

September 30, 2025

VIA EMAIL to [jessica.stimac@state.mn.us](mailto:jessica.stimac@state.mn.us)

Workers' Compensation Advisory Council  
c/o Minnesota Department of Labor and Industry  
443 Lafayette Road N.  
St. Paul, MN 55155

**Re: Observation and Opinion on Minnesota Workers' Compensations Insurance Association's 2026 Rate Filing**

Dear Members of the Workers' Compensation Advisory Council,

As part of the regulation of the rates for Workers' Compensation insurance in Minnesota, the Department of Commerce provides observations of the Minnesota Workers' Compensation Insurance Association's (MWCIA) Ratemaking Report. The following letter highlights the more significant observations of the MWCIA's 2026 Advisory Pure Premium Filing.

MWCIA uses ratemaking methodologies that are for the most part similar to those used by other organizations providing these types of services in other states. Specific similarities to filings made by rating organizations in other states that provide advisory loss costs (also called pure premiums) for workers compensation include using:

- financial data as a basis for the overall indication,
- under normal circumstances, the latest two policy years and two calendar-accident years as experience periods to set the overall rate level,
- paid losses plus case reserves as data used to set the overall rate level,
- medical losses separated from the indemnity losses,
- a variety of alternatives (averages) to make loss development selections,
- standard methodologies for the law evaluation analysis, and
- unit statistical data for calculating job class code relativities.

For the 2025 MWCIA Ratemaking Report, MWCIA was able to return to their standard experience period of using the two latest available policy years and two calendar-accident years for the experience period as a basis for the 2025 advisory pure premiums. Note that the experience periods were modified in MWCIA's 2022-2024 ratemaking reports as the experience periods at a similar maturity were greatly distorted by the COVID-19 pandemic. In 2026, the 2025 procedure for the experience period selection was once again used by MWCIA. In my opinion, it is reasonable to use the experience periods that have been traditionally used in their ratemaking methodology as the experience from the distortion caused by COVID-19 pandemic is mostly for periods prior to those in the selected experience period.

Starting with the 2023 MWCIA Ratemaking Report, trend, to-ultimate and loss adjustment expense (LAE) factors are included as part of the advisory pure premiums that MWCIA produces. In Ratemaking Reports produced by MWCIA prior to the 2023 MWCIA Ratemaking Report, MWCIA produced information for trend and to-ultimate in their ratemaking reports but did not include them as part of the advisory pure premiums (they were not allowed to include them due to the statute and rules). Note that the LAE information was excluded as MWCIA was prohibited from providing any information about expenses prior to the 2022 law change. Instead, insurance carriers had to adjust the pure premiums for these elements as part of their loss cost multiplier (LCM) which is what companies apply to the pure premiums to produce rates. More details on each of these three issues and MWCIA's treatment of them in the rate filing are as follows:

- For the trend selection, MWCIA looks at historical trends for severity and frequency as well as CPI information for the average weekly wage.
- For the to-ultimate factor and conversion factors (from paid plus case to carrier ultimate losses), the methodology is a standard methodology historically used by Workers' Compensation rating organizations operating in other states. For the last few years, this conversion also took place after twenty-seven years. In the years prior to 2020, this conversion took place after fewer years as MWCIA gradually moved from making the conversion after eight (last done in 2015) to twenty-seven years.
- LAE is split into two components, adjusting and other expenses (AOE) and defense and cost containment expenses (DCCE). In general, AOE expenses cannot be attributed to specific claims. MWCIA reviewed information from the National Council on Compensation Insurance (NCCI - which is an organization which performs rate services in workers' compensation for the majority of the other states). Since there was no reason to believe Minnesota would be different from the remainder of the country, MWCIA selected a provision for AOE based on the last five historical years from the NCCI countrywide data. For DCCE (which can be attributed to specific claims) MWCIA made its selection based upon the last ten years of financial statement calendar year data, policy year financial data and accident year financial data for Minnesota workers' compensation.

The process that MWCIA uses when preparing their filing is as follows: MWCIA staff actuaries work with consultants to recommend the overall indication, which is adjusted or approved by MWCIA's actuarial committee, and ultimately approved by MWCIS's board. I have been involved in some manner in the process, either as a company representative, consultant or regulator for over 25 years. The methodologies and selection logic has been very stable over this time period. Also, with the exception noted below, the MWCIA's consultants have been the same over the years.

Twelve years ago, the consulting firm's partnership that MWCIA was using dissolved. MWCIA decided to use one of the newly created firms from the old partnership. When this happened, MWCIA sought another consultant firm (one that was not part of the dissolved entity) to opine on their actuarial methodologies. (This study was undertaken ten years ago.) This consultant found that the MWCIA methods are very similar to those used by similar organizations in other states and had very few recommendations of substance. MWCIA

reviewed the more significant recommendations and either implemented them or found that implementing the recommendations would not make a material difference.

In my opinion, the MWCIA methodologies are similar to those used by other rate advisory organizations which perform similar services in other states. From my observations, the pure premiums produced by MWCIA are not excessive, inadequate or unfairly discriminatory, given the information available.

If you have any questions on the observations provided in this letter, please send them to [phil.vigliaturo@state.mn.us](mailto:phil.vigliaturo@state.mn.us).

Sincerely,

A handwritten signature in black ink that reads 'Phillip C. Vigliaturo'.

Phillip C. Vigliaturo, ACAS. MAAA, PIR  
Director, Property and Casualty Actuarial