

## Highlights

- **ARP News — Page 2**
- **MCPAP 2003 — Page 2**

- **From Commerce — Page 3**
- **Underwriting, etc Alerts — Page 2**

- **Circular Letter Update — Page 4**
- **SFMIC Speaks Out — SEE INSERT**

# MWCIA News



[www.mwcia.org](http://www.mwcia.org)

**April 2002 issue**

*a publication of the Minnesota Workers' Compensation Insurers Association*



## PRESIDENT'S CORNER

### **Cost Effective Measures Through Cooperative Efforts!**

In my last article, I wrote about collaborative efforts within the workers' compensation industry that have had a very positive impact on controlling costs within the system. In this article, I will concentrate on one specific cooperative effort that has had a positive impact on the system in a number of different ways. I am referring to a significant cooperative effort between the Minnesota Department of Labor & Industry (DOLI) and MWCIA for filing Proof of Coverage!

Minnesota, like most states, has a statutory requirement that all insurance companies writing workers' compensation coverage in Minnesota must report certain policy information to DOLI. This policy information is used to monitor and verify work comp coverage, which is a very important part of maintaining the integrity of the work comp system.

There are a number of factors that enter into efficiently maintaining this filing requirement such as cost, data quality, timeliness and accessibility. By law, the obligation to make these filings runs between DOLI and insurance companies. However, DOLI has the authority to designate a third party to collect the data on its behalf. In a cooperative effort to make this process more efficient, DOLI has designated MWCIA as the entity that collects all necessary policy information from insurers in this state.

The beauty of this arrangement is that the MWCIA already has a statutory requirement to collect policy information from insurers for all work comp policies written in Minnesota. In other words, the MWCIA is already obligated to develop and implement systems necessary to collect, edit, and store policy information and insurers are already obligated to supply that information to MWCIA. This system has been enhanced by the development of Spectrum, a computerized data management system jointly conceived and built by North Carolina, Minnesota and Wisconsin. This past fall Massachusetts also implemented Spectrum.

Spectrum makes available to MWCIA, other data service organizations, and insurers a state of the art system for gathering and processing policy information and other workers' comp data. DOLI and individual insurers could not have developed such a system or provide the uniformity, cost effectiveness, and ease of use that the developers of Spectrum have been able to achieve. Because of DOLI's agreement with MWCIA, insurers have been able to meet their statutory obligations with only one filing and DOLI has been given the tools to access all of the necessary policy information it needs to carry out its statutory responsibilities for verifying coverage and other necessary duties in Minnesota. This process not only saves significant dollars, it also saves time, effort, space, and a number of other "overhead" expenses for all of the key participants. And, it helps maintain the "quality" of the information filed because it is sent to one place, which eliminates the possibility of potential errors associated with multiple reporting of the same data.

The whole process of collecting, editing and storing necessary policy information has been effectively simplified. The issues of cost, data quality, timeliness and accessibility have been addressed and the end result is a better and more cost effective and efficient system that all participants of this data reporting function can use.

Proof of Coverage is a great example of what can be accomplished when the key participants work together in a cooperative and collaborative environment.

What remains to further enhance the effectiveness of this system is to improve the timely reporting of policyholder information by insurers. Over the past few years, MWCIA has also been working in other collaborative efforts to develop and implement software to aid the submission of more data electronically. However, MWCIA still receives a fair amount of data through paper submissions. Either way, MWCIA has the systems to handle the flow of data. Improvements in the timeliness of data submission, however, will depend on greater use of electronic filing. Our ability to provide a higher level of service, therefore, is very dependent on our data providers.

In many ways we all have the same goals. How can the flow of data that is both a requirement and an essential component of the workers' comp system be made more seamless and efficient? The cooperative system set up between DOLI, MWCIA, and our member insurers is an excellent example of how that goal can be met. We need to continue that example in other areas of our system as we go forward.

## ASSIGNED RISK PLAN NEWS

### New Rates Effective April 1st

The Assigned Risk Plan's new rates are now in effect. In addition to the new rate schedule, remember that the maximum for owners electing coverage has increased to \$1,360 per week (\$70,720 annual) and ARP's expense constant is now **\$140**.

A copy of Minnesota's new Assigned Risk rate schedule is available online at [www.mwcia.org](http://www.mwcia.org). An individual rate search is also available via two of MWCIA's interactive programs: Assigned Risk Rate Search and Class Code Search.

Please feel free to contact our office if you need assistance using either of these programs.



2002 Assigned Risk Plan 1<sup>st</sup> quarter totals:

Total Employer Count: 35,110

Total Premium Volume: \$52,804,833

## 2003 MCPAP ENROLLMENT SEASON COMES TO A CLOSE

MWCIA's **2003 Minnesota Contractors Premium Adjustment Program** (MCPAP) enrollment season ended April 1, 2002.

Employers may continue to apply up to 90 days after the experience modification effective date of the policy year the credit is to apply towards. **All 2003 MCPAP applications postmarked after April 1<sup>st</sup>**, however, are considered late and subject to a two-point (.02) late penalty adjustment factor.

The 2003 MCPAP credit factors should be available by late summer/early fall. Copies of the 2003 credit worksheets will be mailed to the employer and their current insurance company once calculated.

For employers who still want to apply, the 2003 and 2002 MCPAP applications and instructions are available on MWCIA's website at [www.mwcia.org](http://www.mwcia.org) or by calling our office at 952.897.1737.

### Attr: MIIA Convention Participants

Be sure to look for MWCIA's booth at MIIA's Convention on May 1<sup>st</sup>!

## *A Special Message to our Annual Luncheon Invitees*

MWCIA's 2002 Annual Luncheon will be held on April 22<sup>nd</sup> at the Minnesota History Center in Downtown Saint Paul. RSVPs were due by April 10<sup>th</sup>. If you have not registered but plan to attend, please register today to avoid missing out on this historic event! After all, this is the first time MWCIA's meeting will be held east of the river! Come join us for this rare opportunity — meet Commissioner Chase, network with industry folk, and experience some of the great history of Minnesota.

## UNDERWRITING ALERT

### Policy Change Endorsements

In our last issue we provided information on Minnesota's new Policy Change Endorsements that became effective 1-1-2002.

What does this mean for our member carriers?

First, previously approved carrier change endorsements are no longer valid in Minnesota. Second, carriers need to decide which of the two options they plan to use for endorsing standard changes onto their Minnesota policies.

Option A allows carriers to use a check box format with a section for inserting text for the specific change. Option B requires carriers to issue separate endorsements for each change affecting Minnesota.

Remember — special carrier endorsements for standard policy changes are no longer valid in Minnesota as of January 1, 2002. Since both of the options described above are approved as of that date, however, carriers simply need to decide which format they prefer and start filing their policy changes accordingly.

Details on the proper use of Minnesota's new Policy Change Endorsements were provided in the January issue of *MWCIA News* and in our Circular Letter No. 01-1373. Both items are available on MWCIA's website at [www.mwcia.org](http://www.mwcia.org). If you have further questions regarding the use of policy change endorsements in Minnesota, please contact one of our underwriters by emailing us at [info@mwcia.org](mailto:info@mwcia.org).

## ALERT

### Underwriters · Raters · Auditors

A current bulletin released by the Commerce Department suggests it's time for us to review the rules for increasing rates.

To increase rates at renewal, a carrier must

- obtain Commerce's approval on a new rate filing
- notify the policyholder at least 60 days prior to the renewal effective date

A "rate increase" is defined as an offer to renew "at less favorable terms as to the dollar amount of coverage or deductibles, higher rates, and/or higher rating plans."

Remember that Workers' Compensation policy rate increases are not allowed midterm. Experience Rating, however, is an exception to this rule. If a premium increase occurs as a result of a change in the experience modification, the carrier can revise the mod as long as they have attached the appropriate endorsement. The carrier may also increase premiums midterm for the following reasons:

- change in payrolls
- change in the appropriate classification
- change in nature of the business

For further details on the statute governing rate increases, please refer to the Department of Commerce's Bulletin 2002-2.

## ALERT

### Claim Reporting Units

Circular Letter No. 02-1382 announced the approval of a new statistical code for reporting claims from the September 11<sup>th</sup> tragedy.

Effective April 1, 2002, all claims associated with the September 11, 2001 disaster will be reported under Catastrophe Code 48.

Claims reported using Code 48 will not be subject to experience or merit rating, and should not be used in connection with any other catastrophic loss reporting.

If you have any questions regarding this procedure, please email our office at [info@mwcia.org](mailto:info@mwcia.org).

### Attention Member Carriers

Submit your proxy **today** if you can't attend MWCIA's Annual Meeting 4/23.

## A request from the DEPARTMENT OF COMMERCE

### Terrorist Exclusions Not Approved

On February 6<sup>th</sup>, Commerce staff issued a memorandum advising the Department will not approve terrorism exclusions for workers' compensation insurance in Minnesota. This memorandum was issued to clarify an earlier memorandum the Department released dated 1-16-02.

### New Board Members Appointed

Recently, the Department of Commerce announced the appointment of two new public members to MWCIA's Board of Directors.

Brandon Miller of The Hays Group and Gary Thaden of the Minnesota Mechanical Contractors' Association have been appointed as MWCIA's new public board members. Brandon and Gary will be replacing Matt Winkel of Wilson-McShane and John Diehl of Larkin Hoffman Daly & Lindgren, Ltd.

## FILING REFRESHER: Cancellations/Non-Renewals

Minnesota's Cancellation and Non-Renewal rules require that cancellation/termination/expiration filings are not effective until:

- 30 days after receipt by MWCIA of WC 89 06 09 B for cancellation for non-payment
- 60 days after receipt by MWCIA of WC 89 06 09 B for non-renewals

This rule applies whether a carrier files electronically or on hard copy.

## Credit General Impacting Mods

We continue to receive inquiries from agents and carriers who want to include Credit General data in an employer's experience mod that is currently Contingent or DNQ.

To submit data on Credit General's behalf, we request that agents complete an ERM-6 or a standard Unit Statistical Report. Once we receive this data, we will recalculate the mod or determine if the account is eligible for experience rating.

For assistance in filing Credit General's data, please contact our office at 952.897.1737.

## From the ACTUARY . . .

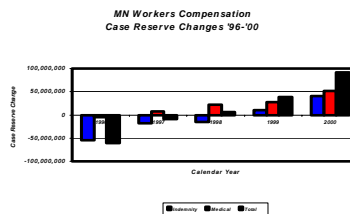
### Case Reserve Movement

One of the more reliable harbingers of upcoming workers' compensation price changes is case reserve movement. Case reserves are those amounts that claim adjusters must set aside as educated estimates of future claim payments on known, specific cases.

The tendency in case reserve movement over the past 4-5 years in Minnesota has been a steady increase. Calendar year 1996 indicates carriers reduced their case reserves about \$60 million. Since that time, however, case reserves have increased over \$125 million, with a single jump of over \$90 million in calendar year 2000.

Case reserve inadequacy usually suggests that claim experience is deteriorating. As we're seeing in Minnesota, if carriers are indeed finding needs to strengthen case reserves, rates and prices can't be far behind.

[For a graphic illustration of case reserve changes, click on the chart below.]



## A note to MWCIA WEB USERS

When searching for employers on MWCIA's website, remember that not all employers are experience rated.

One of the most common questions we receive on using our website is why a user can't select an employer name under our Experience Modification History Search feature. To qualify for experience rating in policy year 2002 requires an unmodified audit premium of \$3,000/year for the 1998, 1999, and 2000 policy years, or a \$6,000 total in the 2000 policy year or the 1999 and 2000 policy years combined.

Unless an employer is subject to experience rating or has been experience rated in the past, there will be no record of a mod history.

## FILING REFRESHER: PROOF OF COVERAGE

Minnesota's Proof of Coverage rules require that each carrier file their policy data with MWCIA:

- Within 10 days of the policy effective date, or
- Within 20 days of binding coverage

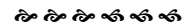
This rule applies whether a carrier files electronically or on hard copy.

## MWCIA Website Update

Whether you've misplaced your copy of an employer's ratesheet or are shopping for new business, MWCIA's website is a quick and easy way to obtain Minnesota employer's experience rating worksheets 24 hours a day, seven days a week!

If your company doesn't already subscribe to this valuable service, it's not too late! Simply logon to MWCIA's site at [www.mwcia.org](http://www.mwcia.org) to print a new member (for carriers) or subscriber (for agents) application and sign up today!

If you are having problems logging onto MWCIA's website, contact your accounting department to verify that a new application was submitted that allows you continued service on our site. Carriers should note that membership in MWCIA does not automatically allow them access to this additional service.



If you haven't been receiving our mailings lately it could be because we don't have your current email address. To assure your organization receives uninterrupted service, please submit all email changes to our office promptly.

For help with MWCIA's new website or account system, please call 952.897.1737 or email your questions to [info@mwcia.org](mailto:info@mwcia.org).

## Magazine touts success of ACCCT Partnership

A recent article in Technology Decision's online magazine reported on the success of other states partnering with members of ACCCT (American Cooperative Council on Compensation Technology) to solve their software development needs. MWCIA is a founding partner of this consortium of independent rating organizations.

To view this article in its entirety, go to [www.technologydecisions.com](http://www.technologydecisions.com) and check out the *CaseinPoint* column in their February 2002 issue.

### MWCIA CALENDAR OF EVENTS

Annual Luncheon . . . . . April 22  
Annual Meeting . . . . . April 23  
Summer Golf Outing . . . . . July 25

### MWCIA'S MEMBER & CUSTOMER SERVICES' STAFF 'ON THE ROAD AGAIN'

Starting in May, MWCIA's underwriting team will again join the staff of MIIA at the town meetings they will be conducting for their member agents throughout the state.

MWCIA's staff appreciates MIIA's willingness to include us on their agenda and looks forward to another opportunity to meet with members of the agents' community and share info on the advantages of using MWCIA's website in their daily business.

**Need a speaker?** MWCIA staff is available to speak on a variety of topics at company meetings as well as industry and civic functions. Interested? Call Marie Johnson at 952.897.6410 or send an email to [marie.johnson@mwcia.org](mailto:marie.johnson@mwcia.org) for more information.

### RECENT CIRCULARS, ETC.

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

#### Circular Letter No. 02-1379

01/30/02 – 2001 Test Audit Summary Report

#### Circular Letter No. 02-1380

02/14/02 – MN Filing Requirements – Proof of Coverage

#### Circular Letter No. 02-1381

02/14/02 – Exclusions for Workers' Compensation Products for Terrorism

#### Circular Letter No. 02-1382

02/28/02 – Catastrophe Code 48

#### Circular Letter No. 02-1383

03/12/02 – Minnesota Test Audit Program

#### Circular Letter No. 02-1384

03/12/02 – MN Department of Commerce Notification

MWCIA's Circular Letters are available online at [www.mwcia.org](http://www.mwcia.org).

### NON-APPROVED NCCI ITEMS

As the data service organization, MWCIA is the only company authorized to file workers' comp manual rules, standard forms & endorsements, and classification & statistical codes on behalf of member carriers in the state of Minnesota.

The following 2001 NCCI Items were **not** approved for use in Minnesota:

**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-1368** – URE Workers' Compensation Stat. Plan Manual Revisions

**B-1366** – Revisions to Admiralty & Federal Employers' Liability Act Classifications

**U-1372** – Issuing Agency/Producer Office Address Endorsement WC 89 06 25

**B-1373** – Basic Manual Rules Enhancements

If you have any questions regarding these items, please contact us at [info@mwcia.org](mailto:info@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 Marie Johnson, editor of *MWCIA News*, % MWCIA: 7701 France Avenue South, Suite 450; Minneapolis, MN 55435. You may also contact her by phone (952.897.6410), fax (952.897.6495), or by emailing her at [marie.johnson@mwcia.org](mailto:marie.johnson@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.





# MWCIA News

*Following is an article written by our Board Chair, Ms Patricia Johnson, that first appeared in the opinion section of the Saint Paul Pioneer Press on Thursday, February 7, 2002. We are reprinting it with their permission. Although this article is now somewhat dated, we felt it important to reprint Ms. Johnson's article because her concerns became a reality. The specific issues she raised were impacted by the recent Minnesota budget legislation ... these funds were taken as part of the Minnesota legislature's first step towards balancing the budget.*

## **Workers' Comp Shouldn't Be Taken To Solve Budget Woes**

BY PAT JOHNSON

One of the less visible parts of the governor's budget proposal would pilfer money from the Minnesota workers' compensation system.

There's no free lunch here. Unless the Legislature takes it off the table, such a move will escalate the already rising price of workers' compensation for Minnesota employers, pull the rug out from under a labor-business agreement that led to recent increases in benefits for injured workers, and begin a misguided public policy of paying for general state spending by raiding the system that protects workers hurt on the job.

We're talking big bucks. Under the governor's proposal, more than 15 percent of the budget deficit would be financed by taking \$200 million from the Special Compensation Fund and \$95 million from the Minnesota Assigned Risk Plan.

The SCF pays for benefits to injured workers in certain circumstances, such as supplemental benefits to low-wage workers suffering long-term disability from work accidents and benefits to injured employees of uninsured employers. It also pays all state government costs associated with running the workers' compensation system. The SCF is funded by assessments on employers — self-insured employers being assessed directly and others via their workers' compensation insurers.

The SCF has no surplus. If \$200 million is taken from the fund to balance the state budget, assessments will rise substantially.

This will add to the already steep increases in workers' compensation costs employers are experiencing. And it might set up Minnesota for an era of spiraling increases reminiscent of the 1970's and 80's.

It also creates questions that should raise the eyebrows of workers who want a benefit system that's adequate and reliable: Does this \$200 million cash withdrawal validate the workers' compensation benefit increases legislated in 2000? What about future benefit changes?

Labor and business came together in 2000 to fashion an agreement raising the ceiling on weekly benefit rates to protect employees experiencing the biggest wage loss due the injury. To offset that cost, SCF assessments were reduced. This reduction was accomplished by taking surplus dollars from the Assigned Risk Plan, the workers' compensation insurer for employers unable to find insurance elsewhere, and putting them into the Special Compensation Fund. Those dollars stayed in the workers' compensation system. But it is these same dollars that are snatched away in the governor's budget. And they're going elsewhere.

# MWCIA News

Besides raising the specter of unraveling injured worker benefits, the governor's proposal would begin a new era of "creative accounting" unworthy of our state. Minnesota's workers' compensation system should not be subject to raid to finance general government spending.

Our workers' compensation benefit system is a closed, self-financing safety net. Money is paid in by businesses and paid out as benefits to injured employees or to finance regulatory and administrative costs of running the system. Misuse of it to finance other state spending programs moves the problem, at best. At worst, it hides from the real belt-tightening vs. revenue-raising discussions that should be taking place. If the governor thinks employers and their injured employees should pay more to balance the budget, collecting it with this below-the-radar shift of funds seems not in keeping with his upfront style.

The Minnesota House and Senate will be preparing appropriations bills shortly. This part of the governor's budget plan doesn't belong in them.

*Pat Johnson is president and CEO of State Fund Mutual Companies in Bloomington, Minnesota's largest writer of workers' compensation insurance and services. (email address:pat@sfmic.com)*