

COMPENSATION ADVISORY ORGANIZATION OF MICHIGAN

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CIRCULAR LETTER #227 TO ALL MEMBERS

**RE: DATA COLLECTION AGENCY WORKERS' COMPENSATION INSURANCE
STATEWIDE AVERAGE PURE PREMIUM MICHIGAN
EFFECTIVE JANUARY 1, 2009 - NEW AND RENEWAL BUSINESS ONLY**

Dear Member:

This is to inform you that the enclosed statewide average pure premiums have been prepared in compliance with the Michigan Insurance Code.

The indicated pure premiums represent an average increase of 8.3% from the pure premiums currently in effect. The components of this increase are listed in the attached summary.

By industry group, the average pure premium level changes are:

Manufacturing	6.6% Increase
Contracting	9.2% Increase
Office and Clerical	6.5% Increase
Goods and Services	10.8% Increase
Miscellaneous	6.5% Increase

Within each industry group, the changes will vary from the average classification depending upon the volume and character of the particular classification experience.

IMPORTANT: The attached pure premiums are advisory. They are neither manual nor "gross" rates, but instead represent loss and loss adjustment costs per \$100 of payroll. In accordance with the Michigan Insurance Code, the pure premiums exclude the following elements:

- a) Trend factors
- b) Profits
- c) Expenses, except loss adjustment expenses

In addition, at the direction of the Data Collection Agency, the pure premiums exclude any limitation on the change allowed for each new pure premium rate from the current rate.

While provisions for general expenses; acquisition and field supervision expenses, taxes, licenses and fees, and profits and contingencies have been excluded, provisions for loss based expenses have been included.

This year's pure premiums are based on data from the two most recent Policy Years (Policy Year 2005 and Policy Year 2006). This is a change from prior years in which the DCA pure premiums have been based on the most recent Policy Year and the most recent Accident Year. Had the prior methodology been used, the overall change in pure premium level would have been +1.5% (instead of the +8.3% reflected in the pure premiums contained herein). Another change is in the loss development factors used in the Paid + Case Development Method. This year's factors are based on a three year average, whereas in prior years they have been based on a two year average. Section C of Part III of this publication contains the indications based on several alternative methodologies (including Accident Year 2007 and the two year average of Paid + Case Development Factors).

Under Michigan's filing requirements, carriers may utilize the Data Collection Agency (DCA) pure premiums along with their own expense loadings, and they may introduce factors to consider different workers' compensation experience. Carriers may introduce trend factors if they choose, and are also permitted to make their own rates completely independent of the DCA pure premiums.

IMPORTANT NOTE: If your company plans to file any changes to its current Experience Rating Plan including new ELR's and associated rating values, please notify us accordingly and submit a copy of the filing to us as soon as practicable. Presently, we are planning on delaying the January modification promulgation until October 20th in order to allow for the new values to be implemented.

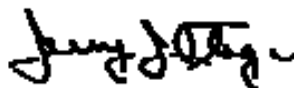
New class codes included in this year's publication include:

- 2709 Logging/Lumbering – Mechanized Harvesting
- 3095 Tool Mfg. Tools, Dies, Jigs, Molds and Fixtures: Highly Automated
- 5552 Roofing – Flat Roof Only

These class codes will be added to the Michigan Statistical Plan Manual effective January 1, 2009.

Volume I + II data, including Appendices B-II (Michigan "A" Sheets) and C-VII (Michigan Schedule "Z" Data) are available on our website in the members only area. These sections contain the individual class experience. If you are your company's designated actuarial contact authorized to receive this background DCA data and have trouble accessing this area on our website, please contact our office.

Very truly yours,



Jerry J. Stage