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MWCIA News

Minnesota Workers'
Compensation Insurers
Association

January 2001



PRESIDENT'S CORNER

By **Bruce A. Tollefson**

"Who Moved My Cheese?"

I just finished reading a management book entitled "Who Moved My Cheese" by Spencer Johnson, M.D. Dr. Johnson's book addresses, in an easy to read and entertaining format, change and how different people react to change. His insights demonstrate why there are two conflicting and popular sayings about change — "change is good" and "change is hard." His book and this topic are certainly timely given the many changes in 2000.

Some changes are difficult by anyone's definition. Consider the "dot.com" companies that went from spectacular plans and instant millionaires to crashing dreams, layoffs and business failures. Other changes are challenging as evidenced by the uncertainty of the rising and falling stock market that impacted many people's jobs, savings, and retirement dreams. Then again, some changes defy categorization such as the "Never Ending Story" of the Presidential election results. One reality about change is that it impacts us all in many different ways.

As a business, MWCIA was certainly impacted by a number of changes last year. But from my perspective, and due in no small part to the hard work and focus of MWCIA's staff, the year 2000 is best characterized by the phrase "change is good!" In 2000, MWCIA successfully reacted to several new events and opportunities as we continued our commitment to delivering quality products and services to Minnesota's workers' compensation marketplace.

During the 2000 Minnesota legislative session, significant workers' compensation reform legislation was unanimously passed including significant benefit changes and a transfer of Assigned Risk Plan surplus dollars to pay down the liabilities of the Minnesota Special Compensation Fund, thereby reducing the cost of insurance. Throughout the negotiating process

leading to that legislation, MWCIA staff served as a key resource in analyzing the true impact of proposed legislation upon the workers' compensation system by evaluating how various changes would impact employers and employees. You can find more information on this subject in the April and August 2000 editions of *MWCIA News* available on our website at www.mwcia.org.

Early in 2000, MWCIA's Actuarial staff rolled out internally developed software created to assist members in electronically submitting their financial data. By the end of 2000, over 45% of MWCIA's members are using MWCIA Automated Carrier Call Entry and Data Edit (ACCEDE) software and throughout the year, staff continued to enhance and improve this software. Our efforts to make the tasks of data submission more automated and less costly continue. You can find more information on ACCEDE in the April 2000 edition of *MWCIA News* on our website at www.mwcia.org.

MWCIA is one of the founders and a leading member of ACCCT, an association of independent data collection organizations dedicated to exploring and implementing technological improvements and cost saving enhancements into the relationship between carriers and data collection organizations. In October, MWCIA announced to membership ACCCT's release of BEEP (Bureau Entry and Edit Program) 2.0. This revised version of BEEP includes a number of new or enhanced features that improve value to our members. You can find more information about BEEP 2.0 in Circular Letter No. 00-1353 available on our website at www.mwcia.org.

Perhaps you noticed my not so subtle efforts to promote your use of MWCIA's website -that's www.mwcia.org in case you missed it! Hopefully you have been to our site or will visit it soon. We believe MWCIA's website is becoming the tool we envisioned two years ago — our primary means for distributing communications, products, and services. In addition to our newsletters, circulars and other communication pieces, MWCIA's website contains a number of other

products and services that drastically improve delivery and distribution. Members and subscribers can now make use of the following online database services: Class Code Search, Assigned Risk Rates Search, Employer Experience Modification Search, Carrier Rate Search, and Assigned Risk DEPOP Search. A significant enhancement to the Employer Experience Modification Search has been the added ability for online viewing and printing of experience modification rating worksheets. In MWCIA's case, change is definitely good!

A driving force behind these efforts has been our goal to make most of MWCIA's products and services available online. Once achieved, access to critical information sources will be available to our members and subscribers when they need it in the most effective and efficient manner. MWCIA staff will continue to work hard to deliver more key products and services via our website in the future.

The changes that we see today are due in no small part to plans we implemented in 1999. In that year, three members of ACCCT - the North Carolina Rate Bureau, the Wisconsin Compensation Rating Bureau and MWCIA-jointly launched *Spectrum*, a new state of the art relational database management system. This system has not only been successfully implemented to enhance our traditional operations, but it has also been instrumental in allowing MWCIA and the other bureaus develop the products and services you see today. We are very excited that the Workers' Compensation Rating and Inspection Bureau of Massachusetts has decided to implement *Spectrum* in 2001.

This change is also very good for all of the participating ACCCT members. It provides Massachusetts and its members an immediate, proven and cost-effective means to upgrade their computer systems. The addition of another data collection organization to the current ACCCT participants helps those organizations as well. Not only is the cost sharing of ACCCT's system development and maintenance enhanced, but more importantly, it also

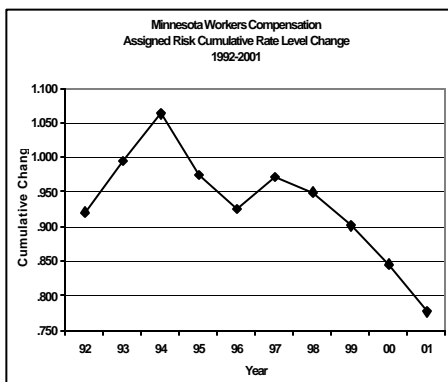
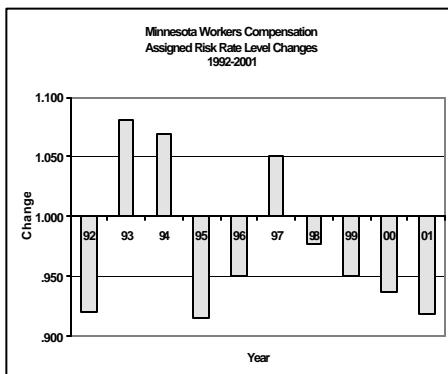
provides for increased continuity within the workers' compensation system while allowing greater flexibility. In 2001, ACCCT plans to work on a number of key technological developments to further enhance data exchange between carriers and data collection organizations.

FROM THE ACTUARY . . .

ARP Rate Change Announced

The Minnesota Commerce Department announced in December that Assigned Risk Plan rates would be decreasing an average of 8.1%, effective April 1, 2001. MWCIA staff once again assisted the Plan in the computation of the individual class rates, increasing the January 1, 2001 pure premiums by a uniform factor of 2.40.

The charts below display both the individual changes, and the cumulative change in the Assigned Risk rate level over the last ten years. The 2001 rate change marks the seventh decrease in Assigned Risk rates since 1991, and places the rate level about 22% lower than its 1991 counterpart.



Copies of Minnesota's new Assigned Risk rate schedule are available on MWCIA's website at www.mwcia.org or by contacting our front desk services specialists at 952.897.1737.

Whether on the local scene or on the national level, MWCIA continues to explore (or should I say "sniff-out") other products and service opportunities to further support Minnesota's workers' compensation marketplace. "Sniff" is the name of a character in Dr.

DOC RELOCATED

Commerce's new location & fax number are as follows:

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

Fax number: 651.284.4106
Phone number: 651.296.4026 (unchanged)

IT'S MCPAP TIME !

MWCIA kicked off the **2002 Minnesota Contractors Premium Adjustment Program** (MCPAP) enrollment season in January by mailing over 14,000 applications to Minnesota employers with at least one contracting code with payroll exposure on their current policy. MCPAP is a voluntary program that provides up to a 25% premium credit to qualifying employers to be applied after an experience modification factor when calculating their workers' compensation policy premiums.

To qualify for a 2002 MCPAP credit factor an employer must have paid at least an annual average of \$17 in total hourly wages between 1-1-2000 and 12-31-2000 under a contracting code on their 2000 policy year audit. Eligible Minnesota employers are invited to enroll for their 2002 MCPAP credit until April 1st. **All 2002 MCPAP applications must be postmarked no later than April 1st** to avoid a two-point (.02) late penalty adjustment factor. Employers who apply after the April 1st deadline may do so up to 90 days after their 2002 modification effective date.

Instructions for completing the 2002 applications is available on MWCIA's website at www.mwcia.org or by calling 952.897.1737. MWCIA is not sending reminder postcards this year so it is more important than ever that you contact your contracting customers to remind them to complete and return their applications on time!

Johnson's book. Following his lead, we continue with the objective of having everyone who works with MWCIA conclude that changes at MWCIA are good.

NEW TEST AUDIT PROGRAM ANNOUNCED

Effective January 1, 2001, Association staff will begin implementing a new Test Audit Program designed to improve the monitoring of statistical data in Minnesota. Currently, our Test Audit Program is limited in its approach. The stated purpose of this program is "to verify the accuracy of the statistics reported" through "a physical examination of the employer's books and records...to ensure the highest degree of accurate information entering the database." Following a review of other states' systems, staff determined our membership would be better served if we revised our current Test Audit Program to provide an improved mechanism for monitoring proper statistical reporting in Minnesota. By revising the current program, MWCIA hopes to benefit its membership by improving the integrity of the data in our system for both ratemaking and experience rating purposes.

Highlights of the new Test Audit Program include the ability to:

- 3 monitor proper reporting of payroll
- 3 monitor proper payroll allocation according to Minnesota's classification system
- 3 monitor proper reporting of claims to the appropriate classification of injured employees
- 3 monitor premium adequacy of the Assigned Risk Plan

To comply with the rules of open rating, the revised Test Audit Program excludes any monitoring of rates or premiums in the voluntary marketplace. To encourage timely reporting, any corrected statistical reports requested as a result of a Test Audit that are not submitted within a reasonable amount of time will be subject to MWCIA's fine system.

There are a number of key goals achieved through Minnesota's new and improved Test Audit Program besides the basic goal of ensuring the quality of data reporting. Another goal is to provide members with quality feedback and information. You will be hearing

more about these improvements as we move towards the new program's roll out date. As information becomes available, it will be posted on MWCIA's website at www.mwcia.org.

WANTED:

**Annual Meeting & Luncheon
Attendees**

MWCIA's 78th Annual Meeting and Luncheon will be held this year on **April 24th** at the Doubletree Hotel in Bloomington, Minnesota. If you are a member, please plan to attend. By attending you will participate in the process of electing this year's board members and you will also have an opportunity to hear all of the Association's plans for serving its membership in 2001.

Each year MWCIA hosts a luncheon following our Annual Meeting to provide members, agents, and other guests with a great way to meet MWCIA's staff, to network with others in our industry, and to mingle with representatives from several state agencies and various business organizations that Association staff work with throughout the year.

Don't miss this rare opportunity. Please mark your calendars today and plan to join us at MWCIA's Annual Luncheon presentation at the Doubletree on April 24th!

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Attention MWCIA Members!

Remember to exercise your voting rights by attending MWCIA's Annual Meeting immediately preceding this year's luncheon event.

**UNDERWRITING/FILING
ALERT**

On December 7, 2000, MWCIA released Circular Letter No. 00-1356 as a reminder to membership that Codes 9552, 9545, and 9549 would be discontinued and replaced with Code 9554 — *Sign installation, maintenance, repair, removal, or replacement NOC – Away from shop & drivers* effective January 1, 2001.

MWCIA originally announced that Minnesota's Commerce Department had approved the changes proposed in NCCI's

Item B-1335 in our Circular Letter 97-1282 back in June of 1997. Implementation of this filing was scheduled to take place in two phases. Effective January 1, 1998, the *Basic Manual* classification system (applicable to new and renewal business only) was revised to separate sign manufacturing from sign installation operations and also created a distinction between sign installation by advertising companies and sign installation by non-advertising companies. At the same time, several new cross-references were added to the *Basic Manual* to clarify that sign manufacturing businesses should be classified according to the materials being used in the manufacturing process.

Effective January 1, 2001 (applicable to new and renewal business only) the second phase of Item B-1335 took effect. As a result, Codes 9545, 9549, and 9552 were discontinued and their exposures were reassigned to Code 9554.

Although MWCIA's 2001 Ratemaking Report provided information necessary to file a rate for Code 9554, MWCIA's investigation indicates there are still members who have not filed a rate for Code 9554. This is significant for any member presently writing employers in the sign industry as Codes 9545, 9549, and 9552 are no longer valid and policies written using these codes after December 31, 2000 are being rejected by MWCIA's system. Additionally, members who attempt to write policies using Code 9554 before obtaining approval for their new rate by the Commerce Department will be in violation of Minnesota's filing regulations. A recent investigation by MWCIA staff of our system indicates there are a handful of members issuing policies in Minnesota with effective dates after December 31, 2000 who are still using Codes 9545, 9549, or 9552. Our records further indicate these carriers also have not filed a rate for Code 9554. **Association staff wishes to remind its membership that any carrier who continues to insure employers in the sign manufacturing or sign installation business after December 31st without approval of a new rate for Code 9554 may be subject to administrative action by the Minnesota Department of Commerce.**

The Assigned Risk Plan has obtained approval from the Minnesota Department of Commerce to apply the current ARP rate for Code 9552 to Code 9554 business until

ARP's new rate schedule change effective 4-1-2001.

A copy of Circular Letter No. 97-1282 including exhibits is available on MWCIA's website at www.mwcia.org or by contacting our office at 952.897.1737. Please direct any questions you may have concerning this item to one of our underwriters at 952.897.1737, or by emailing underwriting@mwcia.org.

**Attention: FILING
PERSONNEL**

As part of our role as a Data Service Organization, MWCIA routinely reviews the various forms and endorsements in National Council's *Forms Manual* for use in the state of Minnesota.

In 1998, the Minnesota Department of Commerce advised MWCIA staff that it had experienced an increase in the number of carrier filings with specimen forms and/or endorsements that Commerce's analysis indicated as either inappropriate or not applicable in Minnesota. In an attempt to achieve uniformity and as a service to our membership, Association and Department of Commerce staff met to review all forms and endorsements from the National Council's *Policy Forms & Endorsements Manual* for their appropriateness of language as well as applicability in Minnesota.

MWCIA Circular Letter No. 99-1319, dated May 26, 1999, announced the creation of a special reference list of Minnesota approved forms and endorsements in the Minnesota Exception pages of NCCI's *Basic Manual* for the purpose of eliminating confusion regarding the appropriateness of specific forms and endorsements in Minnesota by serving as a quick reference guide for our members. Upon its approval, the special reference list was intended to replace all previously approved forms and endorsements filed by individual carriers except those relating to the special rates and rating plan programs of the individual carriers.

Recently it has come to Association staff's attention that a number of members continue to use forms and endorsements not listed on the approved special reference list in the Minnesota Exception pages of the *Basic Manual*. **Please alert your rate**

filing personnel that carrier specific forms or endorsements approved by Minnesota Department of Commerce staff prior to April 7, 1999 may no longer be valid in Minnesota. Members who believe they have a need for a special form or endorsement not related to carrier specific rates or rating plan programs are encouraged to contact the staff of MWCIA. Association staff will review all requests for additional forms or endorsements to determine their acceptability. Where a need is deemed warranted, MWCIA will prepare a filing to the Department of Commerce on behalf of all of our membership for use in the state of Minnesota.

Currently, Minnesota has approved 46 standard forms and endorsements and 4 special Minnesota endorsements. As forms and endorsements are added, revised, or withdrawn in Minnesota, the special reference list in the *Basic Manual* will be updated by the National Council and members will be notified of the change via MWCIA's circular letter service. For a complete listing of Minnesota approved forms and endorsements, please refer to Rule I.D. in the Minnesota Exception pages of the *Basic Manual* or visit MWCIA's website at www.mwcia.org.

Questions regarding the appropriateness of particular forms or endorsements in Minnesota may be directed to one of our underwriters at 952.897.1737, or by emailing your questions to underwriting@mwcia.org.

ASSIGNED RISK PLAN NEWS

Here are the latest Minnesota Assigned Risk Plan totals:

Total 2000 Employer Count: 32,220
 Total 2000 Premium Volume: \$25,857,487

Applications Submitted:

December	2000	1999
Applications	695	623
Premium	9,215	9,291

Applications to the "Pool" are available online at www.mwcia.org. Association staff

is in the process of producing an informational brochure to assist agents in the application process. This handy brochure will contain many tips to help smooth out the application process.

RECENT CIRCULARS, ETC.

As a quick reference tool for members and subscribers, the following list indicates all MWCIA Circulars published since the release of our last newsletter:

- Circular Letter No. 00-1354**
11/30/00 – New SAWW level effective October 1, 2000
- Circular Letter No. 00-1355**
11/30/00 – MWCIA's AREA CODE IS NOW 952
- Circular Letter No. 00-1356**
12/07/00 – Code 9554 – Sign installation, maintenance, repair, removal, or replacement NOC – Away from shop & drivers
- Circular Letter No. 01-1357**
01/04/01 – 4-1-2001 Assigned Risk Rates

MWCIA's Circular Letters are available online at 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 online at www.mwcia.org.

MWCIA
CALENDAR OF EVENTS
 Annual Meeting & Luncheon April 24
 Summer Golf Outing July 26

MWCIA Area Code Now 952
 The metro areas new ten digit dialing system is now in effect. Remember to dial 952 when calling MWCIA.

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* % MWCIA: 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 (info@mwcia.org).

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.

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

ADDRESS CORRECTION REQUESTED

MWCIA News

MCPAP 2002: Are Your Contracting Customers Affected?

It's that time again! The **2002 Minnesota Contractors Premium Adjustment Program** (MCPAP) enrollment season began the first week of January and expires on April 1st. MCPAP is a voluntary program and all eligible Minnesota employers are invited to participate by submitting an application today for the following year's program. All **2002 MCPAP applications must be postmarked no later than April 1st** to avoid a two-point (.02) late penalty adjustment factor.

Each year staff responds to hundreds of inquiries regarding this valuable program. Here are answers to some common questions:

Can employers submit their applications online?

Copies of the application and instructions are available online at www.mwcia.org, however, completed applications can only be submitted by fax or by mail currently. We hope to provide online submitting to applicants in the future.

Should payroll also be reported for non-contracting employees? How about non-contracting employees of businesses with common ownership?

Yes. Participating employers need to report all audited payroll for all companies that share majority common ownership for experience rating purposes. All non-contracting employees (clerical workers, bookkeepers, estimators, etc.) also need to be included.

How should the hours worked by owners or family members who were covered during calendar year 2000 be reported?

Executive officers, partners, sole proprietors, and their family members (parents, spouse, children) who elected coverage are subject to annual wage limitations based on 40 hours/week so

they must report their hours at 40 hours/week (2080 hours/annually) during calendar year 2000 to correspond with their wage limit. Salaried employees are also reported at 40 hours per week worked.

How does the MCPAP late penalty work? I thought MCPAP was a credit only program.

Late MCPAP applications can be submitted up to 90 days after the employer's modification effective date. Employers who apply after the enrollment deadline, however, will be subject to a .02 late penalty adjustment factor. Because this is a credit only program, MCPAP factors are always capped at 1.00.

Why am I unable to download instructions for completing the 2002 MCPAP application from your website? How else can I obtain this information?

Users need to have Adobe Acrobat Reader 4.0 on their system to download forms from MWCIA's website at www.mwcia.org. Adobe Acrobat Reader is *free* and can be downloaded using MWCIA's link. MCPAP instructions are also available by calling our front desk services specialists at 952.897.1737.

*****Avoiding Common Mistakes*****

Do not report GL Codes: Employers should refer to either their workers' compensation policy or audit records to locate their workers' compensation codes.

Do not report Payroll – No Hours/Hours – No Payroll: Report the total payroll of all employees for calendar year 2000 with the total number of hours worked. For each workers' compensation code listed on their policy/audit, report the total payroll and hours of all employees who worked for the client during calendar year 2000.

Do not exclude employees who made less than the qualifying annual hourly wage: Report the annual payroll and hours worked for all covered employees regardless of their annual hourly average wage.

Avoid missing the enrollment deadline: All post offices have a last pick up time and mail deposited after that time will receive the next day's postmark. Also, company meter stamps cannot substitute for postmarks.

And Don't Forget...

This year April 1st is a Sunday. Please help your clients by reminding them most post offices have limited pick up on Saturdays and no pick up on Sundays. Applications received by fax on April 1st will be considered on time. Applications received by fax on Monday (April 2nd) will be considered late.

Instructions for completing this year's application are provided on the reverse side of this bulletin.

MWCIA News

INSTRUCTIONS FOR COMPLETION OF THE 2002 MCPAP CREDIT FACTOR APPLICATION

Note: If you do not currently have contracting operations, or do not have at least one contracting code for which you paid more than \$17.00 in average hourly wages during the data period, you are not eligible and need not apply.

GENERAL INSTRUCTIONS

- In order for MWCIA to calculate the proper MCPAP credit factor, the application must contain all the requested information, it must be signed and it must contain data for all of your operations, both contracting and non-contracting.
- Data must be submitted for all commonly owned businesses.
- Data submitted in any other form other than the MCPAP application is **not** acceptable and will be returned.
- The application of the credit factor is subject to audit. Please preserve your payroll records upon which the credit factor application is based.
- Applications postmarked later than April 1, 2001 are subject to a two-point (.02) late penalty adjustment in the MCPAP credit calculation. The MCPAP credit factor will apply to policies with an effective date of January 1, 2002 or later.

SPECIFIC INSTRUCTIONS

DATA PERIOD – The data period should be based on actual wages and hours worked, as reflected in your payroll records, for the 12-month period beginning January 1, 2000 and ending December 31, 2000.

COLUMN 1 – WC CODE NUMBERS – A WC code number is a four-digit number. Refer to the Information Page of your WC Policy – Item 4 for these four digit numbers. If you cannot locate this information, contact your insurance agent or insurance company. List each code only once.

COLUMN 2 – MINNESOTA WAGES

- Show the total gross Minnesota wages paid for each code number for the entire year. This includes wages paid to personnel no longer employed. It includes salaries, wages, commissions and bonuses. Sick wages, vacation wages and holiday wages should be **included** and overtime premium wages should be **excluded**. Overtime wages are the extra monies paid for overtime in excess of the regular rate.
- Do not include subcontractors' payroll unless it was included in your workers' compensation audit.
- Each covered executive officer's, partner's, or sole proprietor's wages should be limited to \$63,960. Family members (parents, spouse, children) of owners who were covered on the policy should be included at their actual wages, subject to a minimum of \$185 for each week worked.
- All dollar amounts should be rounded to the nearest dollar.

COLUMN 3 – HOURS WORKED DURING CALENDAR YEAR

- List the total number of hours worked for each WC code number. Salaried employees should be assumed to each work forty (40) hours per week.
- Include hours paid for sick-time, vacations and holidays.

Additional notes: All data submitted is subject to an audit prior to the application of a credit factor. If you are submitting revised information, you must report all data, including revised and previously reported data.

If you have any questions concerning MCPAP, please contact your agent or insurance carrier.