

Part 1 – MCPAP Basics: Who, What, and How

Hello and welcome to the MWCIA's computer-based training for the MN contractor's premium adjustment program or the MCPAP. This CBT will be broken down into two parts. Part one will cover the basics of the MCPAP, such as: What it is, Eligibility, Calculation, Application, and the timeline.

Part two will cover how to complete your MCPAP application, advantages of filing your MCPAP out online and frequently asked questions.

So, what is the MN contractor's premium adjustment program? It is a premium credit based on the average hourly wages paid to employees that work inside a contracting classification code. This credit was developed because we are aware that there are contractors who do not pay union level wages to their employees. What this does causes a disparity between the premiums paid between those contractors and those contractors who do pay union wages. The MCPAP was created to level that cost. So that any contractor who does pay union wages, will pay roughly the same amount for their policy as the contractor who doesn't pay union wages.

The MCPAP is not a mandatory form, that being said, if you do not fill out the application you will not receive the credit on your workers' compensation policy.

So now that you know what the MCPAP is, how do you know if you qualify to receive one?

You are eligible to apply for the MCPAP factor if your business has payroll in one of the classification codes listed in the chart on the right. Please keep in mind that just because you have payroll in one of these classifications does not mean you will qualify for the MCPAP credit. You still need to meet the qualification of the average hourly wage being above the set limit for that year. For example, to qualify for the MCPAP in 2018 an employer had to pay over 26 dollars an hour in average hourly wages. This qualifying average hourly wage will change every year.

So how is the MCPAP calculated? Based on the information provided on the application under wages paid column two and hours worked column three, you will divide the payroll by the hours worked to get the average hourly wage. In this case, $750,000/25,000 = \$30$ average hourly wage, so using the 2018 standard, this insured would qualify for a MCPAP because they had more than the 26-dollar average hourly wage minimum. You MUST use all classification codes that appear on the rating page of your policy. Once it's determined that you qualify and the rest of the calculations are done, you will receive a worksheet that will show your average hourly wage for each classification. The applicable classification premium credit, and the overall policy credit factor.

The MCPAP credit factor is applied in the calculation of an employer's premium after the experience modification factor but before any other credits are applied to the policy. A copy of the MCPAP worksheet is mailed to the carrier of record and the employer.

You may be wondering if the MCPAP factor has an impact on anything other than your premium. It does.

The MCPAP factor also impacts your experience modification factor. It impacts your mod by lowering the amount of your expected loss and expected primary losses. This will cause an increase in your experience modification factor.

For more information on how your experience modification factor is calculated please see the experience modification factor cbt.

Now that you know how the MCPAP works and what it is, let's talk about the time frames. Applications are mailed to employers in January of each year. Employers will be chosen to receive the application based on the following two factors.

1 – they have a current policy with a contracting code which includes payroll

Or

2 - the employer submitted a MCPAP application last year.

Applications are mailed strictly as a service to Minnesota policyholders. Failure on MWCIA's part to mail you an application does not create a liability on MWCIA's part.

Now that you know about the “what, how, and why” of MCPAP, let's talk about the late filing penalty. Yes, there is a deadline for filing your MCPAP application without a penalty. That date is April 1.

Applications get mailed out every year starting in January; in order to receive your full MCPAP credit with no penalty, the application must be received, either hard copy or online, prior to April 1. Anything received after April 1 will receive a .02 penalty in the credit factor. Please keep in mind that we do not make exceptions for weekends or holidays when it comes to this deadline. April 1st is the firm must be received by date.

If you file after 4/1 you only have up to 90 days after the effective date of your policy to file. For example, if your policy is effective Oct 1, you would only have until December 29 to file your MCPAP application. Any time after Dec 29, you will be over the 90-day limit, and we will not accept the application.

Thank you very much for taking part in our computer-based training. If you have any questions that were not answered by this computer-based training, please contact our office at 952-897-1737 opt 1 or via email at: underwriting@mwcia.org