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MWCIA News



October 2004 issue

a publication of the Minnesota Workers' Compensation Insurers Association



PRESIDENT'S CORNER

By Bruce A. Tollefson

At the Risk of Sounding Like a Broken Record!

Many of my articles over the past couple of years have centered on “delivering member value”, “collaborative efforts”, “industry tools”, and “speed to market”. In recent articles I have talked about our efforts to leverage the tools and technology at MWCIA to put additional power at the fingertips of our members. These themes and efforts are obviously related and have their genesis in a real “focus” at the MWCIA. That focus has been on assessing, developing, and implementing services and products that have a direct impact on our members.

In my last article, I discussed major enhancements to our Rate Filing Application (RFA) that were developed and released in time for the 2005 rate filing season. These enhancements are part of an ongoing effort in cooperation with the Minnesota Department of Commerce to increase the overall functionality of the rate filing system. Our goal is to make RFA a tool our members will want to use as well as a tool that delivers real “speed to market” performance.

MWCIA's efforts during 2004 have not been limited to a single product or service. Rather, we have focused on a suite of products and services, all aimed at the goal of enhancing products and services for our industry.

I am pleased to announce MWCIA staff is very close to implementing two additional web-based products

intended to further assist carriers in their analysis and ratemaking processes. One product is designed to improve the front-end data collection process and enhance data quality while the other product is designed to help carriers leverage this “collected data” by providing them access to more meaningful and useful statistical information.

Manage USR is a web-based product specifically designed to provide MWCIA's members with an online view of the Unit Statistical Report (USR) data as it appears in MWCIA's database. Carriers will have the option of viewing the USR data at the individual USR level or at a cumulative USR data level. In addition to seeing USR data, carriers will be able to review the status of their submitted data and to edit errors.

Actuarial Report Resource on the Web (**ARROW**) is a web-based product designed to provide members with access to their own carrier-specific USP data as well as certain statewide data. **ARROW** will contain the latest 10 years of data, which can be viewed by “summarized class experience” and “custom historical triangles”. The data can be further grouped by class/industry group, premium range, and geographical region. Output of the data will be available as viewable reports or downloadable files.

Manage USR and **ARROW** are carrier specific and contain security safeguards to protect each carrier's individual data. MWCIA's ability to create these products has been greatly enhanced by other projects I have discussed in the past. These products include **SPECTRUM**, our

internal, relational based data collection, editing, and processing system that provides the type of robust data processing system necessary to support these products; and **CDX** (Compensation Data Exchange), the electronic transmission and distribution system launched by ACCCT at the end of 2003 which makes the ability to deliver web-based products far more efficient through the creation of a data highway.

MWCIA's staff is eager to get both of the above mentioned products implemented and into the hands of our member carriers as soon as possible. It is our belief that the release of these products will make a real difference by improving the process and by delivering key information for use in the internal underwriting, marketing and pricing decisions of our membership.

MWCIA will continue to seek out the needs of Minnesota carriers and to investigate additional service opportunities with the continuing goal of enhancing products and services. As a carrier writing wcomp insurance in the state of Minnesota, you are a key part of this process.

Please send us your ideas, or if you would rather discuss your ideas/needs, please call our actuarial staff at 952.897.6431 or me at 952.897.6405.

For more information regarding the Minnesota RFA Program and MWCIA's Fee Advancement Program, refer to Pages 2 and 3 in this newsletter or logon to www.mwcia.org and click 'Rate Filing Application' under Member Services in the lefthand margin.

ASSIGNED RISK PLAN NEWS

MWCARP HAS NEW WEBSITE

The Minnesota Workers' Compensation Assigned Risk Plan (MWCARP) has a new website at www.mwcarp.org with information on the Assigned Risk application process and contact information. Quick access to MWCARP's site has been added to MWCIA's website at www.mwcia.org under 'LINKS' in the lefthand margin.



A reminder to agents that the Minnesota Workers' Compensation Assigned Risk Plan (MWCARP) now has two servicing providers: Berkley Risk Administrators and RTW.

RTW started accepting new MWCARP business effective July 1st and began issuing renewal policies in September. Berkley policy information for MWCARP's renewals is being forwarded to RTW to assist them in preparing their renewal offers.

Please update your contact information for MWCARP to include the following information for RTW:

RTW
P.O. Box 390901
Minneapolis, MN 55439-0901
Tel. - (952) 897-5566
Tel. - (888) 273-9709
Fax - (952) 893-3707
Fax - (888) 811-0379

2004 MWCARP Totals

Total Employer Count:
42,053

Total Premium Volume:
\$101,128,767



Are You Using Approved Rates?

As the 2005 rate filing year approaches, please keep in mind that carrier rates are **not** approved for use in Minnesota until formal approval of a rate filing is received back from Minnesota's Department of Commerce.

From the Actuary . . .


MINNESOTA RATEMAKING REPORT FOR 2005 RELEASED

MWCIA released its 22nd annual **Minnesota Ratemaking Report** on August 20th. The January 1, 2005 pure premium base rates contained in the **Minnesota Ratemaking Report** reflect a decrease of 1.2%. Even though this is the second modest decrease in the base rate level in as many years, average pure premium rates are now about 5.8% higher than they were in 2001 -- the last year in a 7-year cycle that saw the base rate level drop over 48%. [To view a chart displaying the cumulative changes in the pure premium base rate level since 1984, go to the bottom of page 5.]

Overall, the movement in the pure premium level has been quite stable over the past seven years. This is quite unique compared to workers' compensation experience nationwide where medical severity increases, along with other factors, have driven rates up significantly.

The residual effects of the major statutory benefit changes that took place in 1992 & 1995 can explain part of Minnesota's departure from national averages. But there is another factor to be considered. By statute, pure premium base rates do not contain provisions for late loss development or trend. These factors have been increasing substantially over the past four years.

Eighth-to-ultimate reporting of loss development is up 7%, and average trend factors have increased 14.5% since 2001. The combination of the two -- a 22.5% increase -- coupled with the pure premium change -- would suggest that the full impact of experience on rates over the past four years would be closer to +30%.

Member carriers with MWCIA web user accounts can download the **2005 Minnesota Ratemaking Report** directly from MWCIA's website at www.mwcia.org by using their web login username and password. Members without an MWCIA web account will need to register online to receive a copy of the **2005 Minnesota Ratemaking Report** via email. 

A message from the DEPARTMENT OF COMMERCE

ATTENTION RATE FILING STAFF


Through the continued collaborative efforts of the Minnesota Department of Commerce and MWCIA, we are pleased to announce an enhancement of Minnesota's Rate Filing Application (RFA) system has been implemented in time for the start of the 2005 filing season.

Minnesota's enhanced RFA system will now allow the submission of the following rate filings electronically:

- Standard Rate Filings with up to 10 Class Code Deviations
- Large Risk Filings with up to 10 Certification Forms

In addition, Minnesota's RFA system is password protected, has an automatic validation process to help assure electronic filings are ready for approval once submitted; and it's compatible for developing rate schedules for submission using SERFF's electronic filing system.

A new service available with the 2005 filing season is MWCIA's Filing Fee Advancement Program. This service allows MWCIA to forward filing fees on the carriers behalf to allow for faster processing of a carrier's electronic filing using either the RFA or SERFF systems.

Instructions for making electronic wcomp filings in Minnesota are available on Commerce's website at www.commerce.state.mn.us or on MWCIA's website at www.mwcia.org. Should you have any questions or need assistance getting started with filing electronically, please feel free to contact Tammy Lohmann, Chief Workers' Compensation Analyst, at 651.296.2327 or email her at tammy.lohmann@state.mn.us. 

For more information on Minnesota's 2005 Rate Filing Procedures, RFA, and the new Fee Advancement Program—refer to Page 3.

Attention: Rate Filing Staff

**UPDATED
RATE FILING PROCEDURES**

MWCIA actuarial staff released the **2005 Minnesota Ratemaking Report** in August and many carriers are in the process of preparing their 2005 rate filings. In addition to the **2005 Ratemaking Report**, it is important for rate filing staff to refer to **Commerce Bulletin 2004-3** and the **Minnesota Filing Procedures Manual – 2005 edition** when completing any workers' compensation filings for the upcoming year.

The **Minnesota Filing Procedures Manual** is created and filed by MWCIA on behalf of its members as a companion document to be used in conjunction with the Department of Commerce's annual bulletin of updated rules and procedures pertaining to the filing of carrier rates, rating plans, and special forms for writing workers' compensation insurance in the state of Minnesota. While reviewing the updates provided in these two documents, rate filing staff will want to pay special attention to the following:

- Enhancements to MWCIA's RFA electronic filing system including the **new** Fee Advancement Program
- Tracking Numbers now required for Large Deductibles & LRARO's
- NAIC's *Uniform Property & Casualty Transmittal Document* is built into the electronic filing system & Commerce requests hardcopy filings use this same form for consistency

Commerce Bulletin 2004-3 cautions carrier filing personnel to disregard several prior bulletins when preparing their 2005 rate filings as other bulletins often contain information that is now obsolete. Likewise, it is important that rate filing personnel refer only to the edition of the **Minnesota Filing Procedures Manual** that corresponds with the filing year.

Copies of the **Minnesota Filing Procedures Manual - 2005 edition** and **Commerce Bulletin 2004-3** are available on MWCIA's website at www.mwcia.org.

If you have any questions regarding Minnesota's filing procedures or the

effectiveness of a particular Commerce bulletin, please contact Tammy Lohmann, Chief Workers' Compensation Analyst, for clarification at 651.296.2327, or tammy.lohmann@state.mn.us.



**NEW & IMPROVED RFA
AVAILABLE ON MWCIA'S WEBSITE**

In September the Minnesota Commerce Department and MWCIA announced the release of Minnesota's Rate Filing Application (RFA) Phase II. This enhanced web product enables carriers to complete and submit WC Rate Filings and Large Risk Rate Filings online and in an expedited manner. The Commerce Department will evaluate each filing application for approval. Once approved, filings will be available for public inspection via the web.

As carriers begin preparing their 2005 rate filings using the RFA and Fee Advancement Programs, it is important to keep the following in mind:

- Rate Filing Applications (RFA) are **free** to all member carriers
- There is **no sign up fee** to use the Fee Advancement Program -- simply check the appropriate box when submitting the RFA and MWCIA will forward the required filing fee
- Carriers will be billed quarterly for all Fee Advancement Program charges
- RFA requires a unique username & password — web account usernames/passwords will **not** work in this system
- Go to "Register New User" to sign up for a new RFA username/password

For more information on Minnesota's RFA and Fee Advancement Programs, refer to Circular Letter Nos. 04-1429, 04-1431, 04-1432, and Minnesota Commerce Department Bulletin 2004-3 on MWCIA's website at www.mwcia.org.

Reminder to Carriers:

*When filing manually, copies of your rate filings should be sent to MWCIA's office for our records **after** you receive approval from the Minnesota Department of Commerce.*

Attn: Data Transmission Staff

**OLD ELECTRONIC MEDIA
DISCONTINUED**

Compensation Data Exchange (CDX) — created in partnership with ACCCT and implemented in 2003 — has fast become the preferred method for transmitting data in Minnesota.

Currently, all carriers submitting data electronically to Minnesota use CDX. MWCIA will, therefore, discontinue the acceptance of data on 3480 tape cartridges, nine track tape reels, or via IBBSNet effective December 31, 2004.

For additional information regarding the discontinuance of other electronic transmission methods in Minnesota, please refer to Circular Letters Nos. 04-1430 and 04-1418. To activate your CDX account in Minnesota, please contact Marc Coleman at 952.897.6438 or marc.coleman@mwcia.org. For more information on establishing a CDX account, please refer to Circular Letter No. 03-1409. ❏

MCPAP UPDATE

The 2005 MCPAP credit factors have been calculated and are in the hands of eligible employers and their current carriers. 2005 credits represent a 4.33% increase in the number of eligible applicants including those who received late filing penalties.

Here is a summary of Minnesota's MCPAP credit factors for 2005:

Credit Factor	Employers
.75 - .79	181
.80 - .89	1,114
.90 - .99	1,253
<u>1.00</u>	<u>44</u>
TOTAL	2,592

This year we received approximately 35% of the submitted MCPAP applications online! Submitting online lets employers know immediately if they qualify for a credit and allows those who don't the ability to recheck and resubmit their data immediately.

Remember, the 2006 MCPAP enrollment season starts January 2005 and runs until April 1st. ❏

DLI Highlights

WORKERS' COMPENSATION FRAUD INVESTIGATIONS STAFF MOVE TO COMMERCE

The Workers' Compensation Fraud investigators formerly assigned to the Investigative Services Unit, MN Department of Labor and Industry have move to the MN Department of Commerce effective July 1, 2004. The move is in conjunction with the formation of the "Insurance Fraud Prevention Unit" authorized by the legislature in the 2003 Session and funded during the 2004 Session. They will continue to offer an effective resource in addressing your concerns associated with potential incidents of suspected workers' compensation fraud, and may be accessed at 1-888-FRAUD MN (1.888.372.8366).

The Investigative Services Unit has merged with the Special Compensation Fund, MN Department of Labor and Industry as the Investigative Services Section, continuing its response to instances of employers failing to properly insure for workers' compensation coverage. If you have any questions or would like to identify a suspected uninsured employer, please call us at 651.284.5109, via email at DLI.Specialcomp@state.mn.us or on the DLI website: <http://www.doli.state.mn.us/workcomp.html>. ☞

ATTENTION AUDITORS

Effective August 23, 2004, rules defining exemptions from overtime pay requirements under the FLSA for certain "white collar" employees has changed. For information and guidance on these changes, please refer to the U.S. Dept. of Labor's website:

<http://www.dol.gov/esa/regs/compliance/whd/fairpay/main.htm>.

New SAWW Announced

Effective October 1, 2004, Minnesota's new Statewide Average Weekly Wage is \$740.

Attention: Underwriting Staff

REVISED ENDTS APPROVED

The following endorsements are now approved for use in Minnesota:

NCCI Item P-1389 - Revision of Employers' Liability Coverage Endorsement (WC 00 03 03 C); and Federal Employers' Liability Act Coverage Endorsement (WC 00 01 04 A)

As members of MWCIA, these endorsements have been filed with Minnesota's Department of Commerce on your behalf and are ready for immediate use. Please note these endorsements are intended to replace WC 00 03 03 B and WC 00 01 04, respectively.

For more information on either endorsement, please refer to Circular Letter No. 04-1426 on our website at www.mwcia.org.

Questions? Send them to us via email at info@mwcia.org. ☞

FILING REFRESHER: Cancellations & Non-Renewals

Minnesota's Cancellation and Non-Renewal Form WC 89 06 09 B must be filed in cases of cancellation, termination, or expiration:

- 30 days prior notice to MWCIA using WC 89 06 09 B is required before any cancellation or termination is effective
- 60 days prior notice to MWCIA on behalf of the Department of Labor & Industry and the insured using WC 89 06 09 B is required before any non-renewals are effective

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

MISSING A CIRCULAR?

MWCIA's circular letters are available on-line 24 hours a day at www.mwcia.org. There is also an index of all archived circular letters dating back to 1996.

Have You Forgotten Something?

As a licensed wcomp carrier in Minnesota and member of MWCIA, it is your responsibility to keep the following organizations informed of any company address/contact information changes on a timely basis:

- DOC
- MWCIA

Many carriers believe they inform MWCIA of name/address/contact changes when they notify a state office such as the Commerce Department. MWCIA is a separate organization and members must send separate notification of all changes to our office.

Please remind your filing and licensing staff to send separate notification of any company name/address/contact changes to MWCIA on a timely basis. By keeping MWCIA informed of all changes, your company will never miss valuable notices and mailings from our office that our members have learned to depend on.

FILING REFRESHER: PROOF OF COVERAGE

MN Rule 5222 requires all policy information to be filed on a timely basis with MWCIA as the official repository of Minnesota's Proof of Coverage. All Proof of Coverage notifications 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.

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. 04-1424

08/11/04 — Revision of Experience Rating Plan Manual Table References

Circular Letter No. 04-1425

08/11/04 — Updated WCIO Workers Compensation Data Specifications Manual

Circular Letter No. 04-1426

08/11/04 — NCCI Item P-1389 - Revision of Employers' Liability Coverage Endorsement (WC 00 03 B); and Federal Employers' Liability Act Coverage Endorsement (WC 00 01 04)

Circular Letter No. 04-1427

08/20/04 — Minnesota Filing Procedure Changes and Clarifications - 2005

Circular Letter No. 04-1428

08/20/04 — 2005 Ratemaking Report

Circular Letter No. 04-1429

08/25/04 — Joint Announcement from the Minnesota Department of Commerce & MWCIA on

Enhancements to the Rate Filing Application

Circular Letter No. 04-1430

08/25/04 — Electronic Data Transmission - Discontinued Support Announcement

Circular Letter No. 04-1431

08/25/04 — Revised SERFF General Instructions for Minnesota Workers' Compensation Filings

Circular Letter No. 04-1432

09/16/04 — Rate Filing Application (RFA) and SERFF Electronic Filings

Circular Letter No. 04-1433

10/14/04 — *Minnesota Filing Procedures Manual* — 2005 Edition

NON-APPROVED NCCI ITEMS

As the sole data service organization in Minnesota, MWCIA is the only company authorized to file workers' compensation manual rules, standard forms & endorsements, and

classification & statistical codes on behalf of member carriers in this state.

When preparing policies for Minnesota, please keep in mind that the following NCCI Items are **not** approved for use in Minnesota:

B-1369 – 2001 *Basic Manual For Workers' Compensation & Employers' Liability Insurance*

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

B-1373 – Basic Manual Rules & Enhancements

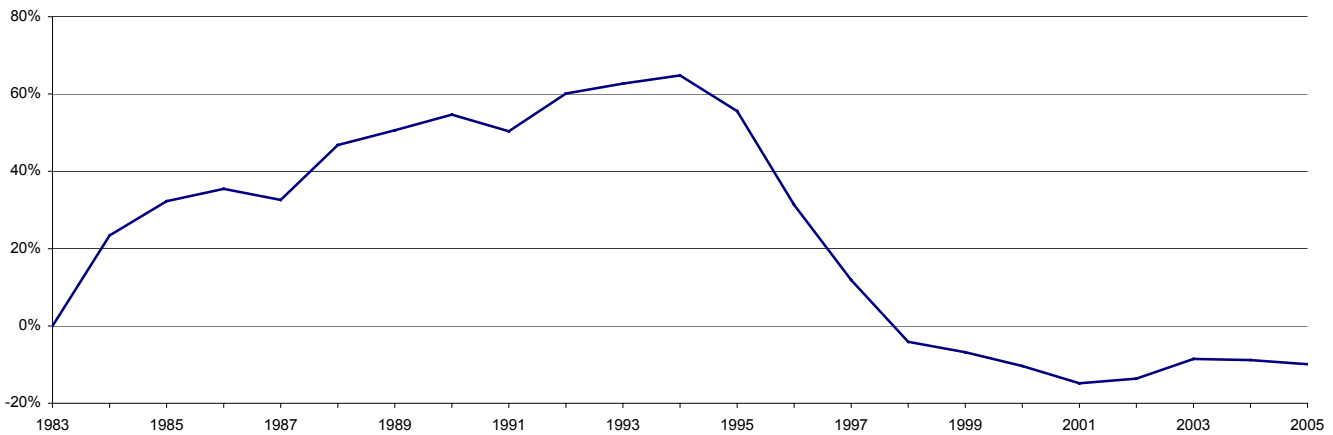
If you have any questions regarding these items, please contact our staff by emailing us at info@mwcia.org.

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.

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.

Cumulative Percent Change in Workers' Compensation Pure Premium Base Rates



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