

RULES – IMPLEMENTATION

APRIL 9, 2021

COMMERCIAL LINES

LI-CL-2021-018

## MINNESOTA RETROSPECTIVE RATING PLAN RULES TO BE IMPLEMENTED

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### KEY MESSAGE

Filing RP-2021-RRU1, which introduces Minnesota state exceptions to several multistate Retrospective Rating Plan rules, to be implemented.

**Applicable Lines of Business:** CA, CR, GL, PR

**Filing ID:** RP-2021-RRU1

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### UPGRADE TO WORD AND EXCEL DOCUMENTS

ISO is currently implementing changes to our authoring and delivery systems so that **newly created** documents will be delivered in Office 365 .docx/.xlsx format. These changes will be phased in by product/service tentatively beginning in second quarter 2021. We are providing advance notification so that you may prepare your internal systems. Products impacted include, but are not limited to, documents delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library (including PolicyWriting Support Forms Instructional Supplement), PRM, Statistical Plans and Suite +.

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### BACKGROUND

Currently, three multistate rules in ISO's Retrospective Rating Plan address the Large Risk Alternative Rating Option. For instance, Rule 3. Definitions, states under Paragraph J. that the Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by carrier and insured. It is an available option for a risk with an estimated annual Standard Premium in excess of \$1,000,000 individually or in any combination with General Liability, Hospitals Professional Liability, Commercial Automobile, Crime, Fidelity or Workers' Compensation.

The Minnesota Department of Insurance generally requested that ISO update Retrospective Rating Plan rules concerning the Large Risk Alternative Rating Option to reference Minn. Stat. § 79.56, subd. 1(b) and reflect its requirements with respect to Workers' Compensation insurance. Minn. Stat. § 79.56, subd. 1(b) generally provides an exemption for prefiling rates and rating plans "where the insurer files certification verifying that it will use the mutually agreed-upon rating plan or rates only to write a specific employer that generates \$250,000 in annual written workers' compensation premiums before the application of any large deductible rating plan."

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### ISO ACTION

We introduced Minnesota state exceptions to multistate Rule 3. Definitions, Rule 4. Eligibility, and Rule 5. Determination of Premium to specify that, with respect to the Large Risk Alternative Rating Option in Minnesota, if Workers' Compensation is included in the estimated annual Standard Premium, the annual written premiums generated from Workers' Compensation must be at least \$250,000, as specified in Minn. Stat. § 79.56, subd. 1(b).

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**EFFECTIVE DATE**

We do not establish an effective date for Commercial Lines rule revisions in this state. Each insurer that elects to utilize this revision is responsible for determining its own effective date.

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**COMPANY ACTION**

ISO has not filed this revision on behalf of insurers.

You must independently determine what revision to make and when to make any revision effective. If you decide to use all or any part of our revision, you are NOT required to file anything with the Insurance Department.

You must document your files in case the Insurance Department wishes to review the information at a later date. In all internal correspondence on this revision, you should refer to ISO Filing Number [RP-2021-RRU1](#), NOT this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

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**RATING SOFTWARE IMPACT**

No new attributes are being introduced with this revision.

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**POLICYHOLDER NOTIFICATION**

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2021-004](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

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**REVISION DISTRIBUTION**

We will issue a Notice to Manualholders with an edition date of 12-21 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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**REFERENCE(S)**

[LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing

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**ATTACHMENT(S)**

Filing [RP-2021-RRU1](#)

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# Minnesota Retrospective Rating Plan Rules Filing

## About This Filing

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This filing introduces Minnesota state exceptions to several multistate Retrospective Rating Plan rules to more closely align with certain Minnesota statutory provisions.

### New Rules

We are introducing the following rules:

- ◆ Rule 3. Definitions
- ◆ Rule 4. Eligibility
- ◆ Rule 5. Determination of Premium

## Background

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Currently, three multistate rules in ISO's Retrospective Rating Plan address the Large Risk Alternative Rating Option. For instance, Rule 3. Definitions, states under Paragraph J. that the Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by carrier and insured. It is an available option for a risk with an estimated annual Standard Premium in excess of \$1,000,000 individually or in any combination with General Liability, Hospitals Professional Liability, Commercial Automobile, Crime, Fidelity or Workers' Compensation.

The Minnesota Department of Insurance generally requested that ISO update Retrospective Rating Plan rules concerning the Large Risk Alternative Rating Option to reference Minn. Stat. 79.56, subd. 1(b) and reflect its requirements with respect to Workers' Compensation insurance. Minn. Stat. 79.56, subd. 1(b) generally provides an exemption for prefiling rates and rating plans "where the insurer files certification verifying that it will use the mutually agreed-upon rating plan or rates only to write a specific employer that generates \$250,000 in annual written workers' compensation premiums before the application of any large deductible rating plan."

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## **Explanation of Changes**

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We are introducing Minnesota state exceptions to multistate Rule 3. Definitions, Rule 4. Eligibility, and Rule 5. Determination of Premium to specify that, with respect to the Large Risk Alternative Rating Option in Minnesota, if Workers' Compensation is included in the estimated annual Standard Premium, the annual written premiums generated from Workers' Compensation must be at least \$250,000, as specified in Minn. Stat. § 79.56, subd. 1(b).

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## **Important Note**

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Insurance Services Office, Inc. (ISO) makes available advisory services to property/casualty insurers. ISO has no adherence requirements. ISO rules and explanatory materials are intended solely for the information and use of ISO's participating insurers and their representatives, and insurance regulators. Neither ISO's general explanations of rules intent nor opinions expressed by members of ISO's staff necessarily reflect every insurer's view or control any insurer's application of manual rules.

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### **3. DEFINITIONS**

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Paragraph J. is replaced by the following:

#### **J. Large Risk Alternative Rating Option**

The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by carrier and insured. It is an available option for a risk with an estimated annual Standard Premium in excess of \$1,000,000 individually or in any combination with General Liability, Hospitals Professional Liability, Commercial Automobile, Crime, Fidelity or Workers' Compensation. However, if Workers' Compensation is included in the aforementioned estimated annual Standard Premium, the annual written premiums generated from Workers' Compensation must be at least \$250,000, as specified in Minn. Stat. § 79.56, subd. 1(b).

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### **4. ELIGIBILITY**

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Paragraph E. is replaced by the following:

#### **E. Large Risk Alternative Rating Option**

A risk is eligible for the Large Risk Alternative Rating Option if the estimated annual Standard Premium individually or in any combination with General Liability, Hospitals Professional Liability, Commercial Automobile, Crime, Fidelity, or Workers' Compensation exceeds an average of \$1,000,000 annually for the term of the Plan. However, if Workers' Compensation is included in the aforementioned estimated annual Standard Premium, the annual written premiums generated from Workers' Compensation must be at least \$250,000, as specified in Minn. Stat. § 79.56, subd. 1(b).

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### **5. DETERMINATION OF PREMIUM**

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Paragraph B.3. is replaced by the following:

#### **B. The Retrospective Premium Formula**

- 3. Risks with an estimated annual Standard Premium in excess of \$1,000,000 individually, or in any combination with General Liability, Hospitals Professional Liability, Commercial Automobile, Crime and Fidelity or Workers' Compensation may be rated under the Large Risk Alternative Rating Option. However, if Workers' Compensation is included in the aforementioned estimated annual Standard Premium, the annual written premiums generated from Workers' Compensation must be at least \$250,000, as specified in Minn. Stat. § 79.56, subd. 1(b). The option provides that such risks may be retrospectively rated as mutually agreed upon by carrier and insured.**