

# MWCIA News



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

3<sup>rd</sup> Quarter 2010 issue

a publication of the Minnesota Workers' Compensation Insurers Association



## PRESIDENT'S CORNER

By Bruce A. Tollefson

### The Reason WHY!

Last year, my quarterly articles focused on the importance of organizations delivering "real value". I recently came across an article I had written shortly after I became President of MWCIA. Last year's articles focused on the 'what' and 'how' of our effort to deliver value. This article provides a valuable look back at 'why' we exist and the genesis for our mission today:

#### How to Understand Workers' Compensation Insurance!

One of the mysterious issues in this modern business world is workers' compensation. Sure, we all understand what it's for. Some of us have been its beneficiary. But who designs it and how anyone arrives at a price is something most of us consider just too confusing and complicated to delve into.

We are happy when rates go down, frustrated when they go up, but for most of us, that's the extent of our knowledge of this monthly obligation that affects nearly every worker in the nation.

A key to how this works in Minnesota's workers' compensation system is our organization, the MWCIA. But before I reveal what those letters stand for, a little history is in order.

#### **An Impossible Situation**

Before the 1900s, a worker seeking compensation for an injury had no recourse but to sue the employer for negligence. This was a bad - and often futile - endeavor. Most of the burden

of proof was on the injured worker - and without the corroboration of co-workers (who risked being fired if they testified on his behalf), he had little prospect of proving his case.

To make matters worse, employers had three common law defenses against such lawsuits. Contributory Negligence could be invoked if it could be shown that the worker contributed to the accident in any manner.

Under the Fellow Servant Rule, an employee injured through the negligence of a fellow employee was barred from taking action against the employer and instead had to pursue his case against the co-worker.

Assumption of Risk Doctrine, perhaps the most comprehensive tool in the employer's defense, held that an injured worker could not pursue damages if it could be shown that he had acknowledged the risks associated with his job and accepted the job despite them.

These factors made it nearly impossible for a worker to sue an employer successfully. The mere attempt often led to dismissal, and so the ex-employee had neither a job nor the means of replacing his lost income.

#### **Absolute Liability**

It wasn't until the beginning of the last century that states began to adopt employer liability laws. While these changes greatly benefited workers, an injured worker still had to prove the employer negligent - a feat that in most cases was simply insurmountable.

Wisconsin was the first to respond to the call. In 1911, its legislation passed the first constitutionally acceptable workers' compensation law. Establishing the concept that an

employer is responsible for paying benefits to an injured employee regardless of culpability, the law's only condition was that the employee, regardless of culpability, prove that the injury arose "out of and in the course of employment". These 'absolute liability laws', as they came to be known, actually provided protection for the employer as well since they outlined benefits and other important limitations that 'capped' costs in addition to providing 'no-fault' protection for injured workers.

In 1921, Minnesota established its own program. To collect the data necessary to assure adequate coverage and premium income, the new law specified that a ratemaking bureau be created by the insurers writing workers' compensation. That bureau was the predecessor of what we know today as the Minnesota Workers' Compensation Insurers Association - or MWCIA for short.

Over the next 60 years, the bureau solely fulfilled its obligation under state statute. Regulated by the Insurance Commissioner, it gathered information from its member companies, then analyzed that information to arrive at a schedule of final rates that all companies writing workers' compensation in Minnesota used to develop each covered employer's premium.

#### **The Ratemaking Report**

It wasn't until 1981 that significant changes occurred in the system. The Legislature transformed the MWCIA from a rating bureau to a data service organization, expanding its role to serve a variety of workers' compensation industry needs.

In the same session, the Legislature

required the MWCIA to provide statistical data and support to insurance companies who, in turn, filed their own schedule rates based on the Ratemaking Report developed annually and filed by the Association.

While the Ratemaking Report serves as an excellent barometer for the health of the workers' compensation system, ongoing work and initiatives by other key players (the employer community, organized labor, the Minnesota Department of Commerce (DOC), the Minnesota Department of Labor and Industry (DOLI) and, of course the Minnesota Legislature) further assure the system's current and future well-being.

Working together, these entities played prominent roles as the Legislature drafted and passed major workers' compensation laws in 1992 and 1995 that:

- Required approval by DOC for all rates.
- Updated benefit schedules.
- Initiated managed care.
- Reshaped other important cost drivers.

As a result, Minnesota workers and employers benefit from significantly lower pure premium base rates - as much as 17.7 percent lower than 1984, when the Ratemaking Report was released.

It's a fairly simple equation: healthy workers make for healthy employers, which nourish higher levels of employment, which provides greater revenue to the state and its citizens through increased productivity and competitiveness. ☞



## ASSIGNED RISK PLAN NEWS

### Attention Agents:

When applying for current coverage in the **Minnesota Assigned Risk Plan [MWCARP]**, please refer to the following list of fees and factors that apply to all new and renewal MWCARP policies:

- SCF Surcharge\*.....3.2%
- Terrorism\*\*.....\$0.02

- WCRA Deficiency Assess.\*...0.6%
- USL&HW Coverage\*.....48%
- Expense Constant.....\$180

- \* Percent of Standard Premium
- \*\*Per \$100 of Payroll
- ‡ Percent of Standard Premium
- ◊ New Effective 01/01/2010
- ♦ Multiplier for Non-F Codes

In addition, the following payroll limitations may apply:

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

<b>Effective 4-1-2010</b>
\$91,260 Maximum
\$22,360 Minimum
* Sole Proprietors, Partners, Corporate Officers, Members/Managers of LLC's

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

<b>Effective 4-1-2010</b>
\$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.

In addition to complete access to all information necessary to quote or submit an electronic Assigned Risk application 24/7, printer friendly versions of the 2010 Assigned Risk Plan application, rate schedule, and miscellaneous values are 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).

### 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  
 Fax: (612) 766.3099

#### 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

#### SFM Risk Solutions

PO Box 9403  
 Minneapolis MN 55440-9403  
 Email: [arp\\_phs@sfmic.com](mailto: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](http://www.mwcarp.org)

#### MWCARP DEDUCTIBLE PLAN

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

#### MISCELLANEOUS CONTACT INFO — FEIN INFO

(800) 829.3676

#### UI NUMBER INFO

(651) 296.6141

<b><u>MWCARP Annual Averages</u></b> <b><u>(August 2009 - July 2010)</u></b>
<b>Total Employer Count:</b> 26,677
<b>Premium Volume:</b> \$34,003,384
<b>Average Policy Premium:</b> \$1,275



2011 MINNESOTA  
RATEMAKING REPORT  
APPROVED

The above report has been approved by the Minnesota Department of Commerce for use in connection with all workers' compensation rate filings in the State of Minnesota with effective dates on or after January 1, 2011.

*MWCIA's 2011 Minnesota Ratemaking Report* is now on-line and ready for member carriers to access from our website.

As required by Minnesota Statutes, this report contains informational material on trend and late loss development movement. Carriers are encouraged to take these additional factors into consideration when preparing individual 2011 rate filings.



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/Publication" in the drop-down menu at the top of the screen.

*New 2010/2011 SAWW*

The Minnesota Statewide Average Weekly Wage is \$868 [effective 10-1-2010].

2011  
MINNESOTA CLAIM LIMITS

\$179,000  
PER CLAIM LIMIT

\$358,000  
MULTIPLE CLAIMS LIMIT



~ MCPAP CREDIT ~  
IS IT TOO LATE TO APPLY?

Minnesota employers who are eligible for participation in the Minnesota Contractors' Premium Adjustment Program [MCPAP] can still apply until 90 days after their annual policy renewal date or experience modification effective date (when different from their policy effective date). Applications and instructions for the 2010 and 2011 credit years are available on our website at [www.mwcia.org](http://www.mwcia.org).

PLEASE NOTE: Applications received after the annual enrollment cut-off date are automatically charged a .02 late filing surcharge subject to MCPAP's maximum credit factor of 1.00.

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 products and/or 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 organization as these changes have a direct impact on how companies write and/or report data on workers' compensation policies in Minnesota.

Attn: Underwriting, Auditors, &  
Data Reporting Personnel

- **NCCI Item B-1413 – Revision to *Basic Manual Classifications and Rules***

The purpose of this item is to advise underwriters, auditors, and agents of classification and language changes to *Minnesota's Basic Manual* in connection with the Fiber Optics and Semiconductors industries as well as the Telecommunications, Burglar, and Fire Alarm industries. Eff. 01-01-2011.

**Please note:** Not all of the changes detailed in NCCI's original Filing Item B-1413 were approved for use in Minnesota.

(Refer to **Circular Letter No. 10-1578** for details.)

- **NCCI Item B-1415 – Revision to *Basic Manual Classifications and Rules***

The purpose of this item is to advise underwriters, auditors, and agents of classification and language changes to *Minnesota's Basic Manual* in connection with the Carpentry industry, the Door, Window, Cabinet, and Interior Trim Installation industries; and "Punch-Out" list employees. Eff. 01-01-2011.

**Please note:** Not all changes detailed in NCCI's original Filing Item B-1415 are approved for use in Minnesota.

(Refer to **Circular Letter No. 10-1579** for details.)

Attn: Statistical Reporting Personnel

- **Minnesota Statistical Plan Manual – 3 Part Filing: Part of Body Code 99-Whole Body; Cause of Injury Code 93-Gunshot; Elimination of Claim Grouping Reporting Option**

The purpose of this item is to advise statistical reporting staff of member carriers of the approval of two new reporting codes and the elimination of Claim Group Reporting. Eff. 01-01-2011.

(Refer to **Circular Letter No. 10-1577** for further details.)

Attn: Data Reporting Personnel

- **Updated *WCIO Workers Compensation Data Specifications Manual***

The purpose of this item is to advise members that the above Manual has been updated. The newest version of the *WCIO Workers Compensation Data Specifications Manual* and the *Data Reporting Handbook* are available on WCIO's website [[www.wcio.org](http://www.wcio.org)].

(Refer to **Circular Letter No. 10-1576** and WCIO's website for further details.)



### Attn: Rate Filing Personnel

#### ▪ 2011 Minnesota Ratemaking Report

The purpose of this item is to advise members that MWCIA's 2011 *Ratemaking Report* has been approved and is available on our website for use in preparing 2011 rate filings for Minnesota. Eff. 01-01-2011.

(Refer to **Circular Letter No. 10-1580** for further details.) ☞

### *Golf Outing 2010*

After a two-year hiatus, MWCIA's staff and Board of Directors were delighted to bring back this annual MWCIA event. **MWCIA's Golf Outing 2010** was met with enthusiastic players, wide smiles and near perfect golf (weather that is)! To all the golfers, special guests, and MWCIA staff who made this day such a resounding success --- 'Thank You'!!!

On July 21<sup>st</sup>, over 80 friends and colleagues of MWCIA and their guests gathered at the Crystal Lake Golf Course in Lakeville for a box lunch before our shotgun start. While most of the 20 foursomes on the course chose to play 'best ball', there were many other golf achievements of note . . . some laudable, some dubious, but all in the spirit of fun as guests celebrated spending the day with friends and colleagues -- old and new -- while enjoying a beautiful summer day in Minnesota.

After a day of golfing, guests gathered on Crystal Lake GC's patio deck overlooking their beautiful course where they enjoyed an excellent buffet spread while they relaxed, mingled with non-golfing guests, and swapped stories from their day on the course.

Since **MWCIA's Annual Golf Outing** is officially a non-competitive event, MWCIA's 'Awards Ceremony' included the 'awarding' of several golf-related prizes to recipients who were selected by random drawing.

Of course, MWCIA's 'Awards Ceremony' would not be complete without presentation of our now

famous (and infamous) coveted MWCIA 'Master's Jacket' [aka a short pink fuzzy robe with golf motif appliqué]. This year's winner was none other than Brandon Miller who, having 'won' this honor previously, proudly donned this lovely garb for a second time. [Side note: This honor is not to be taken lightly as it is the responsibility of this year's owner to bring it back next year to present to the next honoree. Rumor has it that one recipient was so proud of this honor that he 'mounted' it on his office wall!] Congratulations, Brandon, on being a two-time winner and a good sport!

To those who have never attended **MWCIA's Annual Golf Outing**, we strongly urge you to do so next year. This annual MWCIA event provides members with the rare opportunity to spend the day golfing and soaking up some sun while building relationships with MWCIA Board members, MWCIA staff, state agency officials and their staff, and other industry folk. And, as part of this unique membership benefit, each member carrier is allowed to bring one guest [agent, colleague, client, or friend]. We are confident that you will find Crystal Lake's course, the refreshments, and the connections you are able to make throughout the day among the best of the best! ☞

To view images from **MWCIA's Golf Outing 2010**, go to the last page of this newsletter . . .

#### FRAUD DIVISION ANNOUNCES NEW PUBLICATION

The Minnesota FRAUD DIVISION at the Department of Commerce has begun publishing an on-line newsletter. The first issue of *The Minnesota Fraudster* was released in July and can be accessed via the Department of Commerce's link on our website.

#### **2009 ANNUAL REPORT AVAILABLE ONLINE**

A copy of MWCIA's **2009 Annual Report** is available at <http://www.mwcia.org/annual-reports.aspx/>.

#### Free Workshops For Minnesota Employers

The "Business & Employment Tax" Workshop sponsored by the State of Minnesota is an excellent source for information on State and Federal withholding, UI taxes, Social Security taxes, new hire reporting, State and Federal labor standards, and workers' compensation insurance requirements. There is also an expanded section on the new rules used to determine **independent contractor** status in Minnesota.

This full-day workshop/seminar rotates locations around the twin cities, it's **FREE**, and, attendees can repeat the workshop as often as they like to get clarification on new rules or just as a refresher.

Although it's designed for Minnesota employers, the "Business & Employment Tax" Workshop is well suited for anyone interested in learning more about the requirements of doing business in Minnesota.

For more information or to check current dates and locations, go to [www.uimn.org/tax/irs.htm](http://www.uimn.org/tax/irs.htm). ☞

#### 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. 10-1576**  
07/14/10—Updated *WCIO Workers Compensation Data Specifications Manual*

**Circular Letter No. 10-1577**  
07/14/10—*Minnesota Statistical Plan Manual* - 3 Part Filing:  
Part of Body Code 99-

Whole Body; Cause of Injury Code 93-Gunshot; Elimination of Claim Grouping Reporting Option

**Circular Letter No. 10-1578**

08/04/10—NCCI Item B-1413 -  
Revision to *Basic Manual*  
Classifications and Rules

**Circular Letter No. 10-1579**

08/04/10—NCCI Item B-1415 -  
Revision to *Basic Manual*  
Classifications and Rules

**Circular Letter No. 10-1580**

08/16/10—2011 *Minnesota*  
*Ratemaking Report*

MWCIA's current circulars plus an archive index of prior circular letters are both available at [www.mwcia.org](http://www.mwcia.org).  
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**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 there are NCCI items that are not approved for use in Minnesota, either in part or in whole.

If you have any questions regarding the applicability of a specific NCCI filing item in Minnesota, please contact our office by emailing [info@mwcia.org](mailto:info@mwcia.org). ☞

*MWCIA Educational Series:*  
Experience Rating – Claim Reporting & Valuation Dates

*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. This quarter's topic will cover an element of

**Experience Rating** in more detail. The following provides a simple explanation of how the **Valuation Date** is determined and used in the experience rating process:

To review -- The '**rating period**' of an experience **mod** establishes the range of policies included in a mod calculation and normally includes three complete years of policy data ending one year prior to the effective date of a mod. The date the **value** of each claim is established by an insurance company's claim department is called the '**valuation date**'. This date is always 18 months after the effective date of a policy regardless of its expiration date or whether or not a claim is closed or open.

The total claim value reported for each claim incident must include all medical and indemnity payments. For open claims, the total claim value must also include reserve amounts for the medical and/or indemnity portions of the claim to establish its full value. And claims that are intended to be either subrogated or ruled non-compensable must be reported at an estimated total value as of the valuation date. In other words, the claims department is obligated to report the total value of **all** claim incidents as of the valuation date of each policy regardless of their final status.

Each year the claims department will review the status of all open/unresolved claims as of the '**valuation date**' for each policy. As long as the policy year is included in the calculation of an experience mod, the new claim amount reported as of the annual valuation date will be updated in the new rating calculation.

**Agent's Tip:** Claims personnel typically review claims at routine intervals that are established based on the date of each claim rather than their reporting date. Since experience mods are calculated according to policy dates and the data reported for the mod calculations are reported at a date that is initially established 18 months after the claim date, it is

recommended that agents and their clients review all open claims with claim department personnel prior to the established valuation date. Agents who follow this method report greater success in helping their clients keep the actual claim amounts reported by their insurance companies on open claims, including the closing of claims prior to their valuation date, as low as possible.

For a complete explanation of Experience Rating, please refer to the *Minnesota Experience Rating Plan Manual*. MWCIA has also created a brochure on this topic. Both items are available online at [www.mwcia.org](http://www.mwcia.org) under the *Forms/Manuals/Publications* tab. ☞

*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 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.





MWCIA's  
Golf Outing 2010





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