

CHAPTER 2705
DEPARTMENT OF COMMERCE
DATA SERVICE ORGANIZATIONS

2705.0200 DEFINITIONS.

LICENSING OF DATA SERVICE ORGANIZATIONS

2705.1000 APPLICATION INFORMATION.

2705.1100 MANUALS.

2705.1200 GRANTING OF LICENSE.

RATEMAKING REPORT

2705.1600 DATA SERVICE ORGANIZATIONS.

2705.1700 CONTENT OF RATEMAKING REPORT.

2705.1800 USE OF RATEMAKING REPORT.

2705.0200 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 2705.0200 to 2705.1800, the terms defined in this part have the meanings given them.

Subp. 2. **Classification plan; classification.** "Classification plan" or "classification" means the same as it is defined in Minnesota Statutes, section 79.52, subdivision 4.

Subp. 3. **Commissioner.** "Commissioner" means the commissioner of insurance.

Subp. 4. **Data service organization; organization.** "Data service organization" or "organization" means the same as it is defined in Minnesota Statutes, section 79.52, subdivision 3.

Subp. 5. **Insurer.** "Insurer" means the same as it is defined in Minnesota Statutes, section 79.52, subdivision 13.

Subp. 6. **Pure premium.** "Pure premium" means that portion of a premium, as defined in Minnesota Statutes, section 79.52, subdivision 7, designated for claim payments.

Subp. 7. **Pure premium base rate schedule.** A "pure premium base rate schedule" is a set of pure premium rates with no adjustments for trend and with only partial loss development reflecting some additional development but not developed to the ultimate expected loss level.

Subp. 8. **Pure premium rate.** "Pure premium rate" means that portion of a rate designated for claim payments.

Subp. 9. **Pure premium relativities.** "Pure premium relativities" means the mathematical relationship of pure premium rates for each reporting classification one to another, to a base class or classes, or to some common index or indices.

Subp. 10. **Rates.** "Rates" means the same as it is defined in Minnesota Statutes, section 79.52, subdivision 5.

Subp. 11. **Rating association.** "Rating association" means the Workers' Compensation Insurers Rating Association of Minnesota.

Statutory Authority: *MS s 79.51*

LICENSING OF DATA SERVICE ORGANIZATIONS

2705.1000 APPLICATION INFORMATION.

A data service organization shall apply to the commissioner for a license. The rating association shall submit an application to be licensed as a data service organization by July 1, 1983. An application to be a data service organization shall include all information required by Minnesota Statutes, section 79.62. In addition, the application shall include:

A. the organization's plan of operation including:

(1) a description of the applicant's operating premises and computer capabilities;

MINNESOTA RULES 1983

1787

DATA SERVICE ORGANIZATIONS 2705.1100

(2) a description of the management and operation of the organization, including a description of major staff positions and necessary qualifications for the positions;

(3) a list of members and their responsibilities; and

(4) a procedure by which insureds and any other interested party may challenge the action of the data service organization; and

B. a plan for data collection and analysis, and other activities of the data service organization, including:

(1) A statistical plan for the collection and reporting of exposure base and loss data of individual insureds from each member;

(2) A system for the classification of risks to be used for reporting by member insurers, and for calculating pure premium relativities, and all other rate-related or data analytic activities it proposes to undertake;

(3) Manual rules reasonably related to the recording and reporting of data pursuant to the statistical plan and the classification system;

(4) Data reporting requirements for members and monitoring procedures. A data service organization may not collect or report expense or profit data from its members but may collect loss adjustment costs. Premium data may be reported to the extent needed to monitor the quality and integrity of the data bases. Following the approval of a pure premium base rate schedule, the data service organization may require premium data to be reported at that level, provided that reporting need not be required of companies writing a small volume of Minnesota workers' compensation premiums. The criteria for being excused from reporting will be determined by the data service organization;

(5) A plan for the collection of any other data not prohibited in subitem (3) and a description of these data;

(6) A plan for and description of the ratemaking report required by Minnesota Statutes, section 79.61;

(7) Plans for disseminating information to members of the organization and to the commissioner;

(8) Plans for audit procedures to ensure that data reporting requirements are met by organization members;

(9) A plan for compiling expense data reported to the commissioner for development of advisory rates, rating plan values, and discount factors; and

(10) A description of any changes from the uniform statistical plan, classification system, and related rules which are in effect at the time the application is made.

Statutory Authority: *MS s 79.51*

2705.1100 MANUALS.

A. There are five manuals currently filed by the rating association and in force in Minnesota. The rating association must file similar manuals as part of their application to become a data service organization. The application must include a list of any changes in the current manuals.

B. The commissioner shall approve a uniform classification system and a uniform statistical plan and manual rules related to the classification system and the statistical plan.

C. The commissioner shall disapprove changes in the manuals which would substantially lessen competition or which would lead to premiums which are unfairly discriminatory.

D. Every workers' compensation insurer shall report its data in accordance with the classification code manual, and the unit statistical plan manual, and the related rules in the basic manual. In the current basic manual these rules consist of the following:

MINNESOTA RULES 1983

2705.1100 DATA SERVICE ORGANIZATIONS

1788

(1) in part one, rules I, II, III, IV, V, VIII (A.1, A.2a, A.2.b.1, A.2.c-e, B.1, B.2, B.6, C.1, C.2, C.4), IX, XI (A, B), XII, XIII, XIV (A-D), XV (A and C);

(2) all of part two on classifications; and

(3) in part three, pages 9-17 on classifications; pages 18-19, special rules (IV, V, IX); and pages 20-23.

E. Insurers may use the premium factors, the experience rating plan, or the retrospective rating plans developed by the rating association. They may also develop and use their own factors and plans. In the current basic manual, the rules which insurers will not be required to use consist of the following:

(1) in part one, rules VI, VII, VIII (A.2.b.2-4, B.3-5, C.3) X, XI (C-H), XIV (E-G), XV (B); and

(2) in part three, pages 1-8; pages 18-19, special rules VI and VII; and appendix B.

Statutory Authority: *MS s 79.51*

2705.1200 GRANTING OF LICENSE.

A. The commissioner shall issue a license if the commissioner finds that:

(1) the applicant meets the requirements of Minnesota Statutes, section 79.62 and part 2705.1000;

(2) the applicant demonstrates staff competence and technical qualifications necessary to provide the services proposed;

(3) the applicant's premises and computer capabilities are sufficient to provide the services proposed; and

(4) the applicant's plan for data collection and analysis will result in a reliable, credible data base.

B. The commissioner shall issue a notice of the acceptance or rejection of the application for licensure as a data service organization within 90 days of receipt of a complete application.

Statutory Authority: *MS s 79.51*

RATEMAKING REPORT

2705.1600 DATA SERVICE ORGANIZATIONS.

Subpart 1. **Initial outline and report.** In 1983 licensed data service organizations must prepare their first ratemaking report. The outline of the report should be submitted to the commissioner for comment by September 1, 1983. A draft of the report should be submitted to the commissioner for comment by November 1, 1983. The final ratemaking report must be submitted no later than January 1, 1984.

Subp. 2. **Subsequent outlines and draft reports.** After 1984, licensed data service organizations must submit an outline of their annual ratemaking report to the commissioner for comment by July 1 of each year. A draft of the report should be submitted to the commissioner for comment by October 1. The final ratemaking report must be submitted no later than January 1 of the succeeding year. Interim reports on the effect of changes in the law on rates may be submitted at any time during a year.

Subp. 3. **Annual reports.** Beginning in 1984, licensed data service organizations shall make yearly ratemaking reports to the commissioner. Insurers may not make reference to a report in their filings until it has been filed with the commissioner.

Statutory Authority: *MS s 79.51*

MINNESOTA RULES 1983

1789

DATA SERVICE ORGANIZATIONS 2705.1800

2705.1700 CONTENT OF RATEMAKING REPORT.

Subpart 1. **Statutory and other data.** A ratemaking report shall meet all requirements of Minnesota Statutes, section 79.61, subdivision 1, clause (c) and, in addition, may contain information useful to data service organization members regarding factors pertinent to Minnesota workers' compensation business such as legislative concerns, Workers' Compensation Reinsurance Association operations, loss control programs, and programs developed by insurers that may be of interest and applicability to workers' compensation insurers.

Subp. 2. **Minimum content.** A ratemaking report shall include:

A. A compilation of financial data collected under Minnesota Statutes, section 79.61 without adjustments for either premium or loss development or trend. Financial data must be reconcilable to that reported by insureds in their annual financial statements to the commissioner;

B. A compilation of reporting classification data collected under Minnesota Statutes, section 79.61 without adjustments for either premium development or loss development or premium trend or loss trend;

C. A calculation of factors to adjust reported loss data to a common development level. The development level is subject to approval by the commissioner;

D. A calculation of factors to reflect any benefit level changes mandated by statute or by the courts;

E. The development of a schedule of pure premium base rates using the data reported by insurers and the factors calculated in item C;

F. A schedule of pure premium relativities, based on the pure premium base rate schedule;

G. An analysis and calculation of factors to adjust reported premium and loss data to an expected ultimate level. The analysis shall be in detail so as to permit insurers to select and modify the factors based on their own interpretations of underlying data;

H. An analysis and calculation of trended data to reflect future conditions through the use of factors or some other method. The analysis shall be in detail so as to permit insurers to select and modify the factors or utilize other trending methods based on their own interpretations of underlying data;

I. A calculation of any other quantitative factor or modifications and a description of any subjective considerations reflected in the determination of pure premiums in a manner so as to permit insurers to evaluate and modify the factors and considerations based on their own interpretations of underlying data; and

J. A calculation of any other quantitative factors required to maintain advisory discount factors as defined in Minnesota Statutes, section 79.52, subdivision 8 and advisory merit rating plans as defined in Minnesota Statutes, section 79.52, subdivision 9.

Subp. 3. **Dissemination.** The ratemaking report shall be disseminated to all members of the data service organization.

Statutory Authority: *MS s 79.51*

2705.1800 USE OF RATEMAKING REPORT.

A. After the ratemaking report has been filed with the commissioner, insurers may develop and use rates based upon the pure premium base rates contained in the report. Effective January 1, 1984, insurers may also develop and use rates based upon any reasonable factors.

B. If an insurer uses the pure premium base rates contained in the ratemaking report, then the insurer may calculate rates by:

MINNESOTA RULES 1983

2705.1800 DATA SERVICE ORGANIZATIONS

1790

(1) application of trend factors based on the analysis provided by the data service organization or on the insurer's own interpretations of underlying data;

(2) application of loss development factors reflecting expected development beyond that in the pure premium base rate schedule to the ultimate loss level;

(3) application of a factor to reflect the insurer's expected expense requirements;

(4) application of any other factor based on the analysis provided by the data service organization or on the insurer's own interpretation of underlying data.

C. Insurers may adjust premiums by application of discount factors as defined in Minnesota Statutes, section 79.52, subdivision 8 and merit rating as defined in Minnesota Statutes, section 79.52, subdivision 9. Insurers may use their own plans or plans developed by a data service organization in which they maintain membership.

D. An insurer shall not refuse to write insurance for an employer solely because:

(1) the employer was denied coverage by another insurer, whether by cancellation or nonrenewal or refusal to offer coverage; or

(2) the employer was insured through the assigned risk plan.

E. All data and calculations used to calculate rates from the pure premium base rate schedule shall be clearly documented.

Statutory Authority: *MS s 79.51*