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# MWCIA News



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

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## PRESIDENT'S CORNER

By Bruce A. Tollefson

### Quality Data:

#### How can we help?

Mark Twain once said: "All you need in life is ignorance and confidence; then success is sure." This November marks the completion of my eighth year as President of MWCIA. As I look back at our accomplishments over those years, I think Mr. Twain had a point. I started out with a lot of ignorance about obstacles to what MWCIA could accomplish, and a whole lot of confidence that we could change things for the better. The result has been some real successes for this organization.

Although I was on MWCIA's Board before I became President, like many others I viewed data collection organizations by what we see and not in the larger historical context. For example, I didn't know MWCIA's history went back to the early 1920's when the Commissioner of Insurance and executives from a few key carriers met to charter Minnesota's only workers' compensation rating bureau.

Over the years, MWCIA has been instrumental in the creation, growth, and soundness of Minnesota's workers' compensation industry. For many of those years the key component of MWCIA's mission was to collect data and promulgate rates in a regulated rating environment. It successfully fulfilled that mission in times of relative quiet as well as times of legislative upheaval.

Then came a sea of change in Minnesota, and eventually the nation, as states moved away from a regulated rating environment to open competition. I became President as that process of change became a

reality in Minnesota. I was confident that MWCIA could continue to provide value to its members in this new environment but somewhat ignorant of the challenges meeting that goal entailed.

When you think about those challenges from a historical context, the potential obstacles were fairly monumental. MWCIA had to reinvent itself from an organization that essentially set the price for an entire industry to an organization that supplied data. Our goal was not just to supply data but to give our members the information needed to successfully compete in a new pricing environment.

To add a little spice, this need for change came at a time when the industry was facing huge technological challenges: the rise of electronic data filing and the internet; plus the usual financial and regulatory uncertainties that routinely buffet the industry.


So we started with the basic tools of our trade. In 1999 we implemented SPECTRUM™ (a relational database system developed by the Spectrum Partners). MWCIA was the first of three partners to implement this newly developed operational system. We were soon followed by Wisconsin and North Carolina. SPECTRUM provided the enhanced ability to gather, process, and distribute data to our members needed to meet our business goals. As an added benefit, most of MWCIA's Y2K issues were eliminated.

At the same time, MWCIA staff reworked our internal structure, communication methods, and products & services distribution methods. Better internal communications and external distribution methods allowed MWCIA and our members to take full advantage of our new data collection and processing tools as we both evolved in the changing marketplace.

As part of that effort, staff made our website far more robust changing it into MWCIA's primary means of communications and product and services distribution. Examples include our web-based Annual Report, Quarterly Newsletters, Circulars, the effective distribution of Minnesota Experience Modification Worksheet data, and online access to MWCIA's Annual Ratemaking Report and Minnesota's manuals.

Recognizing the importance of transmitting data efficiently to our members, MWCIA also collaborated with other independent data collection organizations to form Compensation Data Exchange (CDX). CDX quickly became the data transmission service provider of choice for the majority of independent data collection organizations in the country.

Realizing timing is everything to our members, MWCIA also sped up the release of Minnesota's Annual Ratemaking Report to get this key information to members earlier and enhanced our ability to collect statistical data and provide needed information via tools such as ACCEDE, (our web-based financial calls software), and ARROW (our integrated system for providing summarized unit statistical data). Finally, working with the Minnesota Commerce Department, MWCIA created the Rate Filing Application (RFA), to significantly speed up the rate filing review and approval process for many of our member's filings.

Eight years ago I didn't recognize a large part of my new job would be to help MWCIA transform how we do business and deliver value but I was confident MWCIA could meet whatever challenges came our way. Luckily Mr. Twain was right and what we see is success in meeting our goals. 

[To All Agents Who Use The Minnesota Assigned Risk Plan](#)

**MWCARP Deductible Plan**  
**Revised May 15th**

The Minnesota Workers' Compensation Assigned Risk Plan's (MWCARP) Deductible Program has adjusted its credit schedule effective May 15, 2005, for new and renewal business. Information on MWCARP's new Deductible Program credit schedule is available on MWCIA's website at [www.mwcia.org](http://www.mwcia.org) under Circular Letters No. 05-1451 & 05-1470. Copies of MWCARP's revised Deductible Program guidelines and application are also available on MWCARP's website at [www.mwcarp.org](http://www.mwcarp.org). MWCARP is requesting that questions regarding the revised Deductible Program be referred to their offices by calling 952.924.6971 or emailing them at [deductible@mwcarp.org](mailto:deductible@mwcarp.org).



**MWCARP Payment Plan**  
**Revised October 1<sup>st</sup>**

Due to recent changes in Minnesota law governing policy cancellations, MWCARP has revised its current payment plan effective October 1, 2005. The new payment schedule for the Assigned Risk Plan is as follows:

MWCARP NEW PAYMENT PLAN SCHEDULE  
(EFF. 10-1-2005)

Total Est. Annual Premium	Minimum Deposit Required	Payment Basis
Under \$2,000	100%	Annual
\$2,000 - \$10,000	50%	3 quarterly
over \$10,000	35%	8 monthly

The Assigned Risk application has been updated to reflect the new schedule on both MWCIA's and MWCARP's websites.

Should you have any questions regarding this item, please contact one of MWCIA's staff at [info@mwcia.org](mailto:info@mwcia.org) or by calling us at 952.897.1737.



**A Reminder Regarding Agency Checks**

For many years, MWCARP has accepted agency checks as payment when submitting an application to the Assigned Risk Plan.

While this is a great service agents provide to their clients, it is important to keep in mind that MWCARP cannot assist agents in collecting unpaid monies from clients if they don't receive reimbursement. It is also important to remind agents that they do not have the authority to cancel a client's policy with the Pool even in cases where an agency check was used to secure coverage for the client.

By providing this reminder, we hope to encourage all agents to take the necessary steps to protect themselves before submitting an application to the Pool using an agency check.

Please direct any questions you may have regarding the Assigned Risk Plan application process to MWCIA's staff at [info@mwcia.org](mailto:info@mwcia.org) or by calling us at 952.897.1737. ☎



**2005 MWCARP Annual Averages**

**Total Employer Count:**  
40,077

**Total Premium Volume:**  
\$94,118,831

A message from  
Commissioner Wilson & the  
DEPARTMENT OF COMMERCE

Like the medical profession, a credo of government regulation should be "First, do no harm." But from there, financial service regulators - including the Minnesota Department of Commerce - must work to improve compliance and the regulatory process. We think the cooperation between the Department of Commerce and the MWCIA has produced great dividends in these areas.

One of the products of this association has been the RFA (rate filing application) electronic filing program. Tammy Lohmann, chief analyst for the Commerce workers compensation unit has worked closely with Bruce Tollefson and the members of the MWCIA office IT staff to create this program. This successful collaboration has produced clear benefits to MWCIA members:

- ☎ A simpler filing process
- ☎ Quicker filing time
- ☎ MWCIA participation ensuring consideration of members' concerns

The RFA has proved to be a very efficient way to file and review rates. It has distinguished Minnesota as having one of the most effective filing systems in the country.

Other initiatives we are working on, or completed recently, include:

- ☎ Minnesota Basic Manual
- ☎ Minnesota Filing Manual
- ☎ Revisions to Minnesota Rules
- ☎ On-line application for the Minnesota Workers' Comp. Assigned Risk Plan

Working together does, indeed, yield benefits for insurers and the employers that the system serves. Collaboration between public, private, and non-profit organizations can strengthen the relationship between all participants in the marketplace. ☎

MINNESOTA BASIC MANUAL  
APPROVED

MWCIA staff are proud to announce the release of the new *Minnesota Basic Manual* approved by the Minnesota Department of Commerce to become effective January 1, 2006.

For consistency of use, the *Minnesota Basic Manual* is modeled after NCCI's *Basic Manual*. Here are some of the features of Minnesota's latest manual:

▪ **Minnesota Exception Rules & Special Language**

As a Minnesota only product, the new *Minnesota Basic Manual* incorporates all Minnesota state exceptions and special language in the body of the rules, thereby eliminating any confusion regarding inapplicable NCCI language.

▪ **Minnesota Classifications**

As a Minnesota only product, this new manual contains only the classifications available in Minnesota plus any special language, footnotes, and/or rules in connection with Minnesota's classification system

▪ **Minnesota User's Guide**

As a Minnesota only product, the User Guide section of the new *Minnesota Basic Manual* only contains examples and references specific to Minnesota.

The *Minnesota Basic Manual* is designed as a web-based product and, as such, is available 24/7 on MWCIA's website at [www.mwcia.org](http://www.mwcia.org) under 'Minnesota Manuals' on the left-hand margin of our home page. Revisions to the *Minnesota Basic Manual* will be announced via our circular letter service and the online manual will be updated on MWCIA's website accordingly.

For further information regarding the new *Minnesota Basic Manual*, refer to MWCIA's Circular Letter No. 05-1466. ☞

ATTENTION UNDERWRITERS

The following filing items were recently approved for use in Minnesota by our Commerce Department. These items could have a direct impact on the underwriting of your workers' compensation policies.

▪ **Amended MN Cancellation Procedures & Endts.**

Minnesota law now requires that carriers send their policyholders a 60 day advance notice which includes special language when initiating cancellation. The special language required for this notice in accordance with M.S. §176.185 subd. 1 & 1a is illustrated on page 2 of MWCIA Circular Letter No. 05-1453.

In addition to the special notice language requirement, carriers must send the policyholder and MWCIA a copy of Cancellation Notice WC 89 06 09 B within 10 days of the desired cancellation date.

(Refer to **Circular Letters No. 05-1453, 05-1455, 05-1467 & 05-1468** for further details.)

▪ **Foreign Terrorism Surcharges**

This filing addresses issues in connection with the possible expiration of the Terrorism Risk Insurance Act of 2002 on December 31, 2005.

(Refer to **Circular Letters No. 04-1435, 05-1469, & 05-1473** for further details.)

The following item also affects how policies are issued in Minnesota:

▪ **New MN PEO Rules & Endts.**

This filing creates special rules and procedures plus two new Minnesota endorsements for use in issuing policies for employee leasing arrangements in Minnesota.

(Refer to **Circular Letter No. 05-1471** for further details.) ☞

THE LOST-TIME MEDICAL  
SEVERITY PHENOMENON

As outlined in MWCIA's recent Ratemaking Report, the pure premium base rate level was reduced by 0.3%, effective 1/1/06. This is the fifth straight year of fairly modest changes; on average, base rate levels have increased about 1% annually since 2001.

Pure premium rates have been stabilizing for one significant reason: case frequency continues to slide. Base rate movement is much more sensitive to frequency changes, and even though serious case count changes have trended slightly upward in the past couple of years, non-serious frequency continues to drop at a rate around 5-6% per year.

On the other hand, average cost per case continues to increase. This tends to exhibit itself in later loss development and trend changes. The combined impact of 8<sup>th</sup> to ultimate and trend factor effects was around +14% in 2001. Today, it's over +42%—an increase of close to 25% over the five year period.

The most significant contributing factor to this phenomenon is lost-time medical severity.

As the chart on page 5 illustrates, lost-time medical severity at 5<sup>th</sup> report has increased from less than \$6,000 in policy year 1994, to an estimated \$14,800 in policy year 2003—an increase of over 150% in nine years. What's more telling is that average annual changes since 1998 have been in the 13-14% range -- and they're continuing to increase.

For non-member subscribers, the **2006 Minnesota Ratemaking Report** may be obtained in hard copy or an electronic version by sending a request to our office in writing along with the appropriate fees as shown in MWCIA's Circular Letter No. 05-1458.

Please direct questions regarding this Report to our Actuarial Services staff at 952.897.1737 (Option 3), or at [ratemakingreport@mwcia.org](mailto:ratemakingreport@mwcia.org). ☞



## MCPAP 2007 ENROLLMENT

### Yes -- It's That Time Again!

Time for your eligible clients to apply for their 2007 MCPAP credit! The 2007 Minnesota Contractors' Premium Adjustment Program (MCPAP) credit factor enrollment period starts the beginning of January and officially ends April 1, 2006. To qualify for a 2007 MCPAP credit factor, employers in the contracting industry must:

- ☞ Have at least one contracting class code on their policy with payroll
- ☞ Have paid a total annual average hourly wage of \$20.10 based upon the hours & wages for all employees combined assigned to a single contracting class code according to the employer's calendar year 2005 payroll records
- ☞ Exclude all exempt employees (ie. owners & family members who were not covered on their 2005 policy)
- ☞ Include all employees (contracting & non-contracting employees such as clerical staff & estimators, for example)

Employers who do not meet the average hourly wage requirements for calendar year 2005 will not be eligible for a MCPAP credit in 2007.

Encourage clients to file electronically!

Applying for a MCPAP credit online has three immediate advantages:

- ☞ **Online submissions take the guess work out of determining if a client meets this year's MCPAP qualifications.** If your client is unsure if they qualify for the 2007 MCPAP credit, they can submit their data online and receive immediate feedback if they qualify based on the information they provide. If

they don't qualify based on what they entered, the client has the ability to quickly double-check the information they are submitting, make corrections on-the-spot, and resubmit their data for re-validation.

- ☞ **Online validations help clients complete their MCPAP applications successfully by walking them through a step-by-step process that allows them to make corrections to their data prior to submission of the application.**
- ☞ **Clients have automatic verification that their MCPAP application information was received on time.** Once the online MCPAP application completes its validation process, the client simply clicks 'okay' to submit it. All online data is automatically entered into our system — on time and secure! Application results are held in our system until the 2007 MCPAP credit factors are ready to be calculated and mailed next fall — right on time for their 2007 renewal offers.

Last year, MCPAP's online applications accounted for almost half of all applications submitted. Online applications not only assure MWCIA better quality data, it also saves our staff a considerable amount of time and energy over the hardcopy method. Please encourage your clients to give the online process a try. Applying online is free, easy, and available anywhere the Internet can be accessed! Whether submitting online, via fax, or by mail, please remind your clients that all 2007 MCPAP applications must be received in MWCIA's office or postmarked no later than Saturday, April 1, 2006, to avoid the .02 late penalty assessment factor.

For more information on 2007 MCPAP — check out MWCIA's website at [www.mwcia.org](http://www.mwcia.org). ☞

### ***Are Your Rates Approved?***

Carrier rates are **not** approved until formal approval is received from the Commerce Depart. *Copies of hardcopy rate filings should be sent to MWCIA's office for our records only after Commerce approval is received.*



For Minnesota's latest filing instructions, please refer to Commerce Bulletin **2005-5** and the 2006 edition of the **Minnesota Filing Procedures Manual** available on MWCIA's website at [www.mwcia.org](http://www.mwcia.org).

### **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. 05-1462**

08/24/05 — Revised SERFF General Instructions for MN WComp. Filings

#### **Circular Letter No. 05-1463**

08/24/05 — Joint Announcement from the MN Commerce Dept. & MWCIA on Enhancements to the Rate Filing Application

#### **Circular Letter No. 05-1464**

09/01/05 — Minnesota Filing Procedure Changes & Clarifications - 2006

**Circular Letter No. 05-1465**

09/26/05 — Request for Comments issued by the Minnesota Dept. of Commerce

**Circular Letter No. 05-1466**

09/29/05 — New *Minnesota Basic Manual*

**Circular Letter No. 05-1467**

09/29/05 — Revision of the MN Cancellation & Nonrenewal Endt. (WC 22 06 01 B)

**Circular Letter No. 05-1468**

09/29/05 — Amended Note on the Policy Termination/ Cancellation/Reinstatement Notice (WC 89 96 09 B)

**Circular Letter No. 05-1469**

10/07/05 — Direction on Foreign Terrorism Surcharge

**Circular Letter No. 05-1470**

10/17/05 — Information on the Minnesota Workers' Compensation Assigned Risk Plan Deductible Program

**Circular Letter No. 05-1471**

11/02/05 — New Minnesota Employee Leasing Rules & Endorsements

**Circular Letter No. 05-1472**

11/17/05 — NCCI Item B-1398 - Miscellaneous Values for Foreign Terrorism

**Circular Letter No. 05-1473**

12/05/05 — *Minnesota Filing Procedures Manual* - 2006 Edition

**Remember:** By keeping MWCIA informed of all name, address, and contact changes on a timely basis, your company will never miss valuable notices and mailings from our office that our members have learned to depend on.

**NON-APPROVED NCCI ITEMS**

As the sole data service organization in Minnesota, MWCIA is the only organization 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 Endt. WC 89 06 25
- B-1373** – Basic Manual Rules & Enhancements
- E-1379** 2003 *New Experience Rating Plan Manual*

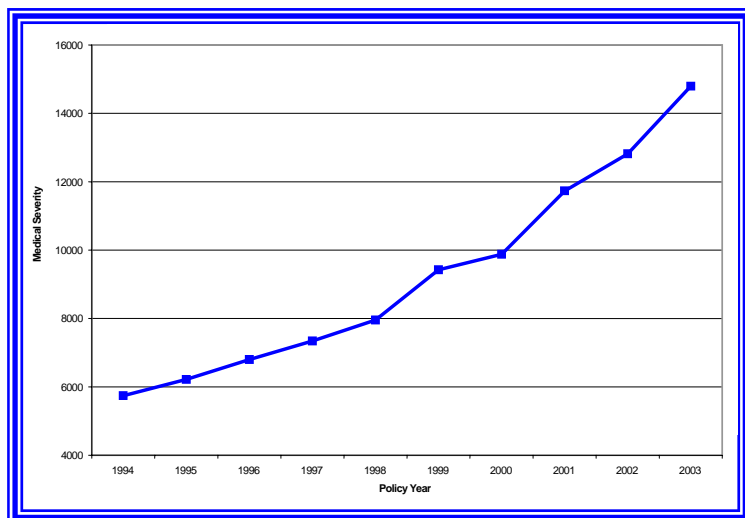
If you have any questions regarding these items, please contact our staff by emailing us at [info@mwcia.org](mailto:info@mwcia.org).

*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*, c/o 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.

**THE LOST-TIME MEDICAL SEVERITY PHENOMENON**



As the chart to the left illustrates, lost-time medical severity (at 5<sup>th</sup> report) has increased from less than \$6,000 in policy year 1994, to an estimated \$14,800 in policy year 2003 - - an increase of over 150% in nine years. What's more telling is that average annual changes since 1998 have been in the 13-14% range - - and they're continuing to increase. For more information about the loss-time medical severity phenomenon, refer to "From the Actuary" on page 3.