

MWCIA News



www.mwcia.org

1st Quarter 2010 issue

a publication of the Minnesota Workers' Compensation Insurers Association



PRESIDENT'S CORNER

By Bruce A. Tollefson

What a Year!

How does the old phrase go? "We live in interesting times". The past year certainly falls in that category, although, many might think the words 'traumatic' or 'crisis-filled' would be more appropriate.

I remember my parents and others of that generation speaking of living through the Great Depression which was by far the largest financial crisis of the 20th century. If you listen to the major players who dealt with our recent crisis, as they now recount how bad things really were, we stood on the precipice of setting the benchmark for financial collapse for the 21st century.

I hope and believe the worst is behind us but cannot help but look back at how bad things appeared and indeed were, and wonder what would have happened if we had not stopped the financial slide. The word 'frightening' comes to mind.

One of the lessons I re-learned during this period is that the Association, in addition to being a key player in the workers' compensation market, is essentially a small business which must be reflective not

only to the data needs of our member carriers, but also to the business pressures they must confront. I say that I 're-learned' that lesson because the bulk of my career consisted of working for a carrier, not running a data collection organization.

Because of that background, I know the pressures of the business cycle; however, like most of us I have never lived through a financial free fall like we recently experienced. The Association has lived through the impacts of these business cycles for many years, but just like our carrier members, this recent crisis was something we did not see coming. As such, it required special actions.


The concept that a rising tide lifts all boats is true in the reverse. A falling economy damages everyone. The Association had to adjust to this financial reality both as it impacted our operations and MWCIA's members. Our staff took major steps to address the tough financial situation that we all faced.

This effort was neither easy nor pleasant. Our goal was to reduce the financial impact of our operations while not compromising our service. Working together, we met these goals, by finding ways to keep our focus on critical items while

cutting costs. It was both a shared effort and a shared pain by a group accustomed to working together to get things done.

As we all know, these events are not one time adjustments but have long term impacts. We will still need to effectively handle our day-to-day needs while continuing to work towards addressing the future needs of our members and other key stakeholders. And so . . . these interesting times will continue.

I started my college career as a history and political science major. One of the lessons I learned was that our country's collective strength has been the ability as a highly diverse populace to work together to solve problems by discussing, debating, and developing programs, laws, and solutions that work best for all of us. This cooperation shows its best light in times of crisis and tends to fade in times of prosperity.

I am not inclined to wax politically in my column, but I believe I strike a universal chord when I say that our collective hope is that those who are driving our 'ship' will try to work together to fix our collective problems. 

ASSIGNED RISK PLAN NEWS

Attention Agents:

Starting January 1st, a new policy charge appears on all Minnesota Assigned Risk Plan policies called the **WCRA Deficiency Assessment**. The WCRA Assessment will be calculated by multiplying the standard premium by .006. [For more information on this new Assessment, refer to MWCIA Circular Letter No. 09-1563 available at www.mwcia.org.]

The following list of fees and factors currently affect all new and renewal ARP policies:

- SCF Surcharge*.....3%
 - Terrorism**.....\$0.02
 - Expense Constant.....\$170
- * Percent of standard premium
 ** Per \$100 of payroll

Annual Payroll/Remuneration Limits applicable to Owners* who are either automatically covered or have elected coverage:

Effective 4-1-2009
\$88,400 Maximum
\$19,760 Minimum
* Sole Proprietors, Partners, Corporate Officers, Members/Managers of LLCs.

Annual Payroll/Remuneration Limits applicable to Family Members* who are either automatically covered or have elected coverage:

Effective 4-1-2009
\$13,260 Minimum
There is no maximum limit on payroll/remuneration for *Parent, Spouse, or Children of owners.



Effective April 1, 2010 Minnesota's Department of Commerce approved a new rate schedule for the Minnesota Assigned Risk Plan. In connection with this new rate schedule the following list of fees and factors will apply to all new and renewal MWCARP policies:

- SCF Surcharge*.....3.2%
 - Terrorism**.....\$0.02
 - WCRA Deficiency Assessment.....0.6%
 - Expense Constant\$180
- * Percent of standard premium
 ** Per \$100 of payroll

Annual Payroll/Remuneration Limits applicable to Owners* who are either automatically covered or have elected coverage:

Effective 4-1-2010
\$91,260 Maximum
\$22,360 Minimum
* Sole Proprietors, Partners, Corporate Officers, Members/Managers of LLCs.

Annual Payroll/Remuneration Limits applicable to Family Members* who are either automatically covered or have elected coverage:

Effective 4-1-2010
\$13,676 Minimum
There is no maximum limit on payroll/remuneration for *Parent, Spouse, or Children of owners.

PLEASE NOTE: When submitting an application online using OAR — **Minnesota's** Online Assigned Risk Plan application system — the appropriate Assigned Risk Plan rate schedule and other fee factors will automatically be applied based on the proposed policy effective date.

Printer friendly versions of both the 2009 and 2010 Assigned Risk Plan rate schedules and miscellaneous values are available on MWCIA's website [www.mwcia.org] as well as on MWCARP's website [www.mwcarp.org].



<u>MWCARP Annual Averages</u> (Feb 2009 - Jan 2010)
Total Employer Count: 28,152
Premium Volume: \$36,796,868
Average Policy Premium: \$1,307

ASSIGNED RISK CONTACT INFO:

APPLICATION ASSISTANCE —

MWCIA
 7701 France Ave South; Suite 450
 Minneapolis MN 55435
www.mwcia.org
 Tel: (952) 897.1737 (Option 2)
 Email: oar@mwcia.org

POLICY ASSISTANCE —
BERKLEY ADMINISTRATORS

PO Box 59143
 Minneapolis MN 55459-0143
 Email:
brac_mwcarp_policies@berkleyrisk.com
 Tel: (612) 766.3000
 Fax: (612) 766.3099

RTW

PO Box 390901
 Minneapolis MN 55439-0901
 Email: arp@rtwi.com
 Tel: (952) 897.5566
 Tel: (888) 273.9709
 Fax: (952) 893.3707
 Fax: (888) 811.0379

SFM Risk Solutions

PO Box 9403
 Minneapolis MN 55440-9403
 Email: arp_phs@sfmic.com
 Tel: (952) 838.4430
 Tel: (877) 256.1411
 Fax: (952) 838.2000
 Fax: (800) 944.1169

OTHER MWCARP CONTACT INFO —
PLAN ADMINISTRATOR

8300 Norman Center Drive; Suite 1000
 Minneapolis MN 55437
 Tel: (800) 471-6767
www.mwcarp.org

MWCARP DEDUCTIBLE PLAN

Apply at www.mwcarp.org.

MISCELLANEOUS CONTACT INFO —
FEIN INFO

(800) 829.3676

UI NUMBER INFO

(651) 296.6141



<u>2010 MN PER CLAIM LIMIT</u>
<u>\$172,000</u>
<u>2010 MN MULTIPLE CLAIM LIMIT</u>
<u>\$344,000</u>

From the Actuary . . .

The Minnesota workers compensation insurance market continues to be relatively healthy. Loss ratios are declining modestly, and assigned risk volume is at its lowest level in recent history.

Nonetheless, persistent medical cost increases continue. Indemnity cost-per-case changes have mirrored movement in the statewide average weekly wage, but medical severity increases continue to outstrip this index. Average lost-time medical costs are increasing at an annual rate over 5% faster than wages.

On the other hand, case frequency has maintained a consistent downward trend. Claim counts per unit of adjusted payroll have been dropping about 4.5% annually. This phenomenon continues to be the major factor in stabilizing underwriting results.

To view charts that reflect the Minnesota loss trends discussed in this article, please refer to the last page of this newsletter. ☞

[New 2009/2010 SAWW](#)

The Minnesota Statewide Average Weekly Wage is \$878 [effective 10-1-2009].

2011 MCPAP Enrollment Begins

It's Time to Apply!

The 2011 MCPAP enrollment season started the beginning of January with the mailing of approximately 8,400 application invitation notices to employers in the construction industry who have a current workers' compensation policy in Minnesota. The enrollment period for the 2011 MCPAP credit program is set to expire on April 1st. Employers who apply after the April 1st cutoff will be automatically subject to a .02 late application surcharge [subject to a maximum MCPAP credit factor of 1.00].

To be eligible to apply for the 2011 MCPAP credit factor, employers must:

- ✓ Have at least one contracting construction class code with payroll on their policy audit
- ✓ Have paid a total annual hourly average wage of **\$23.10** based on 2009 calendar year payroll records for all employees assigned to the same contracting class code at audit

Tips when applying:

- ✓ Exclude payroll and hours for owners, family members, etc. who were not covered on the 2009 policy
- ✓ Include 2009 payroll and hours worked info for all employees — non-contracting as well as contracting [examples of non-contracting employees: clerical, estimator, etc.]

Employers who do not meet the eligibility requirements for calendar year 2009 will not be eligible for a MCPAP2011 credit factor but could possibly qualify in future years.

AGENTS — DO YOU HAVE CLIENTS IN THE CONSTRUCTION INDUSTRY?

Now is the time to contact any clients you may have who are in the construction/contracting industry to remind and encourage them to participate in this valuable program by logging onto MWCIA's website and using our online application system. Participation in the Minnesota Contractor's Premium Adjustment Program is voluntary, costs nothing to apply and MWCIA's electronic filing process with its many useful help features makes applying easy.

In addition to ease of use, other advantages to using MWCIA's online system when applying for a MCPAP credit factor include:

- ☞ Submitting online will help to assure that the employer's MCPAP application is completed correctly and accepted the first time

- ☞ Online applications take the guess work out of determining if the employer meets this year's MCPAP eligibility
- ☞ Validation checks throughout the online application process helps employers to identify errors on-the-spot. Application data can be easily corrected and resubmitted for re-validation.
- ☞ Submitting applications online automatically provides the eligible employer with proof that their MCPAP application was received on time
- ☞ Online applications are automatically entered into our system — on time and secure! Application data is held in our system until the 2011 MCPAP credit factors are ready to be calculated and released next fall — right on time for 2011 policy renewals.

Whether submitting online, via fax, or by mail, please remind your eligible clients that all 2011 MCPAP **applications must be received in MWCIA's office or postmarked no later than Thursday, April 1, 2010**, to avoid the .02 late penalty assessment factor.

For more info about the 2011 MCPAP program, please log onto MWCIA's website at www.mwcia.org and click on 'MCPAP'. ☞

~Attention Members~ MWCIA Annual Luncheon Scheduled for April 19th

Each year MWCIA staff and its Board of Directors hosts **MWCIA's Annual Luncheon** to provide members and their guests with an opportunity to meet other industry folk, the staff of Minnesota's Department of Commerce and Department of Labor & Industry, MWCIA's Board of Directors, and MWCIA staff. Our guest speaker this year will be Dr. Larry Jacobs from the Humphrey Institute at the U of M.

Please Note: This is an exclusive 'by invitation only' event for MWCIA members and special guests.

**~Attention Members~
MWCIA's Annual Meeting
To Be Held April 20, 2010**

On Tuesday, April 20th, MWCIA will hold its **Annual Meeting** in its 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 20th 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 in early March.

**WCRA Surplus Distribution
Recovery Program**

Starting January 1st, all carriers writing workers' compensation in Minnesota must pay an assessment to Workers' Compensation Reinsurance Association (WCRA) as part of a five year Surplus Distribution Recovery Program.

The Minnesota Department of Commerce approved the above five-year program to be effective January 1, 2010. The purpose of this assessment is to assist WCRA with recent shortfalls to their Surplus.

The new WCRA assessment [titled the **WCRA Deficiency Assessment**] is to be calculated by multiplying the standard premium by .006. Code 0988 has been created as an optional statistical code to assist Minnesota carriers in tracking the **WCRA Deficiency Assessment**. Please note, however, that Code 0988 is for carrier internal use only and should not be included on any data sent to MWCIA.

For more information on WCRA's new assessment, you can visit the Reinsurance Association's website at www.wcra.biz, or refer to Circular Letter No. 09-1563 on MWCIA's www.mwcia.org where information on Code 0988 is provided along with a link to WCRA's website. 

Minnesota Overview

Attn: Member Carriers

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

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

Attn: Medical Data Reporting Personnel

- Revisions to the *Minnesota Medical Data Call Reporting Manual*

The purpose of this item is to provide information on revisions to this Reporting Manual.

(Refer to **Circular Letter No. 09-1570** for further details.)

Attn: Data Reporting Personnel


- Updated WCIO Website and Data Dictionary Announcement

The purpose of this item is to advise users of updates to WCIO's website and data dictionary.

(Refer to **Circular Letter No. 09-1568** for further details.)

- Updated WCIO *Workers Compensation Data Specifications Manual*

The purpose of this item is to advise users of updates to WCIO's *Data Specifications Manual*.

(Refer to **Circular Letter No. 09-1569** for further details.) 

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. 09-1568
11/19/09—Updated WCIO Website and Data Dictionary Announcement

Circular Letter No. 09-1569
12/03/09—Updated WCIO *Workers Compensation Data Specifications Manual*

Circular Letter No. 09-1570
12/03/09—Revisions to the *Minnesota Medical Data Call Reporting Manual*

Circular Letter No. 10-1571
01/11/10—4-1-2010 Assigned Risk Rates

Circular Letter No. 10-1572
02/25/10—2009 Test Audit Summary

MWCIA's current circulars plus an archive index of prior circular letters are both available at www.mwcia.org. 

**2010 MN RATEMAKING REPORT
NOW ONLINE**

As required by Minnesota statutes, the **2010 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 individual 2010 rate filings.

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 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 office by emailing info@mwcia.org ☎

**2008 ANNUAL REPORT
AVAILABLE ONLINE**

A copy of MWCIA's 2008 Annual Report is available at <http://www.mwcia.org/annual-reports.aspx/>.

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

WANTED:
EMAIL ADDRESSES!

One of MWCIA's mission goals is to remain the number one resource for workers' compensation info and data in Minnesota. As MWCIA continues its development of web-based products and services, it becomes imperative that we have accurate email contact info for all of our member carriers.

Keeping MWCIA informed of all name, address, and contact changes [**including email**] on a timely basis assures that your company will never miss valuable information from our office that our member carriers have learned to depend on.

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.

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.

MWCIA Educational Series: Remuneration

MWCIA's Educational Series provides staff an opportunity to clarify and/or review common topics involving Workers' Compensation policy writing. These articles are intended to provide agents and carriers with quick guide references rather than an in-depth discussion of a topic's nuances. In response to the many inquiries we receive this time of year regarding payroll, here's some quick reference information to help you determine total **remuneration** for workers' compensation premium purposes:

'**Remuneration**' is the full value that an employer compensates an employee for their work. **Remuneration** includes much more than an employee's monetary compensation such as wages and things like bonus pay, incentives, commissions, and portions of premium pay. **Remuneration** includes other items that an employee may receive as compensation in lieu of money such as meals, a vehicle, lodging, gift certificates, the value of merchandise, etc. For a complete list of items that are regarded as **remuneration** for workers' compensation purposes in Minnesota, please refer to Rule 2.B.1 on page R14 of the *Minnesota Basic Manual* [available online at www.mwcia.org under Forms/Manuals/Publications].

The following charts reflect the Minnesota loss trends discussed under “From the Actuary” on Page 3.

