



Minnesota Workers' Compensation
Insurers Association, Inc.
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November 5, 2012

ALL ASSOCIATION MEMBERS

Circular Letter 12-1626

RE: Executive Officers' Payroll Threshold Changes

The Minnesota Department of Commerce approved the 2013 *Minnesota Ratemaking Report* effective January 1, 2013. The 2013 *Minnesota Ratemaking Report* included formula increases in the minimum & maximum individual weekly remuneration for (1) executive officers, partners and sole proprietors (*Minnesota Basic Manual* Rules 2-E-1b & 2-E-3a), and (2) electing members/owners of limited liability companies (*Minnesota Basic Manual* Rule 2-E-2b). Minimum formula increases will be phased in over the next three years – moving to 2/3 x Statewide Average Weekly Wage (SAWW) in 2013, to 5/6 x SAWW in 2014, and finally to 100% of SAWW in 2015, and thereafter. The maximum formula increases from 2 x SAWW to 4 x SAWW, effective in 2013.

The changes were precipitated by (1) NCCI Item B-1420, which proposed to double the formula for computing the minimum payroll threshold, and (2) the fact that most NCCI states had been employing the 4 x SAWW formula for computing the maximum threshold for many years. MWCIA conducted an internal analysis, and determined that doubling the minimum formula immediately would be too onerous on affected businesses, so the prescribed phase-in was recommended. In that the maximum change would only affect a very small portion of statewide payroll, and the change would align Minnesota with the majority of other states, staff recommended the full increase.

If you have any questions regarding this matter please contact the MWCIA Actuarial Department by email at actuarial@mwcia.org or by phone at 952-897-1737.