

## Highlights

- **ARP News — Page 2**
- **Underwriting, etc Alerts — Page 2**
- **DLI Highlights — Page 3**
- **From Commerce — Page 2**
- **From the Actuary — Page 3**
- **Updated Circular List — Page 4**

# MWCIA News



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

**July 2002 issue**

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



## PRESIDENT'S CORNER

### Has the Balance Within the Minnesota Workers' Comp System Been Shaken?

In a number of our past newsletters there have been articles and comments about the importance of maintaining the "balance" within the Minnesota work comp system. Keeping this balance involves recognizing the needs of all groups involved in the system:

- Employers need affordable workers' comp coverage.
- Employees need adequate benefit levels.
- Insurers need a financially sound environment that gives them the chance to earn an adequate rate of return.
- Regulators need stable and financially sound insurers so the marketplace can work effectively.
- The Legislature needs a vibrant and sound competitive market for the Minnesota workers' comp system it designed to work.

Minnesota has benefited for a number of years in which this "balance" has been maintained.

In our April 2002 newsletter, we included a February 7, 2002 article originally written by Pat Johnson, President of State Fund Mutual Insurance Company who at the time was our Board Chair, which was published in the *St. Paul Pioneer Press*. In the article, Ms. Johnson outlined her objections to

using workers' compensation funds to solve state budget woes. She was talking about the proposal to shift \$200 million in Special Compensation Fund monies the Legislature had previously taken from Assigned Risk Plan surpluses and putting those funds into Minnesota's general budget.

The transfer of these funds has become a reality. The Minnesota Legislature passed legislation, which the Governor signed into law. The \$200 million set aside to lower Special Compensation Fund liabilities is now being used to plow roads, etc.

This action reversed a significant effort to promote balance in the workers' compensation system. In 2000 labor, employers, insurance providers, state regulators, state legislators and our Governor all worked together to transfer Assigned Risk Plan surplus into the Special Comp Fund where it was needed. At that time, we wrote about the benefits of this solution, which demonstrated how these diverse groups could work together. It was also a reaffirmation of the practice put into place in Minnesota that changes in the workers' compensation system should be reviewed and approved by the Workers' Compensation Advisory Board, consisting of labor and business representatives.

### Has the recent action shaken the balance within our system?

Make no mistake about it, the Legislature did not take "excess"

funds and move that money to the general fund. The Legislature took dollars that were being used to pay down the liabilities of the Special Comp Fund. Those liabilities create what amounts to a tax on every policy in the state. By its actions, the Legislature decided that Minnesota employers would pay part of the budget woes in Minnesota and it made that decision without the support of the labor and employer advisors of the Advisory Board. This all means that the \$200 million in liabilities still remain and have to be funded. Also, the role of labor and management in setting workers' compensation policy has been shaken.

### What must be done?

In the short term, the loss of this \$200 million means that the rate and benefit adjustments, which accompanied the initial transfer of funds will be impacted.

While the numbers aren't yet in, most likely, the rate charged to insurance providers to raise SCF funding dollars will increase by fifty percent, back to a level comparable to that prior to action taken back in 2000.

In the long run restoring balance to a system, which took much of the politics out of the workers' compensation debate must be achieved. The balance provided by labor, management and the industry has been a key reason for a sound workers' comp system in Minnesota. Financially and politically, the balance we have had in the system needs to be set right. ☞

## ASSIGNED RISK PLAN NEWS

Agents continue to find MWCIA's website a one stop shop for help in making the ARP application process much easier. On MWCIA's website at [www.mwcia.org](http://www.mwcia.org), you not only can print copies of the Assigned Risk Plans new rate schedule and applications, you can also use our website to search for an individual class code's ARP rate via two of MWCIA's interactive programs:

- Assigned Risk Rate Search
- Class Code Search

In addition, users of MWCIA's website will find a handy little brochure entitled "How To Complete Minnesota's Workers' Compensation Assigned Risk Plan Application". This brochure provides tips on how to avoid processing delays.

Please contact our office if you need assistance accessing any of these products. ☎

### 2002 Assigned Risk Plan 2<sup>nd</sup> Quarter Totals

Total Employer Count:  
35,470

Total Premium Volume:  
\$58,578,909

## A message from the DEPARTMENT OF COMMERCE

On June 7th, the Department of Commerce released Bulletin 2002-6 which contains filing procedures and forms for use in expediting rate filings for Large Risk Alternative Rating Options and Large Risk Exemption Filings.

### LARGE RISK ALTERNATIVE RATING OPTION (LRARO) FILINGS

Employers must now have at least \$250,000 in annual written **countrywide** workers' comp premiums to qualify for this program. Commerce has developed a special filing form which includes the basic info required in the filing. Carriers must file separate LRARO plans for each employer written in the program. The filing fee is \$250 per employer filing.

## LARGE RISK EXEMPTION (NON-LRARO) FILINGS

Employers that generate \$250,000 in annual written **Minnesota** workers' comp premiums are exempt from the filing requirements described above. Carriers, however, must file their rates and rating plans for each employer eligible for the exemption with Commerce for informational purposes. The filing fee for Non-LRARO programs is \$75 per employer exemption.

Questions regarding Bulletin 2002-6 should be referred to Tammy Lohmann, Chief Workers' Comp Analyst for the Department of Commerce, by emailing her at [tammy.lohmann@state.mn.us](mailto:tammy.lohmann@state.mn.us) or by calling her at 651.296.2327. ☎

## A Special Invitation

**Looking for a speaker for your next staff meeting/company/civic/business function?** Let the staff at MWCIA help! We are available to speak to agents and members as well as employer groups on a variety of topics relating to the workers' comp industry. Interested? Email Marie Johnson for a copy of our topic list and availability at [marie.johnson@mwcia.org](mailto:marie.johnson@mwcia.org) or call her at 952.897.6410 for more details.

## POLICY WRITING ALERT

**Underwriters • Raters • Auditors •  
State Filing Departments**

### Policy Change Endorsements

We continue to receive phone calls daily regarding the use of Minnesota's new policy change endorsements WC 22 06 00 - WC 22 06 19. To assist our membership, we have included our responses to some of the frequently asked questions regarding the change endorsements. When reviewing the following responses, please keep in mind that the main difference between Minnesota's Policy Change Endorsement WC 22 06 00 and NCCI's Change Endorsement WC 89 06 00 is that Minnesota has created actual endorsements that correspond with the checklist

endorsement numbers. Member carriers may elect to file their Minnesota policy changes either using WC 22 06 00 or by using the actual set of change endorsements WC 22 06 01 to WC 22 06 19.

### Q: Why did Minnesota create it's own change endorsements?

A: The special Minnesota change endorsements were created to clarify some of the language and functions of the change endorsements as they relate to Minnesota law. MN Endt. WC 22 06 00 and MN Endts. WC 22 06 02 - WC 22 06 19 are to be used to change, add, or delete items after policy issuance in a similar manner to NCCI WC 89 06 00. When a separate endorsement already exists, the use of a special MN change endorsement would be inappropriate. An example of this is the Experience Rating Modification Factor Endorsement (WC 00 04 03), which is the appropriate endorsement to add a modification factor to a policy. Endt. WC 22 06 07, however, should be used to change a mod factor once it is on the policy

### Q: Do we use the new Minnesota change endorsements if we have coverage in multiple states?

A: Minnesota's change endorsements are to be used for Minnesota changes only. Changes for other states should not be filed in Minnesota.

### Q: What does 'Consideration for Change' mean and how is it used?

A: This field is used to show any premium difference based on the changes you made to the policy.

### Q: What does 'Other' refer to on the Class, Rate, Other Change Endt. WC 22 06 15?

A: 'Other' is typically a catchall category. In this particular case, it would include additional premium items that do not specifically have their own endorsement such as changes in MCPAP factors, scheduled ratings or other special carrier program charges/credits.

**Q: If we have 3 class codes on a policy, how would we indicate if the payroll for only one of the codes changed?**

**A:** Use either WC 22 06 00 or WC 22 06 15 to show all 3 codes with the adjusted payrolls as a new item 4 for the policy after the change.

**Q: What is the difference between Class, Rate Other Change (WC 22 06 15) and Interim Adjustment of Premium (WC 22 06 16)?**

**A:** Class, Rate, Other Change Endt. WC 22 06 15 is used to make changes to Item 4 of the policy. Interim Adjustment of Premium Endorsement. WC 22 06 16 is used to indicate a change in the audit frequency, billing frequency, &/or premium adjustment period.


**Q: Which form, WC 22 06 15 or WC 22 06 16, should be used to increase exposures; add or change Voluntary Comp, USL&H or Foreign Voluntary coverages; Anniversary Rating Dates; or to add a medical deductible?**

**A:** When a specific endorsement exists for adding an item to a policy change endorsements should not be used.

- To add Voluntary Comp.— use WC 00 03 11A
- To add USL&H coverage — use WC 00 02 03
- Foreign Voluntary Coverage Endt. WC 48 06 03B is not applicable in Minnesota
- To add a Minnesota Anniversary Rating Date — use WC 22 04 02 (This endorsement applies to experience mod changes only)
- To add experience mods — use WC 00 04 12 ( to change mods – use WC 22 06 07)
- To add Medical Deductibles — use WC 00 06 03

**Remember,** carriers have two options regarding the use of Minnesota's new Policy Change Endorsements: They may use either the single page format or opt to use an individual page for each separate endorsement item. **'Free Form' endorsements are not acceptable.** Finally, remember to send **ONLY** endorsements that apply to Minnesota.

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). 

### **FILING REFRESHER: PROOF OF COVERAGE**

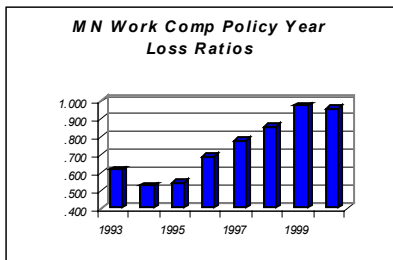
MN Rule 5222 requires that all policy information be filed with MWCIA on a timely basis as the official repository of Minnesota's Proof of Coverage. All Proof of Coverage notification must be filed in the approved format:

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

**Remember,** this rule applies whether Proof of Coverage data is filed electronically or on hard copy.

### **From the ACTUARY ...**

Overall workers' compensation loss ratios have increased precipitously over the past several years. If we look at the best match of premium and claim experience - - the policy year - - and review ultimate, developed losses adjusted for Special Compensation Fund assessments - - and compare this to net earned premium, the results are significant. The aggregate statewide loss ratio was barely more than 50% in policy year 1994. By looking at the chart below, however, we can see that in the last six years, the aggregate statewide loss ratio has almost doubled.



There are two basic reasons for this series of increases:

- **The net premium, or price for workers' comp insurance has dropped steadily throughout the '90's.**


This has been the result of heavy insurer competition, primarily in the form of massive rate level

reductions, and through the widespread use of schedule credits.

Strong investment returns nationwide opened up insurance markets in general - - and as the 1992 and 1995 Minnesota benefit reforms caused the indemnity portion of the workers' comp claim dollar to become much more predictable, the workers' comp line became more favorable to write. Prices dropped relative to payroll, and loss ratios increased.

#### **• Medical claim severity continues to rise**

The medical portion is now more than half of the workers' comp claim dollar - - and workers' comp medical claim trends increase faster than the comparative medical CPI.

Loss ratios in the 90% range will not continue - - particularly in less than favorable economic times. Insurers simply will not be able to realize sufficient investment income to remain profitable, let alone solvent. Three things are already happening: more employers are being released to the Assigned Risk Plan, schedule credits are disappearing, and rate levels are increasing. 

### **BEEP 2.5 NOW AVAILABLE!**

As a founding partner in ACCCT (American Cooperative Council on Compensation Technology) **MWCIA is pleased to announce the release of BEEP 2.5!**

BEEP (Bureau Entry & Edit Package) allows for data entry and edit of unit stat reports for electronic submission to MWCIA as well as data collection organizations in other states.

### **DLI Highlights**

The first edition of the Minnesota Department of Labor & Industry's (DLI) **Research Reporter** — an online journal of Minnesota workers' comp and safety research — is available at [www.doli.state.mn.us/reporter.html](http://www.doli.state.mn.us/reporter.html).

This free publication, to be released 3 times a year by the DLI

Research & Statistics Unit, will provide timely info about workers' comp and safety issues for Minnesota insurers, safety officers and policymakers. Features of this publication will include:

- Summaries of workers' compensation and safety research conducted by Research & Statistics
- Highlights of other research being done in Minnesota and the rest of the nation

To receive email notification when each edition is available, email [Majordomo@state.mn.us](mailto:Majordomo@state.mn.us) and include the command "subscribe researchreporter" in the body of your message. If you have any questions about this new publication, contact DLI by email at [dli.research@state.mn.us](mailto:dli.research@state.mn.us) or call Kristin at 651.284.5025. ☎

#### **A note to MWCIA WEB USERS**

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

If you do not have web access and wish to continue receiving our publications in hardcopy, please send a written request to the address listed below.

#### **FILING REFRESHER: Cancellations/Non-Renewals**

Minnesota's Cancellation and Non-Renewal rules state that cancellation/termination/expiration filings will not become effective until:

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

**Remember**, this rule applies whether a carrier files electronically or on hard copy.

#### **RECENT CIRCULARS, ETC.**

Here's a list of our circulars issued this past quarter:

**02-1385** MN Policy Forms Task Force Report No. 1

**02-1386** BEEP 2.5 Announcement

**02-1387** MN Info Page WC220001

For the quickest access, remember that 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 manual rules, standard forms & endorsements, and classification & statistical codes relating to workers' compensation insurance on behalf of member companies in the State of Minnesota.

The following NCCI Items 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

**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).

