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MWCIA News



January 2002 issue

a publication of the Minnesota Workers' Compensation Insurers Association



PRESIDENT'S CORNER

Industry Tools Means Industry Savings

Since inception in the early 1920s workers' compensation, for the most part, has developed with a surprising degree of nationwide consistency. Of course there are state specific laws and regulations, but the basic premise that an employer is responsible for paying benefits to injured workers regardless of culpability as long as the injury "arose out of and in the course of employment" has endured.

In the world of data collection organizations (DCOs), which are a key component of the workers' compensation system and of which MWCIA is a part, there are also many state specific standards. However DCOs do have the basic, common tasks of collecting policy, loss and financial data as part of their state mandated duties.

From this commonality have come important advancements in the operations of DCOs and insurers, which have been primarily lead by two organizations. First is the Workers' Compensation Insurers Organization (WCIO) of which MWCIA was a founding member.

WCIO was organized in 1995 with the goal of developing industrywide data reporting standards and formats. Today almost all of the DCOs in the country belong to the WCIO and routinely meet to develop and enhance standardized data reporting solutions. The goal of this group is simple. Industrywide tools

in the form of uniform standards ease the task of data reporting and lower costs to insurers, DCOs and regulators.

Another important organization is the American Cooperative Council on Compensation Technology or ACCCT. MWCIA is also a founding member of ACCCT and helped define its mission of complementing the work of the WCIO. ACCCT serves as a joint development vehicle for software solutions designed to aid in the collection, editing, error correction and analysis of data.

ACCCT has successfully developed the Bureau Entry & Edit Package (BEEP), which enables insurers and other reporting organizations to enter and edit workers' compensation statistical information for transmission to any DCO that is a member of the BEEP project. ACCCT distributes BEEP free to users as an industry tool to aid DCOs and insurers in lowering costs and increasing efficiency and accuracy in data reporting. More ACCCT projects with this goal are on the drawing board.

The benefits of joint cooperation and industry tools have seen even more dramatic achievements in an organization known as the Spectrum Partners. Three ACCCT members - MWCIA and the DCOs in North Carolina and Wisconsin, formed Spectrum Partners. Their common goal was to develop a relational database software system that could support the internal operations of each DCO and respond to the diverse and growing computer capabilities of our members. The Spectrum system, which these organizations developed, has been a tremendous success. It has been in use for three years by the

original three partners and has grown to be the state-of-the-art system for workers' compensation data collection. Because Spectrum has proven to be user friendly, robust and flexible, Spectrum was also implemented by Massachusetts in October 2001 and New York is anticipating starting the Spectrum implementation process in early 2002.

The development and maintenance savings Spectrum will achieve for its members will run into the millions, which is significant. However, the long term benefits to insurers and other work comp organizations who will be able to link and report data by a diverse set of common tools and systems to multiple DCOs will surely surpass those savings.

The reality of common tasks, and the desire and need for common and widely available industry tools are just beginning to see the tangible benefits this approach will ultimately achieve. The workers compensation insurance business is diverse and highly competitive. To service the needs of the industry, MWCIA and other DCOs have recognized the need to develop and provide industry tools as an aid to our diverse members for lowering costs and increasing the efficiency of their data reporting obligations.

Significant progress in this direction is being made, but this is a goal that must be continuously pursued as the needs of the industry change and evolve over time. Our pledge has been to be a "Quality Provider of Information & Services" and we remain committed to that task.

ASSIGNED RISK PLAN NEWS

2002 Rate Increase Announced

The Minnesota Commerce Department recently announced that Minnesota Assigned Risk Plan rates are increasing an average of 2.5% effective April 1, 2002. MWCIA staff assisted the Plan in the computation of the individual class rates, increasing the January 1, 2002 pure premium base rates by a uniform factor of 2.40.

In addition, the **Commissioner ordered an increase in the Assigned Risk Plan's expense constant to \$140.** The Minnesota Assigned Risk Plan expense constant has not changed since 1995.

Copies of Minnesota's new Assigned Risk rate schedule are available online at www.mwcia.org.



2001 Assigned Risk Plan year end totals:

Total Employer Count: 34,331

Total Premium Volume: \$44,361,080

A request from the DEPARTMENT OF COMMERCE

FILING UPDATE

How are this year's carrier rate filings stacking up?

According to the Department of Commerce, their staff has processed over 150 new filings requesting rate changes effective in 2002.

Any trends?

A large number of 2002 rate filings seek increases greater than 1.4% above the indicated 2002 pure premium base rates.

To assist filing personnel with questions regarding the workers' compensation filing procedures in Minnesota, the Commerce Department recently held a workshop that was co-hosted by IFM and MWCIA.

To further assist members in their filing process, MWCIA recently released the newly approved *Minnesota's Filing Procedures Manual* detailing specific requirements involved in filing to write workers' compensation in Minnesota.

A copy of the new *Minnesota's Filing Procedures Manual* is available on MWCIA's website at www.mwcia.org. A link to the Department of Commerce website and their current filing instruction bulletin is also available on MWCIA's website.

Please direct any questions you may have concerning carrier filings in Minnesota to Tammy Lohmann, Senior Commerce Analyst at 651.297.2327.

Please note:

The new Minnesota 2002 Maximum Individual Remuneration applicable to executive officers, partners, & sole proprietors is \$1,360 per week or \$70,720 annually.

MWCIA Website Update

Effective January 1, 2002 MWCIA staff rolled out a new user account system in connection with our new and improved MWCIA website at www.mwcia.org.

MWCIA's new user account system provides members and subscribers with group registration capabilities intended to help users be in a better position to manage their business relative to the information ordered from our office. Another feature of our new account system is that it provides member carriers with multiple locations the ability to register each location separately.

If you are currently having problems logging onto MWCIA's website, you may be using expired login/password information. Please check with your accounting department to verify that a new application was submitted that will allow you continued service on our site. Remember, only users who have applied for a new account with our office can continue to access secured information from MWCIA's website as of January 1st. It's not too late to apply! Copies of MWCIA's member or subscriber applications are available online at www.mwcia.org.

Effective January 1, 2002, general mailings of MWCIA circular letters and newsletters will be distributed via email. To assure 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.

Job Opening

MWCIA is currently seeking a new **Field Services Specialist** to assist in our Test Audit Program. For details, please contact Tom McCarty, Director of Member & Customer Services, at tom.mccarty@mwcia.org or by calling him at 952.897.6420.

IT'S MCPAP TIME AGAIN!

MWCIA kicked off its **2003 Minnesota Contractors Premium Adjustment Program** (MCPAP) enrollment season this month when we mailed new MCPAP applications to potentially eligible Minnesota employers in the contracting industry. MCPAP is a voluntary program that provides up to a 25% premium credit for qualifying employers to be applied after the experience modification factor when calculating their workers' compensation policy premiums.

To qualify for a 2003 MCPAP credit, an employer must have paid an annual average of at least \$17.40 per hour in total Minnesota wages under one of the contracting codes between 1-1-2001 and 12-31-2001.

The enrollment period expires on April 1st. **All 2003 MCPAP applications postmarked after April 1st** will be subject to a two-point (.02) late penalty adjustment factor. Employers who apply after April 1st may do so up to 90 days after their 2003 experience modification effective date.

The 2003 MCPAP application and instructions are available on MWCIA's website at www.mwcia.org or by calling 952.897.1737.

POLICY FILING ALERT

Most members have submitted electronic statistical data to MWCIA for many years. Unfortunately, policy tape submissions lag far behind.

Paper submissions currently cost carriers a \$12 handling fee for each new or renewal policy submitted. Electronic filing eliminates this fee as well as the cost of manual processing, paper, postage, and it increases data quality and improves the timeliness of proof of coverage notifications. Today 27 groups submit their policy data electronically and 14 are in 'test'.

Please contact MWCIA staff today to explore the many options for filing your policy data electronically!

WCRA ANNOUNCES RATE REDUCTION OF 12 PERCENT!

The following article by Carl "Buzz" Cummins, Acting President of the Workers' Compensation Reinsurance Association, announces a 12% rate reduction by the WCRA. We are providing this information as a service to our membership. Please direct any questions you may have regarding this article to Buzz Cummins at the numbers referenced below.

Press Release

Thursday December 27, 11:13 am ET

Workers' Compensation
Reinsurance Association
Reduces Rates by 12 Percent

WCRA Will Also Continue to Cover Acts of Terrorism

ST. PAUL, Minn.--(BUSINESS WIRE)-- Dec. 27, 2001 -- The Workers' Compensation Reinsurance Association (WCRA) today announced that it is reducing the reinsurance rates it charges to self-insured Minnesota employers and insurance companies by an average of 12 percent.

The rate reductions have been adopted by the WCRA Board of Directors and approved by Minnesota Commissioner of Labor and Industry Shirley Chase. The rate reductions will range from five percent to 19 percent depending on the retention limit selected by each insurer or self-insured employer.

Carl Cummins, acting WCRA president, said that the association is able to reduce its rates because they are based solely on the workers' compensation claims experience of Minnesota employers. "Global reinsurance markets have been hardening through much of this year and, since the events of Sept. 11, industry sources indicate that private re-insurers are raising rates by 10 percent to 80 percent."

Minnesota law requires all workers' compensation insurers and all self-insured employers to purchase reinsurance coverage for large claims from the WCRA, a not-for-profit, tax-exempt association created by the Legislature in 1979. Cummins noted that one of the

reasons the WCRA was formed was to ensure the reliable availability of workers' compensation reinsurance in the state. "These reduced WCRA reinsurance rates will help stabilize the workers' compensation insurance market for Minnesota employers at a time when there is great instability in the national property and casualty insurance markets."

The WCRA also announced that it would continue to provide reinsurance coverage for any future terrorism losses. Last week, the Minnesota Department of Commerce said it would approve commercial insurance policies that exclude terrorism coverage.

According to state law, the WCRA is required to provide 100 percent indemnification for losses sustained by its members in each loss occurrence in excess of the retention limit selected by each member. Cummins said, "By continuing to provide reinsurance for losses resulting from terrorist acts, the WCRA will provide greater stability in the Minnesota workers' compensation market than in many other states by helping to ensure that insurance coverage is available for Minnesota employers."

The WCRA has reserves of \$1 billion available to meet its claims obligations. In addition, since 1992, it has made surplus distributions of \$1.23 billion to Minnesota employers and its insured members. The association recently completed a distribution of \$42.2 million in surplus funds to more than 99,000 Minnesota employers.

Contact:

Carl W. "Buzz" Cummins at WCRA:
651.229.1826 or 651.454.6262.

Mark Your Calendars!

MWCIA's 2002 Annual Luncheon is scheduled for April 22nd at the beautiful Minnesota History Center in Downtown Saint Paul. This is the first time MWCIA's meeting will be held east of the river and staff are really excited! It's a great opportunity to network with industry folk while experiencing some of Minnesota's great history. Please plan now to join us for this year's luncheon and spend some time afterwards browsing this wonderful museum. Hope to see you there!

DLI Highlights

Good Luck, Brandon!

Brandon Miller, long time employee of the Minnesota Department of Labor & Industry and a friend of MWCIA, is leaving DLI to pursue opportunities in the private sector.

Brandon started working for the Hayes Group in Minneapolis on January 4th. He plans to continue serving our industry as a member of an IAIABC subcommittee in addition to the other responsibilities of his new position.

We wish Brandon the best of luck in his new endeavor.

Here are new DLI phone numbers for some frequently contacted areas:

Compliance Services —	651.284.5030
Special Comp. Fund —	651.284.5045
Insurance Verification —	651.284.5170
Commissioner's Office —	651.284.5010
General Information —	651.284.5000
Toll-free number —	1.800.DIAL.DLI (1.800.342.5354)

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

On January 14th, MWCIA staff kicked off the new year by speaking to members of the Twin City Insurance Club at their monthly meeting in Bloomington, Minnesota.

Marie Johnson, who is now the Communications Specialist for MWCIA, presented an overview of our enhanced website and encouraged those who have not visited our website to investigate all of the *free* help it has to offer. As Minnesota's data service organization, one of MWCIA's objectives is to provide assistance to our industry to assure the quality of the data we collect. One way of doing this is to make sure the proper tools are available to give agents and carriers access to the workers' compensation information they need whenever and wherever they need it! A website that makes much of this data available 24/7 is a big step towards this goal.

Marie also highlighted other *free* products recently released by MWCIA including a 'how to' ARP brochure and a brochure geared towards explaining the experience modification formula to employers in non-technical terms.

MWCIA welcomes opportunities to meet with representatives from our industry to demonstrate the advantages of using MWCIA's website or to answer questions about other topics relating to the workers' compensation industry.

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 for more information.

RECENT CIRCULARS, ETC.

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

Circular Letter No. 01-1371

10/30/01 – WCIO Website Announcement

Circular Letter No. 01-1372

11/06/01 – New MWCIA Website & Application Process

Circular Letter No. 01-1373

11/20/01 – Workers' Compensation & Employers Liability Insurance – Policy Change Endorsement

Circular Letter No. 01-1374

11/20/01 – Code 0174 – Minnesota Special Compensation Fund Assessment Premium

Circular Letter No. 01-1375

12/04/01 – Correction of Limits for Statistical Code 9823 in Basic Manual, Minnesota Appendix A

Circular Letter No. 02-1376

01/03/02 – 4-1-2002 Assigned Risk Rates

Circular Letter No. 02-1377

01/04/02 – WCIO Workers' Compensation Data Reporting Handbook

Circular Letter No. 02-1378

01/08/02 – WCRA Announces Rate Reduction

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

MWCIA	
CALENDAR OF EVENTS	
Annual Luncheon	April 22
Annual Meeting	April 23
Summer Golf Outing	July 25

NON-APPROVED NCCI ITEMS

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

The following is a partial list of NCCI Items that are **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

If you have any questions regarding these items, please contact us at info@mwcia.org or call us at 952.897.1737.

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.

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

UNDERWRITING ALERT

In response to membership's needs, the following endorsements have recently been approved for use in the State of Minnesota: It should be noted that the endorsements described below are currently in force and carriers should make every effort to implement their use on all new and renewal policies in Minnesota as quickly as possible.

Minnesota Policy Change Endorsement WC 22 06 00

National Council's Advisory Policy Information Page Endorsement WC 89 06 00 is **not** approved for use in Minnesota. It is important to note that in Minnesota all policy forms and endorsements must conform in both the paper and the electronic world. One of the key issues that make Endorsement WC 89 06 00 unacceptable in Minnesota is its inclusion of endorsement numbers that have no corresponding endorsement in the hard copy world. Although WC 89 06 00 continues to be unacceptable in Minnesota, member carriers have indicated to Association and Department of Commerce staff that a need exists for an endorsement similar to WC 89 06 00 that provides a streamlined method for endorsing policy changes. With the assistance of Department of Commerce staff, MWCIA staff developed Endorsements WC 22 06 00 as well as WC 22 06 02 through WC 22 06 19 to address the membership's needs. These endorsements replace any change endorsements previously filed by carriers and provide the flexibility to endorse changes onto their policies that meet the specific requirements in Minnesota.

Similar to WC 89 06 00, Minnesota Endorsement WC 22 06 00 provides a list of check boxes to indicate various changes that are being made to the policy. Unlike WC 89 06 00, however, the check box list on Minnesota Endorsement WC 22 06 00 has individual endorsements that correspond to the endorsement numbers listed. These individual endorsements may be attached to the policy to affect a change as an alternative to using the check box method provided by using Endorsement WC 22 06 00.

Please note that free form endorsements are no longer acceptable in Minnesota for the changes listed on Minnesota Endorsements WC 22 06 00 and WC 22 06 02 through WC 22 06 19 as a result of this filing.

Minnesota Policy Change Endorsements WC 22 06 02 – WC 22 06 19

As an alternative to Minnesota's new Endorsement WC 22 06 00, carriers may elect to use separate endorsements to indicate their policy changes. Circular Letter 01-1373 provided membership with exhibits of each of these new endorsements and their appropriate language. Free form change endorsements and other endorsement forms will **not** be acceptable for any of the changes illustrated by either Endorsements WC 22 06 02 through WC 22 06 19 or the alternative Endorsement WC 22 06 00.

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The following chart compares the numbering system for NCCI's Advisory Endorsement WC 89 06 00 and Minnesota's new change endorsements:

NCCI ENDT. NO.	MN. ENDT. NO.	ENDORSEMENT TITLE	CHANGE ITEM
WC 89 06 00	WC 22 06 00	Policy Change	Policy Info. Page
WC 89 06 01	WC 22 06 02	Insured's Name	Item 1
WC 89 06 02	WC 22 06 03	Policy Number	Item 1
WC 89 06 03	WC 22 06 04	Effective Date	Item 2
WC 89 06 04	WC 22 06 05	Expiration Date	Item 2
WC 89 06 05	WC 22 06 06	Insured's Mailing Address	Item 1
no equivalent number	WC 22 06 07	Experience Modification	Item 4
WC 89 06 07	WC 22 06 08	Producer's Name & Address	
WC 89 06 08	WC 22 06 09	Change in Workplace of Insured	Item 1
WC 89 06 10	WC 22 06 10	Insured's Legal Status	Item 1
WC 89 06 11	WC 22 06 11	Add States	Item 3A
WC 89 06 12	WC 22 06 12	Employer Limits	Item 3B
WC 89 06 13	WC 22 06 13	Change in State	Item 3C
WC 89 06 14	WC 22 06 14	Endorsement Numbers	Item 3D
no equivalent number	WC 22 06 15	Class, Rate, Other Change	Item 4
WC 89 06 16	WC 22 06 16	Interim Adjustment of Premium	Item 4
WC 89 06 17	WC 22 06 17	Carrier Servicing Office	
WC 89 06 18	WC 22 06 18	Interstate/Intrastate Risk ID Number	
WC 89 06 19	WC 22 06 19	Carrier Number	
WC 89 06 25	no equivalent number	Issuing Agency/Producer Office Address	Use WC 22 06 08

As members prepare to implement either Minnesota's Endorsement WC 22 06 00 or Endorsements WC 22 06 02 through WC 22 06 19, it is important to note that a one-to-one relationship does not exist between the numbering system of NCCI's advisory change endorsement and Minnesota's new set of change endorsements as WC 22 06 01 has been in use in Minnesota for several years. It is also important to note that Minnesota's new change endorsements may contain different language than the comparable NCCI endorsement. It is, therefore, unacceptable for carriers to merely change NCCI's form to reflect Minnesota's new endorsement numbers.

To view samples of any of the above endorsements, please visit MWCIA's website at www.mwcia.org.

Unit Statistical Reporting Alert

On December 4th, Circular Letter 01-1374 announced the approval of Statistical Code 0174 for independently reporting Minnesota's Special Compensation Fund Assessment premium. In Minnesota, carriers have the option of either including the SCF assessment in their rate filing or showing the charge as a separate line item on their policies. The creation of Code 0174 now provides carriers with a code for separately reporting this premium on their statistical reports when they show it as a separate item on their policies. Minnesota's Special Compensation Fund (SCF) Assessment is currently 20% of paid indemnity losses.