

Highlights

- The Real Year 2000 Problem
- Reapportionment Plan to be Announced Soon
- MCPAP Applications Mailed June 22nd
- Department of Commerce Bulletin 98-2
- Department of Labor & Industry Helpful Hint
- Western National Lawsuit Update

MWCIA News

*Minnesota Workers'
Compensation
Insurers Association*

*Volume 1 • Issue 2
July 1998*



PRESIDENT'S CORNER

Bruce A. Tollefson

The Real Year 2000 Problem

A couple of months ago, I attended the Workers Compensation Research Institute's 1998 Annual Issues & Research Conference. Dr. Richard Victor, Executive Director of the Workers Compensation Research made a presentation during lunch entitled: "The Real Year 2000 Problem".

I also recently attended the IAIABC Central States Association meeting in Madison, WI. Barry Llewellyn of the NCCI made a presentation on "What Ever Happened To The Workers' Comp Crisis?"

This was the second time I heard comments concerning the future of workers compensation over the past four to five months.

Both presenters were posing the question: What does the future hold for workers compensation? Are there signs of trouble "over the horizon"? If so, can the problems be adequately identified and potential solutions developed.

Mr. Llewellyn presented information which traced the workers compensation story over the past 10 to 15 years. Based on historical data, it is evident that the "tales of woe" from the early 1980s turned into the "tales of joy" for the middle 1990s.

What will be the story for the rest of the 1990s and the Year 2000?

Towards the end of his presentation, Mr. Llewellyn raised the issue of: "Storm Clouds That Might Be Just Past The Horizon". He based his statement on five points:

1. Loss Trend Rebound;
2. Actual Reform Results;
3. Test of Residual Market Changes;
4. Adequacy of Large Deductible Reserves; and
5. Managed Care Backlash.

One of the best ways to watch for potential problems is through the use of quality data and information. This is one of the main objectives of the MWCIA -- to provide meaningful loss, premium and financial information on which industry people can make sound business decisions.

In a related fashion, the WCRI is in the business of providing high quality, objective information about public policy involving workers compensation. The MWCIA is currently assisting the WCRI with funding for a special research program entitled COMPScope™. Minnesota, along with Massachusetts, Pennsylvania and California are part of the initial study. The ultimate objective is to significantly enhance "the way worker's compensation systems are improved by providing meaningful interstate comparisons of the 15-25 largest and most interesting".

This type of information will be helpful when trying to analyze and evaluate all of the various forms of public information

that come out of the various states. Following are key questions the WCRI states they help to answer:

1. "How are workers compensation systems performing?"
2. "How do various state systems compare?"
3. "What factors are driving costs?"
4. "What is the impact of legislative change on system outcomes?"
5. "What are the possible consequences of proposed system changes? Are there alternative solutions that merit consideration? What are their consequences?"

If you are unfamiliar with the WCRI and what they can provide, I encourage you to contact them at:

Workers Compensation
Research Institute
101 Main Street
Cambridge, MA 02142
Tel: 617-494-1240

Are there storm clouds on the horizon? It's a good question. Those that have their heads up and make the best use of the various forms of quality data and information will be the first to know.

Reapportionment Plan

The MWCIA is developing a plan to handle Reapportionment for the years 1989 through 1997. Reapportionment was put on hold during the time of the old Workers' Compensation Insurance

Antitrust Litigation. The litigation matters were vested in Independent Counsel. Although the litigation matters were resolved, the reapportionment process was not put back on track by the Independent Counsel. The MWCIA staff made a recommendation to put it back on track to the Board at the April Board meeting. The recommendation was accepted subject to a final implementation plan being submitted at the August Board meeting. The MWCIA is on track to have the implementation plan finalized, approved and implemented later this fall. Member companies can expect their reapportionment determinations to be included with their 1998 assessment.

MCPAP

The MCPAP applications for 1999 were mailed June 22, 1998. The enrollment period deadline for submitting applications is September 1, 1998. The MWCIA will begin calculating MCPAP credits September 14, 1998 and the commencement date for use of 1999 MCPAP credits on new and renewal policies is January 1, 1999.

The MWCIA thanks the Minnesota Independent Insurance Agents Association, the Professional Insurance Association of Minnesota, Wilson-McShane Corporation and the MN Mechanical Contractors' Association for their help in publicizing the 1999 MCPAP enrollment plan.

For the year 2000 MCPAP, the MWCIA is working with the Department of Commerce to make improvements to the process. Primarily the improvements center around the timing for mailing and enrollment period deadline. The MWCIA is also working closely with the MIIA, the PIA of Minnesota and the MN Mechanical Contractors' Association to help in communicating and publicizing the plan.

Department of Commerce Bulletin

The Department of Commerce recently issued Bulletin 98-2, dated July 17, 1998. This bulletin outlines a number of enhancements that have been made to the Minnesota Workers' Compensation filing process. The Department has done a good

job of outlining the various parts of the filing process and included copies of the forms needed to complete the filing with samples.

This is a significant improvement. The MWCIA encourages member companies to start working on incorporating these forms into their filing process now. It would be best to get the questions answered and the bugs worked out before starting to work on any new filings affected by Bulletin 98-2.

THE QUESTION: What important new procedure allowing carriers to use MWCIA filed rating plans and modifications has been put into place in Minnesota?

THE ANSWER: Companies wishing to use MWCIA filed rating plans and modifications must file a letter of authorization with the DOC and pay a filing fee each year. Failure to do so means your company could encounter problems operating in Minnesota. Has your company complied for 1998?

Department of Labor & Industry

Attention Claims Handling Personnel! Is your company making use of the Department's Notice of File Closing Form #, LI-20326-01? The MWCIA recently learned the use of this form can be a real win/win situation for member companies and the Department of Labor & Industry.

The MWCIA issued Circular Letter No. 98-1304 dated July 23, 1998 including an explanatory memo from DOLI and a copy of the form attached.

If you haven't seen the circular yet, you can find our circular on our Web site at <http://www.mwcia.org>.

Western National Lawsuit

The MWCIA has filed an appeal to the District Court's June 2nd decision in favor of Western National. The appeal process will take about 90 days with a final decision anticipated sometime around August 15, 1998. As required by Hennepin County District Court, the MWCIA has posted a bond in the amount of the judgement until the appeal process is completed.

Department Spotlight

The Actuarial Department quietly performs many important functions which don't create headlines, but have a significant impact on Minnesota workers compensation.

The most significant impact is the Ratemaking Report which provides the most current Pure Premium Base rate information. This report is published and distributed in the fall of each year. Member companies in turn can use this creditable information in their final rate development process.

For the 1999 Ratemaking Report, the Actuarial Department has committed to publishing and distributing the report two weeks earlier. This earlier release date should help member companies and the Department of Commerce in completing the handling and approval process for any filings made as a result of the 1999 Ratemaking Report.

Cutting two weeks from the Ratemaking Report development process requires excellent planning and cooperation from the various parties involved. The end result should be a real benefit to our member companies and the Department of Commerce.

Next Edition

Look for a report on the MWCIA's extensive efforts to deal with the Year 2000, more news on workers compensation developments in Minnesota and the "good, bad, and ugly" (golf that is) from MWCIA's Annual Golf Outing.

UPCOMING EVENTS

August 18th Board of Directors Meeting & Annual MWCIA Golf Outing

October 22nd Board of Directors Meeting

This newsletter is published periodically by the Minnesota Workers' Compensation Insurers Association as a service to the workers compensation industry. If you have questions, comments or suggestions, please contact the MWCIA at 7701 France Avenue South, Suite 450, Minneapolis, MN 55435 or call (612)897-1737 / fax (612)897-6495.