

## Highlights

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# MWCIA News

*Minnesota Workers'  
Compensation Insurers  
Association*

*October 2000*

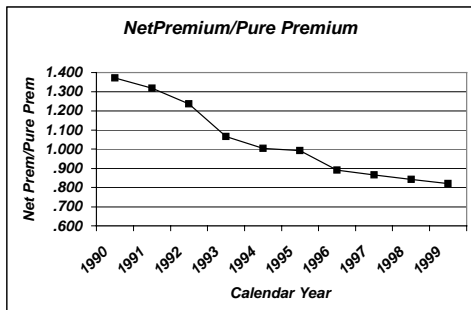


## PRESIDENT'S CORNER

By Bruce A. Tollefson

### I Goofed, . . . but

In our last newsletter, Craig Anderson's "From the Actuary . . ." included a very good article entitled **Rate/Price Differentials**. Hopefully you had a chance to read it. Unfortunately, I goofed and didn't insert the corresponding chart into the article, which severely detracted from the article's message. As I learned from my folks many years ago, there isn't anything I can do about that specific error, but I can do something to remedy the situation. Here is the chart that I left out:



The chart shows the change in the ratio of net premiums (final price) and pure premiums over the past ten years. As you will note, there has been a significant change. For example, in 1991 the ratio was in the 1.40 range. In 1999 it was in the .80 range. A key point is that net premiums have dropped 50% faster than pure premiums.

### What causes this to happen?

A good starting point is to understand that **pure premiums** represent the cost, in today's numbers, to pay for lost time and medical losses based on historical premium and loss information. Minnesota statutes specify that the following items should not be included:

- Changes in payments or reserves for

- claims still in the system after eight years
- Changes in claim payment patterns between the time the information was collected, and the time new rates may be in effect
- Minnesota specific taxes and assessments
- Claim adjusting expenses
- Other insurance company-specific operating expenses, such as commissions, production costs and home office general expenses

Also, the actual impact of **pure premiums** from company to company can change based on the specific make up of each company's book of business.

It is the responsibility of each company to independently determine how these factors impact their final published workers' compensation rates. MWCIA member companies start with MWCIA Pure Premium Rates and incorporate any or all of the above factors in determining their final rates. The companies then file their final rates with the Department of Commerce for review and prior approval.

It is important to understand there is a correlation between pure premiums and the impact on premiums, but it is an indirect connection. This means the percentage of change in pure premiums does not automatically mean an identical change in premiums. This is the essence of open competition because each insurance company takes its own loss experience and costs of doing business into account in determining their published final rates.

### Is this the end of the story?

No, the **differential** between **rate** and **price** doesn't stop here. There are a number of pricing tools used within the Minnesota voluntary marketplace by insurance companies to "tailor" pricing to meet individual insured's needs. The most prevalent pricing tools are:

- Rate Deviations
- Experience Rating Plans
- Schedule Rating Plans
- Retrospective Rating Plans
- Premium Discounts
- Deductible Plans
- Dividend Plans

### What does all of this really mean?

It means that open competition has really made a difference. Minnesota has been experiencing a solid and balanced workers' compensation marketplace for a number of years. The overall cost of workers' compensation has dropped dramatically, businesses are thriving, unemployment is at an all time low, and the workers' compensation market is very competitive. The 5.0% decrease reported in the 2001 MWCIA Ratemaking Report marks the seventh year in a row that pure premiums have dropped. Incorporated in the 2001 drop were a number of significant benefit increases that were outlined in our August 2000 newsletter.

This is a very positive picture for Minnesota workers' compensation and one that most Minnesotans will want to continue. However, maintaining the balance between adequate benefit levels, system costs, and profitability is not an easy thing to accomplish. It takes all key participants working hard and carefully watching for signs of trouble to maintain the balance. Having access to quality workers' compensation information is a key ingredient to continued success. MWCIA takes great care to make sure our Ratemaking Report and other informational reports are as complete, accurate and timely as possible. Being a quality provider of information is our primary objective.

**Do you see a good "balance" in the system for continued, positive success?**

## FROM THE ACTUARY . . .

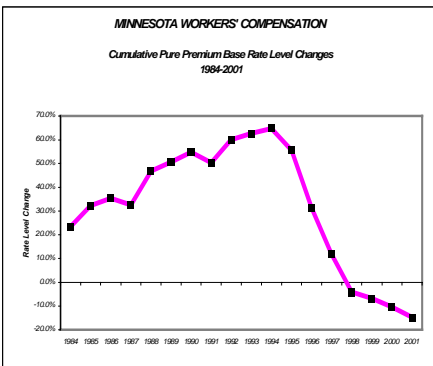
### MWCIA Releases 2001 Ratemaking Report

The 18<sup>th</sup> annual Minnesota Ratemaking Report was released to membership and made available to the public on September 6, 2000. As always, this report contains workers' compensation pure premium base rates derived from Minnesota-only experience, and was prepared in compliance with Minnesota Statutes 79.55, 79.61, and related regulations.

The 2001 Report advisory pure premiums reflect an overall average decrease of 5.0% from the 2000 pure premium base rate level. This change is based upon the following:

- (1) a review of the latest insurance company financial experience - - policy years 1997-98, and accident years 1998-99 - - a decrease of 9.1%
- (2) an analysis of the effects of the benefit changes as a result of the enactment of Senate File 3644 - - an increase of 4.2%
- (3) an analysis of the effects of the automatic increase in the permanent total minimum benefit - - an increase of 0.3%

The combination of these three changes yields the overall average 5.0% reduction.



The pure premium base rate level in Minnesota has decreased seven years in a row, resulting in an overall reduction of over 48% during this time. The new pure premium level is about 15% lower than its level prior to the start of competitive rating, and has reached its lowest level in 25 years.

### New SAWW Level Announced

Effective October 1, 2000 the new Statewide Weekly Wage is \$642.<sup>00</sup>.

## ASSIGNED RISK PLAN NEWS

Here are the latest Minnesota Assigned Risk Plan totals:

Total Employer Count: 32,422  
Total Premium Volume: \$24,817,770  
Applications Submitted:

<b>September</b>	<b>2000</b>	<b>1999</b>
Applications	648	709
Premium	7,102	7,319

### WHO TO CONTACT FOR HELP

#### FOR APPLICATION ASSISTANCE:

MWCIA  
7701 France Ave South; Suite 450  
Minneapolis MN 55435  
Tel: 952.897.1737  
Email: underwriting@mwcia.org

#### FOR ARP POLICY ASSISTANCE:

Call the current servicing contractor for the policy in question -

Berkley Administrators  
PO Box 59143  
Minneapolis MN 55459-0143  
Tel: 612.766.3000

Employers Insurance of Wausau  
PO Box 8062  
Wausau WI 54402-8062  
Tel: 800.420.7523  
Email: ewausau@wausau.com

#### TO APPLY FOR FEINs or UIs:

FEIN -  
Call IRS: 800.829.3676

UI -  
Call MDES: 651.296.6141

Applications to the "Pool" are now available online at [www.mwcia.org](http://www.mwcia.org). Association staff is currently in the process of producing an informational brochure to assist agents in the application process. This handy brochure will contain many useful tips for anyone seeking coverage in the Assigned Risk Plan. We hope to have it ready in time for the upcoming year-end rush!

## New BEEP Version Released

The American Cooperative Council on Compensation Technology (ACCCT), an organization of workers' compensation insurance data gathering and rate advisory organizations, has announced that an updated version of their Bureau Entry & Edit Package (BEEP) will be available by October 31<sup>st</sup>. BEEP is an easy-to-use software package that permits insurers to efficiently compile workers' compensation statistical reporting information for submission to virtually any state except for monopolistic jurisdictions. The updated version, named BEEP 2.0, allows extensive editing of unit statistical data in each of the jurisdictions with ACCCT members.

BEEP 2.0 is free to all members and will be automatically distributed to currently registered users.

**"on the move. . ."**

### DEPARTMENT OF COMMERCE SPECIAL ANNOUNCEMENT

The Minnesota Department of Commerce is moving to the Golden Rule Building that is located across the intersection from their present offices on East Seventh. Starting December 18, 2000, Commerce's new address will be:

Minnesota Department of Commerce  
85 Seventh Place East, Suite 500  
St. Paul, Minnesota 55101-2198

There will be no change to the Department of Commerce's phone numbers.

## IT'S MCPAP TIME !

Association staff is currently in the process of reviewing MWCIA's MCPAP application in preparation for this year's mailing. The 2002 MCPAP applications will be mailed around the end of December to qualifying employers in the contracting industry.

The annual MCPAP enrollment period starts in January and runs until April 1<sup>st</sup> of each year. Employers who apply after the cutoff date will be subject to a two-point (.02) late application penalty adjustment in their 2002 MCPAP credit factor calculation.

## MWCIA TO DISCONTINUE 'AFN REPORTS'

Circular Letters No. 86-1023 and 87-1027 advised members of a requirement to include MWCIA's "Association File Number" on all policies, correspondence, etc. Since that time, our staff has released a monthly report to each member advising them of the Association File Numbers associated with their policyholders according to our records. And each month our staff responds to dozens of inquiries from members wondering what to do with this report. In researching this matter a little further, Association staff has come to the conclusion that a monthly Association File Number report may no longer be necessary.

While the Association File Number or "AFN" is an essential tool for identifying employer's records in the hardcopy world, it has limited application when carriers file their data electronically. Today, we rely heavily on each member's ability to use consistency when developing their policy numbering systems to help us properly identify the employer's identification number.

As more and more member carriers become approved for electronic filing, requiring the Association File Number as our primary identification method appears to no longer be necessary. Additionally, MWCIA's website currently includes a program which allows members and subscribers to look up Minnesota experience rated employers' identification numbers as needed. MWCIA plans, therefore, to discontinue the practice of providing a monthly listing of Association File Numbers to our membership immediately.

Please direct any questions you may have concerning the discontinuance of this report to one of our underwriters at 952.897.1737 or email us at [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

### Job Opening

MWCIA is currently seeking a field auditor for our new Test Audit Program. For further details, log on to our website at [www.mwcia.org](http://www.mwcia.org) or call Gary Bauer at 952.897.1737.

### 'Just Ask Us!'

As time rolls by, Association staff is responding to an increasing variety of inquiries via the internet. Here are responses to some of the 'Frequently Asked Questions' received over the past quarter.

**Circular Letter No. 00-1352 announced that Statistical Code 0997 is no longer available but did not indicate a replacement code. Does this mean we no longer report debits or credits due to a change in experience modification?**

The removal of Statistical Code 0997 is considered a housekeeping item in Minnesota since our rules never provided for its use. In cases where an experience modification needs to be changed after statistical data has already been filed, revised statistical data should be submitted indicating the correct experience modification. In cases involving split experience rating periods, the appropriate split reporting rules should be followed. It is inappropriate to report only the premium difference in either of these cases.

**I am trying to find some information on your website with respect to the criteria that defines if someone is an independent contractor or an employee. Where can I obtain this information?**

The Department of Labor & Industry assists businesses in determining their employer - employee status. Our website has a link to the Department of Labor & Industry or you can reach them by calling the WComp. Hotline at 651.297.4377 (outstate 1.800.DIALDLI)

**Where can I find workers' compensation job codes and rates for Minnesota?**

MWCIA's website has a feature called Minnesota Class Code Search. This service allows users to look up job classifications by entering keywords and has a link to the current Assigned Risk rates. Our underwriters are also available during normal business hours if you need additional assistance. To obtain rates in the standard market, contact the insurance company's office.

**I understand eligibility for experience rating is based on unmodified audit premium. What is 'unmodified audit premium'?**

Workers' compensation premiums are estimated at policy issuance and adjusted at audit to reflect the actual payrolls for the policy period. The term 'unmodified audit premium' refers to the total premium calculated by multiplying the actual payroll for each classification code by its applicable premium rate before any other factors are added or subtracted into the premium calculation. Eligibility for experience rating is always based on the raw premium of each employer prior to any additional credits or surcharges.

**How can I obtain a listing of all workers' compensation insurance companies that write insurance in the state of Minnesota?**

Currently, all insurance companies licensed to write workers' compensation insurance in Minnesota must be licensed with the Department of Commerce and also be a member of our organization. An annual listing of our membership is included in our annual report which is available on our website. Since not all of our members are actively writing at this time, however, it is important that you check with the individual companies to determine if they are currently accepting business.

If you have any questions you would like addressed in a future newsletter, please submit them via email to [underwriting@mwcia.org](mailto:underwriting@mwcia.org); or mail us in care of 'MWCIA's FREQUENTLY ASKED QUESTIONS'.

### Frequently Requested Numbers:

Department of Commerce –

- General Information 651.296.4026

Department of Labor & Industry –

- WComp. Hotline 651.297.4377
- Toll-free No. 800.DIALDLI
- Insurance Verification 651.296.2170
- Investigative Services 651.297.5797

### RECENT CIRCULARS, ETC.

The following list indicates the most recent MWCIA Circulars published since the release of our last newsletter and is published as an easy reference for our members and subscribers.

#### Circular Letter No. 00-1348

08/17/00 – MWCIA Website Enhancements

#### Circular Letter No. 00-1349

08/17/00 – Minnesota DOC Notification

#### Circular Letter No. 00-1350

08/24/00 – Special Comp. Fund Assessment

#### Circular Letter No. 00-1351

09/06/00 – 2001 MN Ratemaking Report

#### Circular Letter No. 00-1352

10/12/00 – Elimination of Stat. Code 0997

MWCIA's Circular Letters are available online at [www.mwcia.org](http://www.mwcia.org), or by calling our front desk services specialists at 952.897.1737.

The following list indicates NCCI items that are **not** approved for use in Minnesota:

**U-1355** – WCSP Pension Table Revisions (89-91 Mortality) – See MWCIA Circular Letter No. 99-1326

**R-1356** – 1999 Update to Retrospective Rating Plan – See MWCIA 2000 Annual Ratemaking Report

**E-1357** – Experience Rating for Self-Insureds – ERM 6 Forms

**B-1351** – Workers' Compensation Premium Algorithm

**U-1358** – WC Statistical Plan Claim Grouping Option

**U-1360 & U-1360A** – URE Workers' Compensation Statistical Plan – see Minnesota's Statistical Plan Manual

**R-1365** – 2000 Update to Retrospective Rating Plan – See MWCIA 2001 Annual Ratemaking Report

As the data service organization, MWCIA is the only company licensed to file manual rules, standard forms and endorsements, and classification and statistical codes relating to workers' compensation insurance on behalf of member companies in the state of Minnesota.

#### Did you know?

Past issues of *MWCIA News* are available on MWCIA's website at [www.mwcia.org](http://www.mwcia.org).

*MWCIA News* is a periodic publication of the Minnesota Workers' Compensation Insurers Association as a service to its members and the workers' compensation industry. Please direct any questions, comments or suggestions you may have concerning this publication to *MWCIA News* in care of MWCIA at 7701 France Avenue South, Suite 450; Minneapolis, MN 55435. You may also contact us by phone (952.897.1737), fax (952.897.6495), or email ([information@mwcia.org](mailto:information@mwcia.org)).

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## MWCIA PURPOSE

**As the preferred provider of quality Minnesota Workers' Compensation information, we are committed to developing products, services and markets that meet our customers' evolving needs, and to providing a work environment rich in opportunities for personal and professional growth.**

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Minnesota Workers' Compensation  
Insurers Association, Inc.  
7701 France Avenue South, Suite 450  
Minneapolis, MN 55435

ADDRESS CORRECTION REQUESTED

# MWCIA News

## UNDERWRITING ALERT

### Workers' Compensation – vs – P & C Personal Lines Coverage

On August 11<sup>th</sup> the Minnesota Department of Commerce released two bulletins explaining the limitations of medical payment coverage for work-related injuries in connection with personal lines insurance.

DOC Bulletin 2000-5 reminds property & casualty personal lines insurers of the circumstances under which farm employees may be excluded from workers' compensation coverage and advises these carriers of the appropriate policy limit requirements. DOC Bulletin 2000-6 advises property & casualty personal lines insurers of the circumstances under which a domestic employee may be excluded from the workers' compensation law.

To exclude farm employees from workers' compensation coverage, total wages for all employees need to be either less than \$8,000 annually or less than the current statewide average annual wage based on current SAWW figures (see new amount in newsletter body). To qualify for an exemption under the second portion of this law, farmers must also have total liability coverage of at least \$300,000 and medical payment coverage of at least \$5,000 per farm employee under their farm liability insurance policies. The Department of Commerce and Department of Labor & Industry have drafted new policy language for all farm liability insurers advising their policyholders of the limited applicability of their policy coverage as it relates to the workers' compensation laws. Insurers who provide farm liability insurance are required to file corrected forms containing the new language with the Commerce Department by March 1, 2001.

To exclude domestic employees from workers' compensation coverage, the employee's wages cannot exceed \$1,000 in a three-month period from a single private home or household within the previous calendar year. Medical Payment to Others coverage is only an appropriate alternative for private residents whose employees have not reached this threshold. The Department of Commerce has drafted new policy language for all p & c personal lines insurers who offer Medical Payment to Others coverage for private residence employees to advise their policyholders of the limited applicability of their policy coverage as it relates to the workers' compensation laws. Insurers who provide this type of coverage are required to file corrected forms containing the new language with the Commerce Department by March 1, 2001.

If you have any questions regarding either of these bulletins or the suggested language changes, please call Tammy Lohmann, Sr. Analyst at the Commerce Department (651.296.2327).

### Policy Termination/Cancellation/Reinstatement Form WC 89 06 09 B

On August 1st, Oden Insurance Services sent a notice advising their customers that a product they sell called Policy Terminator Program was not approved for use in Minnesota. Unfortunately, Oden's letter has created some confusion regarding the filing procedures in connection with policy terminations, cancellations, or reinstatements in Minnesota. Since the date of this letter, Department of Commerce staff and Association staff have responded to many inquiries from carriers wondering why there was a change in the policy termination/cancellation/reinstatement notice and seeking clarification regarding the difference between the forms used for notifying an employer when their workers' compensation policies with Minnesota coverage is being cancelled versus the notice that is sent to the state.

As Minnesota's Data Service Organization, MWCIA is the only organization licensed to file forms & endorsements relating to workers' compensation on behalf of our membership. Accordingly, WC 89 06 09 B (Policy Termination / Cancellation / Reinstatement) has been filed and approved for use in the state of Minnesota. Although Oden is licensed as a rating service organization in Minnesota, they are not licensed to file any policy forms or endorsements in connection with workers' compensation insurance. For that reason, cancellation notices created using Oden's Policy Terminator Program are not acceptable in Minnesota. Carriers should note that Form WC 89 06 09 B satisfies Minnesota's requirements concerning notification to the insured as well as our office (as the repository for coverage notices). No other forms are necessary. A sample of Form WC 89 06 09 B is contained in NCCI's Forms Manual or you can obtain a copy by contacting our office.

For a complete listing of all forms and endorsements applicable for use in Minnesota, please refer to Rule I.D. in the Minnesota pages of NCCI's Basic Manual. If you have any questions regarding the proper policy termination/cancellation/reinstatement notice for Minnesota, please contact one of our underwriters at 952.897.1737, or email us at [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

# MWCIA News

## WEBSITE UPDATE

### www.mwcia.org

Here is an update to some of the 'frequently asked questions' staff received since the last newsletter about MWCIA's website and subscriber services:

#### What do I do if I forgot my password?

After an application is processed, the user receives a confirmation letter advising them of their new account number. It is important to retain a copy of your account number and your application for your records. For security purposes, MWCIA staff does not provide login name, password, or account number information over the phone. If you have misplaced your password, you may request this information from the login screen on our website. Your login name will be verified and your password information will be promptly forwarded to the email address we have on file for your account.

#### Why can't we transfer an account to a new user if our office paid the annual subscriber fee?

We continue to receive this question in various forms. MWCIA no longer assigns group subscriber accounts. Since the account belongs to an individual and not the company, the person who signed up for the account can transfer that account when they switch employers regardless of who actually paid the sign up fee. In addition to offsetting the cost of some of the "free" features that are included as part of your MWCIA Individual User Account, this fee is designed to also help offset the costs associated with establishing the account in our billing system and giving the user secured access to our website. To help keep the costs of our products and services low, therefore, it is important that we collect a set up fee from everyone who accesses our products and services, whether they access data occasionally or continually throughout the year.

#### I'm delighted that the experience modification worksheets are available now through MWCIA's website but sometimes the modification history and name/address field will not print on a single page. Why does this happen?

Even though you can view all of the information on the screen with the use of a scrollbar, longer name and address fields will often displace the employer's modification history screen onto a second page when printing. A request to enhance the screen display to prevent this problem for our users is on our IT department's 'to do' list. The improved feature should be available within the next 4 to 6 weeks.

#### Why aren't all of MWCIA's experience modification ratesheets available on the website?

MWCIA underwent a major system conversion in October of 1999. Only modification ratesheets created after the conversion date are available on our website. Please continue to fax requests for other Minnesota ratesheets to our front desk services specialists at 800.257.8671 for processing. (Remember to include your MWCIA Individual User Account number and identifying information for the employer in question when placing your order.)

#### What other features will MWCIA be adding to its website?

MWCIA continues to look for ways to improve our website and to identify new products for the future. Association staff reviews all suggestions from our external users and from staff. Based upon this feedback, decisions are made to enhance the various products and services that are currently available. Additionally, this feedback helps Association staff determine which new products and services to develop. MWCIA will announce each new product or service on our website and in future newsletters as they become available.

Here are some of the future items we are working on:

- search by active employer's file number
- search by additional file names
- carrier rate search by classification code or carrier ID number
- downloadable Assigned Risk Depopulation Reports
- broadcast messaging of new circular letter releases
- online premium calculator and mod. "test" calculator

#### Who should I contact if I have more questions?

If you would like more information about the various products and services available through MWCIA or need help using our website, please contact our front desk services specialists or one of our underwriters at 952.897.1737, or email us at [underwriting@mwcia.org](mailto:underwriting@mwcia.org). Please email any comments or suggestions you may have about our website format or content to [marie.johnson@mwcia.org](mailto:marie.johnson@mwcia.org).