	5,063
10/01/12	[REDACTED]	879	879	13,095	5,086
EXPERIENCE TOTALS: A=		3,571	3,571	C= 38,992	D= 15,141

Experience Mod Formula

Actual Calculation

Weight Factor
E = .09

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F} = 1 + \frac{(-35,421)(.09) + (-11,570)(.91)}{60,492}$$

Ballast Factor
F = 21,500

MEDICAL-ONLY ACTUAL LOSSES
HAVE BEEN REDUCED BY 70%

**Experience
Modification**

.77

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED]

RATING DATE: 10/01/14 to 10/01/15

COVERAGE GROUP ID: [REDACTED]

CARRIER: [REDACTED]

POLICY: [REDACTED]

Carrier		Policy #		Effective		10/01/10		to		10/01/11	
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
E2801585	8036	06	1	33	33	8810	3,209,870	.07	2,247	.38	854
E2784574	8036	06	1	47	47						
E2750380	8036	05	1	691	691						
E2740674	8036	06	1	1,521	1,521						
POLICY TOTALS:				2,292	2,292		4,519,863		12,858		4,992

Carrier		Policy #		Effective		10/01/11		to		10/01/12	
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
E2885721	8036	06	1	400	400	8810	3,114,192	.07	2,180	.38	828
POLICY TOTALS:				400	400		4,454,828		13,039		5,063

Carrier		Policy #		Effective		10/01/12		to		10/01/13	
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
E2981991	8036	06	1	580	580	8810	3,051,966	.07	2,136	.38	812
E2962375	8810	06	1	78	78						
E2959522	8036	06	1	94	94						
E2952199	8036	06	1	127	127						
POLICY TOTALS:				879	879		4,404,869		13,095		5,086



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Employer C- Debit Mod 2014

COMBO GROUP ID: [REDACTED] RATING DATE: 01/09/14 to 01/09/15
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED] POLICY: [REDACTED]

Risk Name	Address	City	ST	Zip
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Policy Effective Date	Policy Number	Actual Incurred Losses	Actual Primary Losses	Expected Losses	Expected Primary Losses
01/09/10	[REDACTED]	610	610	11,539	4,376
01/09/11	[REDACTED]	34,538	18,950	15,007	5,666
01/09/12	[REDACTED]	59,479	25,703	11,696	4,414
EXPERIENCE TOTALS: A=		94,627	B= 45,263	C= 38,242	D= 14,456

Experience Mod Formula

Actual Calculation

Weight Factor
E = .09

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F} = 1 + \frac{(56,385)(.09) + (30,807)(.91)}{59,742}$$

Ballast Factor
F = 21,500

MEDICAL-ONLY ACTUAL LOSSES
HAVE BEEN REDUCED BY 70%

**Experience
Modification**

1.55

COMBO GROUP ID: [REDACTED]
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED]

RATING DATE: 01/09/14 to 01/09/15

POLICY: [REDACTED]

Carrier [REDACTED]				Policy # [REDACTED]			Effective 01/09/10 to 01/09/11				
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
[REDACTED]	3076	06	1	159	159	3076	646,662	1.66	10,735	.38	4,079
[REDACTED]	3076	06	1	248	248	5606	14,155	.70	99	.32	32
[REDACTED]	3076	06	1	104	104	8810	857,857	.07	600	.38	228
[REDACTED]	3076	06	1	24	24	8742	65,578	.16	105	.35	37
[REDACTED]	3076	06	1	75	75						
POLICY TOTALS:				610	610		1,584,252		11,539		4,376

Carrier [REDACTED]				Policy # [REDACTED]			Effective 01/09/11 to 01/09/12				
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
[REDACTED]	3076	06	1	39	39	3076	826,381	1.66	13,718	.38	5,213
[REDACTED]	3076	05	1	5,411	5,411	5606	78,693	.70	551	.32	176
[REDACTED]	3076	05	1	5,411	5,411	8810	889,695	.07	623	.38	237
\$13501 and Over						8742	71,888	.16	115	.35	40
[REDACTED]	3076	09	0	29,088	13,500						
POLICY TOTALS:				34,538	18,950		1,866,657		15,007		5,666

Carrier [REDACTED]				Policy # [REDACTED]			Effective 01/09/12 to 01/09/13				
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$13501											
[REDACTED]	3076	06	1	42	42	3076	635,229	1.66	10,545	.38	4,007
[REDACTED]	3076	09	1	12,161	12,161	5606	65,046	.70	455	.32	146
[REDACTED]	3076	09	1	12,161	12,161	8810	851,794	.07	596	.38	226
\$13501 and Over						8742	62,244	.16	100	.35	35
[REDACTED]	3076	09	0	47,276	13,500						
POLICY TOTALS:				59,479	25,703		1,614,313		11,696		4,414



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Employer D- Maximum Debit Mod 2015

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED] RATING DATE: 07/19/15 to 07/19/16
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED] POLICY: [REDACTED]

Risk Name	Address	City	ST	Zip
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Policy Effective Date	Policy Number	Actual Incurred Losses	Actual Primary Losses	Expected Losses	Expected Primary Losses
10/03/11	[REDACTED]	101,316	16,323	794	341
10/03/12	[REDACTED]	0	0	1,756	755
10/03/13	[REDACTED]	0	0	1,391	598
EXPERIENCE TOTALS: A=		101,316	B= 16,323	C= 3,941	D= 1,694

Experience Mod Formula

Actual Calculation

Weight Factor
E = .05

$$1 + \frac{(A - C)(E) + (B - D)(1 - E)}{C + F} = 1 + \frac{(97,375)(.05) + (14,629)(.95)}{25,316} = 1.74$$

Ballast Factor
F = 21,375

MEDICAL-ONLY ACTUAL LOSSES
HAVE BEEN REDUCED BY 70%

* Experience Modification

1.28

** Mod has been limited.

MINNESOTA WORKERS' COMPENSATION EXPERIENCE RATING

COMBO GROUP ID: [REDACTED]
 COVERAGE GROUP ID: [REDACTED]
 CARRIER: [REDACTED]

RATING DATE: 07/19/15 to 07/19/16
 POLICY: [REDACTED]

Carrier		Policy #		Effective		10/03/11		to 10/03/12			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
UNDER \$16251						8831	94,560	.84	794	.43	341
[REDACTED]	8831	06	1	73	73						
\$16251 and Over											
[REDACTED]	8831	09	1	101,243	16,250						
POLICY TOTALS:				101,316	16,323		94,560		794		341

Carrier		Policy #		Effective		10/03/12		to 10/03/13			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
						8831	209,072	.84	1,756	.43	755
POLICY TOTALS:				0	0		209,072		1,756		755

Carrier		Policy #		Effective		10/03/13		to 07/19/14			
Claim Number or #claims	Class Code	Inj Typ	Open = 0 Closed = 1 Reopen = 2	Actual Incurred Losses	Primary Actual Losses	Class Code	Payroll	Exp. Loss Rate	Expected Losses	D Ratio	Primary Expected Losses
						8831	165,585	.84	1,391	.43	598
POLICY TOTALS:				0	0		165,585		1,391		598



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Statewide Experience Mod Data



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Statewide Mods- Code 3632

Rating Year	Class Code/ Industry Group	Region	Expected Loss Range	Average Mod	Number of Ratings	Total Exposure Shown on Mod	Total Losses Shown on Mod	Total Mod Expected Losses
2014	3632 : MACHINE SHOP NOC	Metro	Total	1	137	434,785,552	3,464,255	3,468,984
2014	3632 : MACHINE SHOP NOC	Extended Metro	Total	1.04	62	131,011,761	1,441,495	1,117,758
2014	3632 : MACHINE SHOP NOC	Southeast	Total	0.85	15	86,654,253	432,957	739,104
2014	3632 : MACHINE SHOP NOC	Southwest	Total	1.15	26	50,136,571	862,469	477,768
2014	3632 : MACHINE SHOP NOC	Central	Total	1.02	31	48,837,320	452,465	438,776
2014	3632 : MACHINE SHOP NOC	Northeast	Total	0.89	10	22,911,861	139,346	201,569
2014	3632 : MACHINE SHOP NOC	Northwest	Total	1.11	16	30,274,071	525,941	286,181
2014	3632 : MACHINE SHOP NOC	Other	Total	0.98	8	30,218,807	606,055	211,022



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Statewide Mods Code 8036

Rating Year	Class Code/ Industry Group	Region	Expected Loss Range	Average Mod	Number of Ratings	Total Exposure Shown on Mod	Total Losses Shown on Mod	Total Mod Expected Losses
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Metro	12,500 to 24,999	1.02	20	52,572,282	445,802	358,934
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Extended Metro	12,500 to 24,999	0.97	13	29,430,031	153,840	210,655
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Southeast	12,500 to 24,999	0.83	1	2,456,409	0	14,444
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Southwest	12,500 to 24,999	0.98	3	9,073,391	20,614	52,175
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Central	12,500 to 24,999	1.25	4	10,132,754	181,126	69,266
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Northeast	12,500 to 24,999	0.84	4	11,054,784	7,747	74,420
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Northwest	12,500 to 24,999	1.08	2	4,150,832	18,217	30,522
2014	8036 : HARDWARE STORE: RETAIL EXCLUSIVELY	Other	12,500 to 24,999	1.32	1	3,965,496	29,805	21,597



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Statewide Mods Code 5537

Rating Year	Class Code/ Industry Group	Region	Expected Loss Range	Average Mod	Number of Ratings	Total Exposure Shown on Mod	Total Losses Shown on Mod	Total Mod Expected Losses
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Metro	25,000 and over	0.91	39	221,127,475	1,724,548	2,316,551
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Extended Metro	25,000 and over	0.98	6	27,053,374	242,220	296,487
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Southwest	25,000 and over	1.03	2	5,347,761	56,427	69,679
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Central	25,000 and over	0.83	3	17,193,280	31,634	175,017
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Northeast	25,000 and over	1.06	2	7,802,049	33,088	57,651
2014	5537 : HEATING, VENTILLATION, AIR COND & REFRIG-INSTALL, SERV, REPAIR & D	Northwest	25,000 and over	1.17	2	10,664,626	360,324	147,358



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Update- Changes to the Experience Rating Plan Primary/Excess Split Point Value

NCCI Item E-1402 – Revisions to the Experience Rating Plan Primary/Excess Split Point Value and Maximum Debit Modification Formula

- Primary/Excess Split Point Value

Changes Effective 01/01/13, 1/1/14, 1/1/15

**Reviewed annually thereafter*



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Changes to the Experience Rating Plan Primary/Excess Split Point Value

Problem:

Employers with better than average experience continue (at an ever increasing rate) to subsidize those with poorer experience. (Less and less of the losses of those employers with poor experience are going into the formula.)

Solution:

Introduce changes to the Split Point and Maximum Debit Modification Formula to reverse this trend, making the experience rating formula more responsive.



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Changes to the Experience Rating Plan Primary/Excess Split Point Value and Maximum Debit Modification Formula

- The \$5,000 primary/excess split point had not changed for approximately 20 years;
- Over those 20 years, the average cost per case has tripled;
- The split point changed (commencing 01/01/13) as follows:
 - Effective 01/01/13- \$10,000;
 - Effective 01/01/14- \$13,500;
 - **Effective 01/01/15- \$16,250**



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Impact of the change in split point value on employer's experience modifications in 2015:

- There will be no measurable change in the overall average statewide experience modification level in 2015;
- 88% of current rated insureds will either see modification decreases, or increases of no more than 2%;
- 11% of current rated insureds will see modification increases between 2% and 10% - with an average around +3.5%;
- 1% of current rated insureds will see modification increases of more than 10% - these changes will primarily affect businesses with current modifications exceeding 1.84;



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Assignment of Classification Codes and the impact
on experience rating



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Purpose of the Classification System

- Group employers with similar operations into classifications so that
 - the Classification Codes address the common exposures of these businesses.
 - Classification Code rate charged reflects the losses common to employers



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Class Codes and Experience Rating

- Impact underwriting guidelines/ Overall pricing considerations
 - Rating tiers
 - Schedule Credit eligibility
 - Safety and Loss Control expectations and services
- Assigned Class Codes determine experience rating factors
 - Expected Loss Rate
 - Discount Ratio
 - Expected losses



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What can an insured do?

- Loss Prevention
 - Positive attitude (from the top) about safety
 - Comprehensive hiring procedures
 - Comprehensive training procedures
 - Job duties done the safe way
 - Lifting techniques
 - Body mechanics
 - Etc.
 - Provide personal protective gear and equipment
 - Maintain equipment and tools in good working condition



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What can an insured do?

- Loss Reduction
 - Prompt reporting of claims
 - Closely monitor claims
 - Investigate and analyze all claims and implement corrective measures (if any)
 - Stay at Work/ Return to Work programs
 - Send care provider job descriptions for workability reports
 - Managed care including dedicated provider



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Questions?

Thank you for your attention today