

COMPENSATION ADVISORY ORGANIZATION OF MICHIGAN
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September 8, 2006

CIRCULAR LETTER #209 TO ALL MEMBERS

**RE: DATA COLLECTION AGENCY WORKERS' COMPENSATION INSURANCE
STATEWIDE AVERAGE PURE PREMIUM MICHIGAN
EFFECTIVE JANUARY 1, 2007 - 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 4.7% 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	2.8% Increase
Contracting	0.7% Increase
Office and Clerical	4.9% Increase
Goods and Services	6.3% Increase
Miscellaneous	11.9% 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.

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.

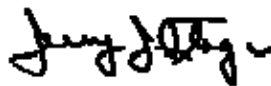
IMPORTANT NOTE: If your company plans to file any changes to its current Experience Rating Plan including new ELR's and associated rating values, please notify us accordingly and submit a copy of the filing to us as soon as practicable. Presently, we are planning on delaying the January modification promulgation until October 17th in order to allow for the new values to be implemented.

This year's publication reflects the final transition step in the methodology for projecting the assessment rates. In prior filings, the assessment rate had been based on the most recent available assessment rate only. Based on the DCA's decision, the filing effective January 1, 2006 was based on an average of the most recent three years' assessment rates. In Appendix A-V, the assessment rate is based on an average of the most recent four years' assessment rates. Future filings will also reflect an average of the most recent four years' assessment rates.

This year's publication contains a new classification code adopted for use in Michigan. The new code is 9053 – Adult Foster Care: Assisted Living Facility and Home for the Aged. The prior code for these activities (9052) still exists and now carries the definition – Hotel, Motel, Dude Ranch or Cabin. Codes 9052 and 9053 will share the same pure premium rate until each is credible on their own.

We are distributing this year's publication in three files. This file contains Volume I data, Appendices B-II (Michigan "A" Sheets) and C-VII (Michigan Schedule "Z" Data) are available separately by request. These sections contain the individual class experience. 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