

MWCIA News



January 2005 issue

a publication of the Minnesota Workers' Compensation Insurers Association



PRESIDENT'S CORNER

By Bruce A. Tollefson

Has the Work Comp Advisory Council Been Effective?

I recall reading an article about the growing and apparently intractable political disputes over workers' compensation in a large western state. This article reminded me of how Minnesota was able to craft a workable solution to a similarly imperfect system when addressing the sometimes complex and controversial issues of workers' compensation insurance.

The Minnesota Workers' Compensation Advisory Council (WCAC) was established by the Minnesota Legislature in 1995 to help limit political gridlock on these issues. Since its inception, WCAC has provided a forum for reaching a "balance" between the level of benefits paid to injured employees and the cost of workers' compensation to business owners as well as creating efficiencies in how Minnesota's system functions for all parties.

In looking back at past issues of *MWCIA News*, I found four specific articles where I commented on the positive impacts WCAC has had on Minnesota's work comp system. Those articles are located in the August 2000, May 2001, October 2001, and July 2002 issues. Copies of these articles are available on our website at www.mwcia.org.

Given what has been a record of success, it is surprising that problems now appear to be surfacing in the operations of this system. For example, a bill "agreed upon" by WCAC failed to pass during the last two legislative sessions. Failure to pass this bill resulted in placing "on hold"

necessary technical changes for ongoing maintenance and updating of the work comp system.

A more recent indication of concern is a comment included in the Insurance Federation of Minnesota's December 2004 newsletter. An article on page 2 entitled "2005 Industry Initiatives", includes the following observations by IFM's Bob Johnson:

"Johnson noted that the Workers' Compensation Advisory Council was drafting legislation that contains numerous technical changes. Johnson serves as an advisor to management representatives.

He pointed out that management and union representatives were finding it difficult to agree on substantive medical cost containment amendments in the 2005 bill. Johnson said it is possible that the two sides walk away from the agree-to process this session, which would be unfortunate."

I fully agree that erosion in the WCAC system would be unfortunate, but I would go beyond that and suggest that its demise would have a detrimental, long-term impact upon our system.

In my May 2001 article entitled "Value of Minnesota's Work Comp System - From Their Perspective", I discussed the benefits that would be lost if the impact of the WCAC system were to be discontinued or substantially curtailed:

"Helping to maintain this balance is a critical component of MWCIA's role in establishing Pure Premium Base Rates, which accurately reflects the benefits paid to injured workers. Speaker Sviggum also noted that achieving this balance was aided by legislative changes to the system made in 1992 and 1995 and the implementation of

the Workers' Compensation Advisory Council.

I certainly agree . . . the real benefits of a strong, balanced workers' compensation system go beyond individual injured employees and their employers.

Speaker Sviggum believes Minnesota has reached a workable 'balance' between costs and benefits and that it also has a responsive mechanism in the Workers' Compensation Advisory Council for positive fine-tuning of that balance in the future. This assessment would seem to be tangible evidence that the system is not "broken" or in need of any major adjustments."

The comments of Speaker Sviggum, which I cited, were made at MWCIA's April 2001 Annual Luncheon. Those comments are as true today as they were then.

The news story about problems in a western state warned of a prolonged and potentially deadlocked debate. The need to debate and resolve these issues fairly and expediently is a necessary and beneficial exercise. However, I look back at our own experience in debating the policy issues relating to the workers' compensation system. It was, if you will recall, not that many years ago when we read similar news stories in Minnesota complaining that our debate had become too political.

It should be expected that any system - even the WCAC system - will face challenges. Hopefully the current challenge will be an opportunity to reflect on why WCAC was established and how it has been a success. To loosely paraphrase that famous saying by Horace Greeley, if we want to see the kind of substantial problems WCAC allowed us to leave behind, "Look West young man. Look West." ☺

ASSIGNED RISK PLAN NEWS

New Assigned Risk Rates

Effective April 1, 2005

On December 15, 2004, the Commissioner for the Minnesota Commerce Department released the Department's annual Minnesota Workers' Compensation Assigned Risk Plan's (MWCARP) Rate Order approving a 2.1% increase in the overall Assigned Risk rate level effective April 1, 2005 for new and renewal business. The Commissioner also approved an increase of MWCARP's expense constant to \$160 [currently \$150] and a decrease of MWCARP's Special Compensation Fund Assessment Surcharge to 4.1% of standard premium [currently 4.5%]. MWCARP's Terrorism Risk Insurance Act Surcharge will remain \$0.02 per hundred of total payroll.

Additionally, MWCARP's Maximum Individual Remuneration applicable to executive officers, managers/members of LLC's, partners, and sole proprietors will increase effective April 1, 2005 to \$1,480 per week (\$76,960 annually). The minimum for parents, spouse, and children coverage will increase to \$222 per week (\$11,544 annually).

To assist agents in helping clients to properly complete an Assigned Risk application, MWCIA has included a blank application on our website at www.mwcia.org. This application contains the current premium factor information listed in the first paragraph necessary to properly calculate an applicant's Assigned Risk premium. You can also obtain a copy of the Assigned Risk application by logging onto the Plan's website at www.mwcarp.org. The Assigned Risk's application will be updated on both websites to reflect the new factors that become effective on April 1st. Questions regarding Minnesota's Assigned Risk Plan may be emailed to MWCIA at info@mwcia.org or by calling our office at 952.897.1737, option 1. ☎

2004 MWCARP Totals

Total Employer Count:
41,766

Total Premium Volume:
\$100,066,550

MCPAP UPDATE

MCPAP 2006

Yes - It's Time to Apply! The Minnesota Contractors' Premium Adjustment Program (MCPAP) credit factor enrollment period has begun for 2006 and will run until April 1, 2005. To qualify for a 2006 MCPAP credit factor, employers in the contracting industry must have paid an average hourly wage of \$19.00 for all wages and hours worked by all employees who were reported under the same contracting code during calendar year 2004. Employers who do not meet this hourly payroll average will not be eligible for a MCPAP credit in 2006. They may apply again in future years if they meet the qualifying hourly average at that time.

Please encourage clients to file electronically! Employers who submit their MCPAP credit application online have three immediate advantages:

- 1) the online process takes the guess work out of determining if they meet this year's average wage program eligibility level. Contracting employers who are not sure if they meet the eligibility level for a 2006 MCPAP credit can submit their data online and receive immediate feedback if they do not qualify based on the information provided. If the employer believes they should have qualified, they can quickly double-check their submitted information, correct any errors on-the-spot, and resubmit their data for re-validation of their eligibility.
- 2) the online validation process helps employers complete their application successfully the first time by walking them through a step-by-step process which allows them to identify and correct errors prior to submitting the MCPAP application.
- 3) employers who submit their applications online will have automatic verification that their application was received on time. Once an online application completes the validation process, the employer simply clicks 'okay' to submit it.

All online data will be automatically entered into our system — on time and secure! Application results are held in our system until the 2006 MCPAP credit factors are ready to be calculated and mailed out next fall — right on time for their 2006 renewal offers.

Last year more than one-third of all MCPAP applications were submitted online. We are confident with encouragement from the agent and carrier community, the number of contracting employers who apply online will surely increase! When employers submit their MCPAP applications online, MWCIA is not only assured better quality data, it also saves our staff a considerable amount of time and energy over the hardcopy method. Please encourage your clients in the contracting industry to give the MCPAP online application process a try. Applying online is free, easy, and available anywhere the Internet can be accessed!

Whether submitting online, via fax, or by mail, remember that all 2006 MCPAP applications must either be received in MWCIA's office or postmarked no later than Friday, April 1, 2005, to avoid a .02 late processing penalty factor.

☞ For more information on 2006 MCPAP — check out MWCIA's website at www.mwcia.org. ☞



The following summary provides a breakdown of Minnesota's MCPAP credit factors for 2005.

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

New SAWW Announced

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

Attn: Data Transmission Staff

MWCIA INCREASES PAPER HANDLING FEES

In our last issue of *MWCIA News* we announced that CDX (Compensation Data Exchange) had officially replaced all other forms of electronic transmission media in Minnesota. As a result, MWCIA discontinued the acceptance of policy and statistical data on 3480 tape cartridges, nine track tape reels, or via IBBSNet effective December 31, 2004.

In keeping with the above decision, MWCIA's Board of Directors determined that it was necessary to increase MWCIA's paper handling fees to offset the additional expenses associated with manual entry of policy and/or statistical data for those members who continue to submit data in hardcopy format.

The new fees became effective January 1, 2005. The handling fee for manual processing of policy data is now \$25.⁰⁰ for each new or renewal policy submitted in hardcopy and the handling fees for processing hardcopy submissions of unit statistical data have increased to \$25.⁰⁰ per report.

For more information regarding CDX, please refer to Circular Letters No. 04-1418 and No. 04-1430. For more information on MWCIA's increased paper handling fees, please refer to Circular Letters No. 04-1436 and No. 04-1437.

All of the above circular letters are available on MWCIA's website at www.mwcia.org. ☞

Attn: Actuarial Staff

A new actuarial web-based product called *Actuarial Report Resource on the Web (ARROW)* is now available on MWCIA's website at www.mwcia.org.

For additional information about this new product, refer to MWCIA's Circular Letter No. 04-1438 — also available on our website.

Attention: Underwriting Staff

THREE NEW MINNESOTA ENDORSEMENTS APPROVED

The following special Minnesota endorsements are approved for use effective January 1, 2005:

- Minnesota Compliance With Applicable Trade Sanction Laws Endt. No. WC 22 03 01
- Minnesota Independent Contractors Coverage Endt. No. WC 22 03 02
- Minnesota Entity Address Schedule Endorsement No. WC 22 06 20

These endorsements were created for use in Minnesota with the aid of the Minnesota Forms Task Force whose mission is to review and recommend the filing of various endorsements for possible inclusion in the Minnesota Forms Manual.

For additional information regarding the use of these endorsements, please refer to Circular Letter No. 04-1434 available on MWCIA's website at www.mwcia.org. Copies of all currently approved forms and endorsements for Minnesota are also available on our website by selecting the dropdown menu for "Minnesota Manuals" on the left-hand margin of our homepage.

Should you have any questions concerning this filing, please contact one of our Member & Customer Services staff at 952.897.1737, option 1, or email us at info@mwcia.org. ☞



UNAPPROVED ENDORSEMENTS

As Minnesota's DSO, MWCIA is the only company authorized to file standard forms & endorsements on behalf of member carriers in this state.

Standard policy forms and endorsements that are approved for use by Minnesota's Commerce Department are published in the *Minnesota Forms Manual*, which is available on MWCIA's website at www.mwcia.org. In addition, carriers may file for approval any special forms or endorsements which set forth the terms of any unique rating plans that the Commerce Department

has approved for their use in Minnesota.

Should you have any questions concerning the use of a particular form or endorsement in Minnesota, please contact one of our Member & Customer Services staff at 952.897.1737, option 1, or email us at info@mwcia.org. ☞

Attention: USR Personnel

NCCI ITEM U-1390 APPROVED IN MINNESOTA

The Minnesota Department of Commerce has approved the filing of 6th-10th unit statistical report levels in the State of Minnesota effective 12:01 a.m. July 1, 2005 for all statistical data with policy effective dates of 1-1-1999 (6th report) and subsequent.

The second part of NCCI Item U-1390 enhances language regarding fraudulent claim reporting in NCCI's current URE Workers' Compensation Statistical Plan Manual which is not an approved manual in Minnesota. Because Minnesota does not collect fraudulent claim data, it is important that each member carrier alert their reporting personnel that this portion of NCCI Item U-1390 is not approved for use in Minnesota.

For further details regarding the reporting of 6th-10th reports in Minnesota, refer to Circular Letter No. 04-1440 available on MWCIA's website at www.mwcia.org, or contact our Data Quality staff at 952.897.1737, option 4; or by emailing info@mwcia.org. ☞



ACCCT recently announced the release of a new patch to upgrade BEEP 3.0 - Desktop Version. Note that this patch is for the desktop version only. For more information about this release, refer to MWCIA Circular Letter No. 04-1439 on our website. ☞

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.

Attention: Rate Filing Personnel

NEW & IMPROVED RFA AVAILABLE ON MWCIA'S WEBSITE

Are you preparing to file your 2005 rate filing? Have you considered using MWCIA's improved RFA &/or new Fee Advancement Program? Here are some of the features of these new programs:


- Rate Filing Application (RFA) is **free** to all member carriers
- Fee Advancement Program has **no sign up fee** -- simply check the appropriate box when submitting the RFA and MWCIA forwards the required filing fee
- Carriers are billed quarterly for all Fee Advancement Program charges
- RFA is secure - member access requires a unique username & password — web account usernames & passwords do **not** provide access
- Go to "Register New User" for your new member carrier RFA username & password

For more information on Minnesota's RFA and MWCIA's 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.



Are You Using Approved Rates in Minnesota?

With the arrival of the 2005 rate-filing year, MWCIA wishes to remind carriers that their rates are **not** approved for use in Minnesota until formal approval of the rate filing is received back from the Commerce Department.

For information on Minnesota's 2005 Rate Filing Procedures, refer to the newest version of *Minnesota's Filing Procedures Manual* on MWCIA's website. 

Reminder to Carriers:

When filing manually, copies of your rate filings should be sent to MWCIA's offices for our records after you receive approval from the Minnesota Department of Commerce. Electronic rate filings are automatically available to our staff upon approval so there is no need to file an additional copy with MWCIA.

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.

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 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. 04-1433

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

Circular Letter No. 04-1434

11/04/04 — New Minnesota Endorsements - Minnesota Compliance With Applicable Trade Sanction Laws (WC 22 03 01); Minnesota Independent Contractors Coverage Endorsement (WC 22 03 02); and Minnesota Entity Address Schedule (WC 22 06 20)

Circular Letter No. 04-1435

11/04/04 — NCCI Item P-1392 - Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002

Circular Letter No. 04-1436

11/30/04 — Paper Submission of Policy Data - Increased Fee Announcement

Circular Letter No. 04-1437

11/30/04 — Paper Submission of Unit Statistical Reports - Increased Fee Announcement

Circular Letter No. 04-1438

12/01/04 — Actuarial Report Resource on the Web - ARROW

Circular Letter No. 04-1439

12/02/04 — ACCCT Announces Release of Patch to Update BEEP 3.0 - Desktop Version

Circular Letter No. 04-1440

12/17/04 — Enhancement of Class Loss Development Beyond 5th Reports [NCCI Item U-1390 - Unit Statistical Reporting Instruction Enhancements]

Circular Letter No. 04-1441

12/22/04 — 4-1-2005 Assigned Risk Rates

Have You Forgotten Something?

Licensed wcomp carriers in Minnesota and members of MWCIA are responsible for keeping the Minnesota Department of Commerce and MWCIA informed of all company address/contact changes on a timely basis.

Please remind your filing and licensing staff to separately notify MWCIA of all company name/address/contact changes as well as the Commerce Department.

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

E-1379 - 2003 *Experience Rating Plan Manual*

If you have questions regarding any of the above listed 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*, 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.

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.



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