

# MWCIA News



1<sup>st</sup> Qtr 2009 issue

a publication of the Minnesota Workers' Compensation Insurers Association



## PRESIDENT'S CORNER

By Bruce A. Tollefson

### Tough Economic Times Can Bring a Real Focus!

Well we are certainly living in interesting times. Economic uncertainty unlike anything most of us have seen; a new and historic President; and the government prepared to spend billions to jump start our economy. To make things even more problematic, the current economic problems are worldwide.

With all of these events it is not surprising that all of us, both in our business and in our personal lives, are asking one simple question: **How is all of this going to impact me and my business and what do I need to do to react to these impacts?**

Some of what we will all do is familiar. The insurance industry has been through downturns before and we will tighten our belts. The same is true for our personal budgets. This will cause some difficulty, but in reality that is far less a problem than is being suffered by those who have lost their jobs or businesses.

But, those of us who have faced these challenges before know that weathering bad times involves more than simply spending less. As someone who has worked in the property and casualty insurance industry for most of my adult life, I have seen some very talented leaders look at difficult times

with a resolve to sharpen the focus of their business and to deliver more customer value.

MWCIA is not immune from the impact from these national events. We are unique in that our operations are defined by specific state laws, but we are funded by the industry and provide services to the industry, insurance regulators, and insured employers. Economic stress and uncertainty which impacts our customers also impacts us.

So, we at MWCIA will respond to current conditions just as each of you must respond. We have always worked at being a lean and efficient organization, but past efforts do not immunize us from making sure we are being responsive to changing events.

Some of what we will do is internal in nature and is similar to what any successful business will do. Our response builds on what makes any business deal with hard times:

- Productivity. Hard work alone may not be enough. Our message to our employees is to increase our efficiency by pitching in and making sure we do more with less. Cross training, automation, use of sophisticated software tools have long been part of our business plan, but we need to make sure we are getting the most out of our people and technological resources.
- Teamwork: The workers' compensation industry has a single goal – to create, market,

and deliver an insurance product which provides an essential protection to injured workers. Making that system work and work efficiently is a job which requires the efforts of many private and governmental organizations. We at MWCIA are a part of this system – we believe an important part – but we must remember that we are only one part of a larger team focused on this goal. The success of others on this team and our success are linked and so helping insurers, regulators and others make the system work is part of our job.

- Communications: As an insurance executive, one of my key efforts was dealing with the task of communicating to our customers why our company provided them a better overall product at a good value. This communication piece is always important but it is particularly critical in difficult economic times when our customers were facing downturns in their businesses.

I have decided to focus my 2009 newsletter articles on this simple concept: To communicate to you, our customers, how MWCIA continues to provide you with essential products and services at a good value. I look forward to that task. ☺

Attention Agents:

***New Assigned Risk Rate Schedule  
Effective April 1, 2009!***

A new rate schedule for Assigned Risk business has been approved by the Commissioner of the Minnesota Department of Commerce to become effective for new and renewal policies in Minnesota's Workers' Compensation Assigned Risk Plan (MWCARP) as of April 1, 2009.

The Commissioner's Order approves a 2.6% overall increase in Assigned Risk rates from the current rate schedule. Additionally, the Commissioner approved the following fee schedule:

- SCF Surcharge\*.....3%
- Terrorism Insurance\*\*.....\$0.02
- Expense Constant .....\$170

\* Percent of premium

\*\* Per \$100 of payroll

It is also important to note the following maximum and minimum payroll limits for owners and family members who elect coverage:

- Maximum Annual Individual<sup>†</sup> Remuneration.....\$88,400
- Minimum Annual Individual<sup>†</sup> Remuneration.....\$19,760
- Minimum Annual Individual<sup>†</sup> Family Remuneration \$13,260

<sup>†</sup> Executive Officers, Partners, Sole Proprietors, or Members/Owners of LLCs

<sup>\*</sup> Parent, Spouse, and/or Child

The above factors will be updated to OAR — Minnesota's On-line Assigned Risk application system. A printable copy of MWCARP's complete 2009 rate schedule and other factors is also available on either MWCIA's website at [www.mwcia.org](http://www.mwcia.org) or MWCARP's website at [www.mwcarp.org](http://www.mwcarp.org).



**MWCARP Annual Averages  
(Jan. 2008 – Dec 2008)**

**Total Employer Count:**  
29,808

**Premium Volume:**

\$39,203,169

**Average Policy Premium:**  
\$1,315



**ASSIGNED RISK CONTACT INFO:**

**APPLICATION ASSISTANCE —  
MWCIA**

7701 France Ave South; Suite 450  
Minneapolis MN 55435

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

Tel: (952) 897.1737 (Option 2)

Email: [oar@mwcia.org](mailto:oar@mwcia.org)

**POLICY ASSISTANCE —  
BERKLEY ADMINISTRATORS**

PO Box 59143  
Minneapolis MN 55459-0143

Email:

[brac\\_mwcarp\\_policies@berkleyrisk.com](mailto:brac_mwcarp_policies@berkleyrisk.com)

Tel: (612) 766.3000

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**RTW**

PO Box 390901  
Minneapolis MN 55439-0901

Email: [arp@rtwi.com](mailto:arp@rtwi.com)

Tel: (952) 897.5566

Tel: (888) 273.9709

Fax: (952) 893.3707

Fax: (888) 811.0379

**OTHER CONTACT INFO —  
PLAN ADMINISTRATOR**

8300 Norman Center Drive; 4th Floor  
Minneapolis MN 55437

Tel: (800) 471-6767

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

**MWCARP DEDUCTIBLE PLAN**

Apply at [www.mwcarp.org](http://www.mwcarp.org).

**SAWW Eff. 10-01-2008**

Effective October 1,  
2008, the Minnesota  
Statewide Average  
Weekly Wage is \$850.

Attention Carriers:

***2009 Ratemaking Report Released***

The **2009 Minnesota Ratemaking Report** was released via MWCIA's website on August 12<sup>th</sup>. The new pure premiums, effective 01/01/09, reflect an overall average increase of 1.7% over those effective during 2008. This is only the third increase in the last fifteen years – a period which has seen average pure premium levels drop 48%. However, most of this reduction appeared in the late '90's. Pure premium levels have enjoyed a period of stability since 2000, with an average change of just -0.5%

The increase in pure premium levels is comprised of a 0.4% decrease due to experience indications, a 0.5% increase due to the 10/01/08 automatic change in the minimum weekly permanent total benefit threshold, and a 1.6% increase due to benefit changes associated with the passage of MN Senate File 3218, also effective 10/01/08.

Two competing factors that have tended to keep rate levels fairly stable over the last ten years are declining case frequency and increasing medical severity. Lost time case counts per 100,000 workers continue to slide at an annual rate of about 5%. This factor has precipitated significant relative indemnity reserve reductions as well as declining indemnity loss ratios.

On the other hand, medical severity continues to increase 9 - 10% annually. There are some signs that the rate of increase is slowing, but the growth consistently outstrips the countrywide medical CPI. This factor has caused carriers to increase their medical case reserves by over 150% during the last ten years, and has driven medical costs to more than 60% of the loss dollar.

As required by Minnesota statutes, the **2009 Minnesota Ratemaking Report** contains informational material on trend and late loss development movement. Carriers are encouraged to take these additional

factors into consideration when preparing their individual 2009 rate filings.

To view an illustration of the pure premium level changes in Minnesota for years 1995 – 2009, please refer to the chart on *MWCIA News*' page 5.

## MCPAP 2010 ENROLLMENT

### Attention Agents:

### **It's Time to Apply!**

MWCIA is accepting applications for the **2010 Minnesota Contractors' Premium Adjustment Program (MCPAP)** enrollment period. Each year the enrollment period starts in January and runs until April 1<sup>st</sup>.

Employers in the contracting industry are encouraged to submit a **2010** MCPAP application if they meet the following eligibility criteria based on their **2008** payroll records:

- Have **at least one** contracting class code with payroll in calendar year 2008
- Paid a total **annual** average hourly wage of **\$22.10** for all employees combined within a single contracting classification code according to the employer's 2008 calendar year payroll records
- **Excluded** owners, family members, etc. who were **not** covered on their 2008 policy
- **Included** payroll for all 2008 employees regardless of their individual hourly average wage

Employers who do not meet the average hourly wage requirements for calendar year 2008 will not be eligible to apply for a 2010 MCPAP credit factor.

In addition to the above qualifications, employers need to keep the following in mind when completing their 2010 MCPAP application:

- **Include** all 2008 payroll of both contracting & **non-contracting** employees

(examples of non-contracting employees are clerical staff and/or job estimators)

- **Exclude** the premium portion of overtime

### **Applying On-line is Easy!**

MWCIA staff requests that agents encourage their clients to apply using MCPAP's on-line application process. The on-line application guides employers through the application and instantly validates much of the information as it is being submitted. Validation checkpoints throughout the application process help identify problems with the data employers are submitting which then allows them to correct and resubmit their data right away for re-validation. Plus, applying on-line has the added bonus of providing contractors with instant confirmation that they qualify for a 2010 MCPAP credit factor based on the data they submitted and provides proof that their application was submitted on time!

Applying on-line not only assures your client that their information is received in an acceptable format and on-time. It also assures MWCIA of receiving higher quality data and saves our staff considerable amounts of time and energy compared to processing hardcopy applications. Applying on-line is free, easy, secure, and available anywhere the Internet can be accessed!

### **ENROLLMENT EXPIRES APRIL 1<sup>ST</sup>**

**Please Remember** — Whether submitting on-line, via fax, or by mail, all 2010 MCPAP applications must be received in MWCIA's offices or postmarked **no later than Wednesday, April 1, 2009** to avoid a .02 MCPAP late penalty assessment factor.

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

## Minnesota Overview

### **Attn: Member Carriers:**

The following changes in Minnesota are either due to filing approvals by *Minnesota's Commerce Department* or changes in MWCIA's procedures since our last issue of *MWCIA News*.

MWCIA staff recommends that carriers bring these items to the attention of the appropriate staff within their company as these changes have a direct impact on how companies write and/or report data on workers' compensation policies in Minnesota.

### **Attn: Underwriters & Raters**

- **Firefighters Codes 7706 and 7708 Filing**

The purpose of the above item is to announce that the manner in which premium is determined for paid and volunteer firefighters will change for all new and renewal business effective April 1, 2009.

(Refer to **Circular Letter No. 09-1547** for further details.)



### **Attn: Policy & USR Reporting Personnel**

- **Updated WCIO Workers' Comp. Data Specifications Manual**

The purpose of the above item is to announce to membership that WCIO has released an updated version dated October 13, 2008 of the above manual as well as their ***Data Reporting Handbook***.

(Refer to **Circular Letter No. 08-1544** for further details.)

- **CDX Announcement—Data Retention**

The purpose of the above item is to announce to membership that CDX will be implementing a retention cycle in connection with data entered, reported, and/or submitted starting March 14<sup>th</sup>.

(Refer to **Circular Letter No. 09-1548** for further details.)





### Attn: Auditors

#### ▪ 2008 Test Audit Summary Report

The purpose of this circular letter is to provide member carriers with the results of the 2008 Test Audit Program in Minnesota. This annual report is sorted by carrier number and includes the results of test audits performed on Minnesota's Assigned Risk Plan business.

(Refer to **Circular Letter Nos. 09-1546** for further details.) ☞

### **~Attention Members~ MWCIA Annual Luncheon Scheduled for April 20th**

This year's event will be held on Monday, April 20<sup>th</sup>.

Each year our staff and Board of Directors hosts **MWCIA's Annual Luncheon** to provide members and their guests with an opportunity to network with other industry folk as you mingle with the staff of Minnesota's Department of Commerce, Department of Labor & Industry, as well as MWCIA's Board of Directors and staff.

We hope that many of our members will be able to take advantage of this unique member benefit by attending this year's Annual Luncheon. We look forward to seeing you there!

### 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. 08-1544**

12/10/08 — Updated *WCIO Workers Compensation Data Specifications Manual*

#### **Circular Letter No. 08-1545**

12/30/08 — 4-1-2009 Assigned Risk Rates

#### **Circular Letter No. 09-1546**

01/23/09 — 2008 Test Audit Summary Report

#### **Circular Letter No. 09-1547**

01/27/09 — Firefighters Codes 7706 and 7708 Filing

### **Circular Letter No. 09-1548**

02/05/09 — CDX Announcement—  
Data Retention

MWCIA's current circulars plus an archive index of prior circular letters are both available online at [www.mwcia.org](http://www.mwcia.org). ☞

### 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 and endorsements, and classification and statistical codes on behalf of member carriers in this state.

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

<b><u>B-1369</u></b>	<b>2001 Basic Manual For Workers' Compensation &amp; Employers' Liability Insurance</b>
<b><u>U-1372</u></b>	Issuing Agency/Producer Office Address Endt. WC 89 06 25
<b><u>B-1373</u></b>	Basic Manual Rules & Enhancements
<b><u>E-1379</u></b>	<b>2003 New Experience Rating Plan Manual</b>

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

### **WANTED: EMAIL ADDRESSES!**

One of MWCIA mission goals is to remain the number one resource for workers' compensation insurance information and data in Minnesota. As MWCIA continues its development of web-based products and services it becomes imperative that we have accurate email addresses for all of our member contacts. By keeping MWCIA informed of all name, address, and contact changes **[including email addresses]** on a timely basis, your company will never miss valuable information from our office that our member carriers have learned to depend on.

### **~Attention Members~ MWCIA's Annual Meeting To Be Held April 21, 2009**

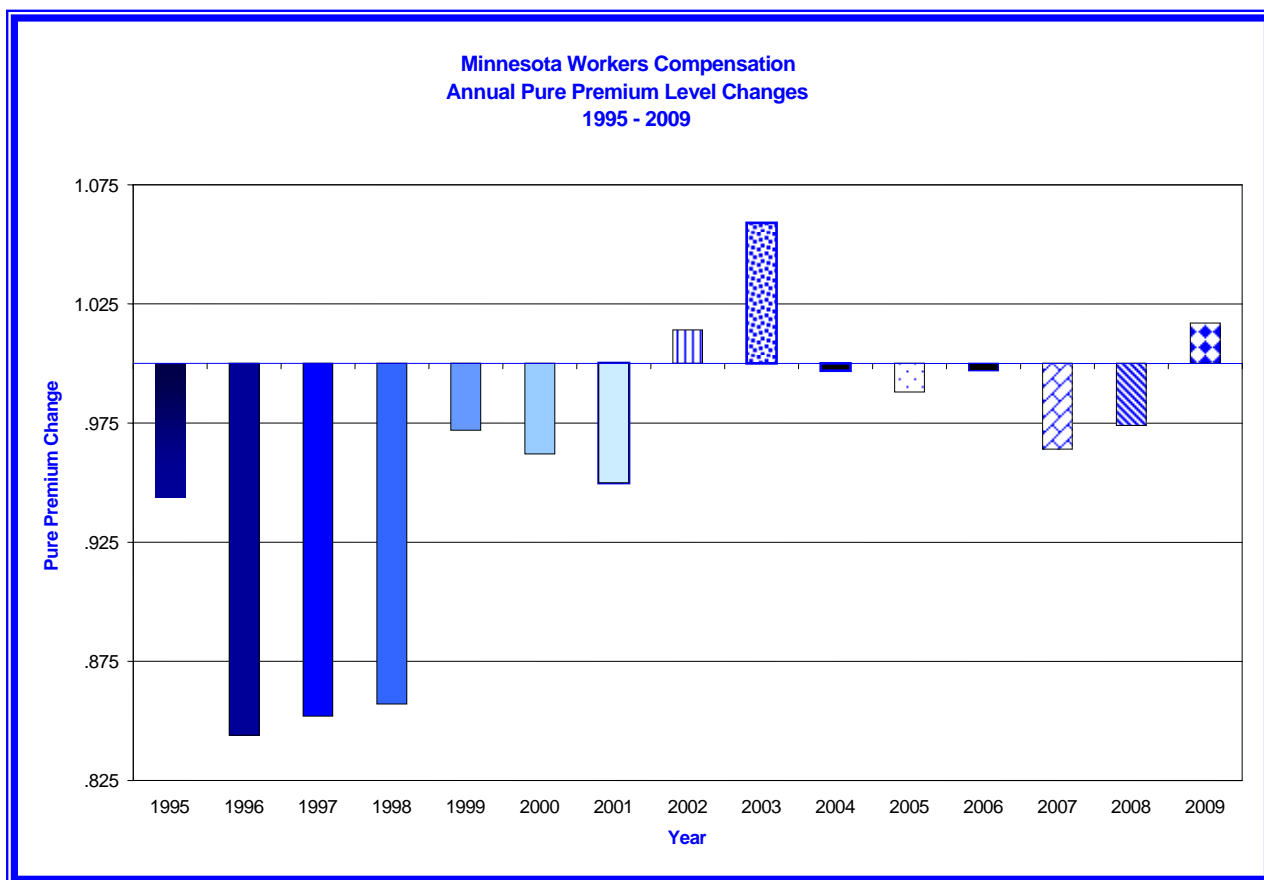
On Tuesday, April 21<sup>st</sup>, MWCIA will hold it's **Annual Meeting** in it's offices located at 7701 France Avenue South in Edina, Minnesota.

According to MWCIA's By-laws, each group member of carriers is entitled to one vote at the annual meeting. Carrier groups that cannot be in attendance at the April 21<sup>st</sup> meeting are required to file a proxy notice with our office to provide MWCIA with the quorum necessary to conduct the business at hand. To assure staff has adequate time to process all proxies, MWCIA requests that Member Groups unable to send a representative return their proxy notices to our office on a timely basis.

**Please Note:** Proxy statements will be mailed to members by March 6, 2009.

To view copies of Minnesota's currently approved forms and endorsements, visit MWCIA's website at [www.mwcia.org](http://www.mwcia.org) and select from the list under "Forms/Manuals/Publications" on the drop-down menu at the top of the screen.

**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 sending an email to [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.

