

COMPENSATION ADVISORY ORGANIZATION OF MICHIGAN

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September 20, 2002

CIRCULAR LETTER #175 TO ALL MEMBERS

**RE: DATA COLLECTION AGENCY WORKERS' COMPENSATION INSURANCE
STATEWIDE AVERAGE PURE PREMIUM MICHIGAN
EFFECTIVE JANUARY 1, 2003 - 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 1.8% 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	0.9%	decrease
Contracting	0.5%	increase
Office and Clerical	0.8%	increase
Goods and Services	8.7%	increase
Miscellaneous	1.6%	decrease

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 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.

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 21st in order to allow for the new values to be implemented.

The 1999 Pure Premium Publication, Circular Letter #142, included an updated Table of Insurance Charges (Table M) for Retrospective Rating Plans in Part III Section B-III. Since these charges are not updated every year, they are not included in this year's publication. This year's publication contains no classification code changes, eliminations or additions.

We are distributing this year's publication in two volumes. This binder contains Volume I data. Volume II contains Appendices B-I, B-II, B-III, B-IV and C-VI. These sections contain the individual class experience and Schedule Z pages. If you would like a copy of this material, please return a completed copy of the Volume II order form.

Very truly yours,

Jerry J. Stage