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MWCIA News

Minnesota Workers'
Compensation Insurers
Association

October 1999



PRESIDENT'S CORNER

Bruce A. Tollefson

WHAT DOES THE MWCIA RATEMAKING REPORT TELL US?

Most of you know by now that we released the MWCIA year 2000 Ratemaking Report on August 27, 1999. The report indicates a decrease of 3.8 percent in the average pure premium base rate over last year's average, reflecting a combined 4.2 percent *decrease* due to claim experience and a 0.4 percent *increase* due to changes in the minimum weekly indemnity benefit.

By industry, the pure premium rate changes are:

Manufacturing	- 4.2 percent
Contracting	- 2.3 percent
Office and Clerical	- 5.3 percent
Goods and Services	- 5.3 percent
All Other Industries	+4.3 percent.

But what do these numbers really mean to the Marketplace?

Quite simply, they verify that Minnesota's workers' compensation costs are fairly stable. Following double-digit decreases in 1996, 1997 and 1998 (-15.6%, -14.8%, and -14.3% respectively), the past two years have produced modest decreases: -2.8 and -3.8 percent for 1999 and 2000 respectively.

Is this good or bad? What you can deduce from this is that the costs resulting from lost time and medical claims continue to be reasonably close to the current pure premium base rate levels *on average*. We believe this is good for all concerned. The actual costs to cover lost time and medical claims are very close to the expected costs developed through the MWCIA Pure Premium base rate process.

It is important to recognize and understand there are a number of factors that could have a significant affect on this current stability. For example any significant changes to:

- Current benefit levels;
- Current positive economic situation (inflation, employment, productivity, etc.); and
- Current loss severity or frequency percentages

can and most likely will have a significant corresponding affect on the costs for lost time and medical.

Does MWCIA Ratemaking Report imply that workers' comp premiums should likewise decrease by 3.8 percent?

Not necessarily, or more accurately stated, that's for *individual insurance companies*, not us to decide -- or predict. Our role is to derive the pure premium base rate levels from a wide spectrum of data, then provide those findings to our member companies *on an advisory basis only*. In other words, our Ratemaking Report is merely that, a report or foundation on which companies can build by reflecting their hard and soft costs, including their profit potential, to arrive at finished rates that they determine are appropriate.

The critical areas that companies most commonly assess in this process are:

Loss Development Beyond an Eighth Report (payment and reserve changes continuing after eight years);

Trend, the affect that changes in claim conditions (from the time the Ratemaking Report was issued to the time a company's finished rates will take effect) may cause on those finished rates;

Taxes and Assessments resulting from writing workers' compensation insurance in Minnesota such as premium tax, special compensation fund, Minnesota Insurance Guaranty Association, Assigned Risk Plan Review board Assessment and Assigned Risk Plan Assessment, among others;

Loss Adjustment Expense (both allocated and unallocated expenses); and

Other Company Operating Expenses such as general operating expenses, commissions, other acquisition costs and underwriting and profit contingencies.

Are there other areas that companies may take into consideration?

Yes, there are other areas that might be considered such as deviations, deductibles, dividend plans, schedule rating, experience rating, reto rating, etc. Most of these are company specific or have company specific implications.

As professionals well schooled in the effect these factors play in determining their company's finished premium rates, you are probably wondering why I am recapping all of this. The reason is simple. I believe that it's our responsibility to communicate from time to time just what the MWCIA is and just what we are not. That goes double for our Ratemaking Report. What an insurance company chooses to charge for workers' compensation rates remains their right and their responsibility dependent on Department of Commerce prior approval.

As always, I welcome your questions and comments on any aspect of the Ratemaking Report or the MWCIA. You can call me at 612.897.6405 or e-mail me at bruce.tollefson@mwcia.org.

FROM THE ACTUARY

The MWCIA 2000 Ratemaking Report which was released in August outlined the components of the sixth straight reduction in the pure premium base rate level, a 3.8% decrease, and documented other trends in the Minnesota workers' compensation claim environment. The pure premium base rate level now stands at its lowest level in 23 years, and over 10% lower than the level it achieved prior to the inception of competitive rating in 1984.

Some major components:

- **Loss Ratios:** After increasing slightly over the past couple of years, adjusted paid loss ratios dropped in the most recent year. This was not expected, but it suggests that the 1995 law change is still having positive impacts on claim costs.
- **Early Loss Development:** 1st to 8th report paid loss development has increased slightly over the past couple of years. This suggests that our development drop has bottomed out after a four-year decrease of almost 30%.
- **Late Loss Development:** Paid to incurred ratios at 8th reports have increased markedly over the past three years. This is a result of massive, industry-wide reductions in bulk and IBNR reserves during the 1996-97 calendar years, as well as a much more predictable claims environment in Minnesota as a result of the 1992 and 1995 law changes. Tail factors for both indemnity and medical claims continue to drop as well.
- **Frequency Trends:** Case counts have dropped an annual average of about 4% over the last few years. The prospect of this trend continuing is slim. Nonetheless, it has played a considerable role in reducing costs over the past several years.
- **Severity Trends:** Medical annual cost per case increases are still running in the +8% range, but annual indemnity severity has dropped from a +4% level to a +2% to +3% range.

Editor's Note: It is our belief this type of information is useful to members and subscribers that use the MWCIA Ratemaking Report. Please let us know your thoughts on

what is helpful and useful information by contacting Craig Anderson at 612.897.6431 or craig.anderson@mwcia.org.

IS ALL QUIET ON THE ASSIGNED RISK PLAN FRONT?

For the past few years, the Assigned Risk Plan has quietly gone about the business of insuring employers who can't obtain coverage in the voluntary market. The fact that the Assigned Risk Plan continues to effectively fulfill these employers' coverage needs is a very positive factor in the market place.

What does this mean from the numbers standpoint?

The Assigned Risk Plan has remained at fairly constant levels for 1999. Each of the five preceding years showed significant decreases in policy count and premium volume. Following is a chart showing the actual numbers as of January for years 1994 (which was the high point for the past 12-year period) through 1999:

Year	Policy Count	Prem Volume
1/94	43,757	\$142,077,850
1/95	43,361	\$114,036,456
1/96	41,160	\$ 73,210,131
1/97	39,993	\$ 45,377,771
1/98	37,059	\$ 34,518,636
1/99	32,345	\$ 24,254,032

The policy count shows a significant drop over a six year period, but the premium volume numbers paint a real vivid picture of what has been happening within the Assigned Risk Plan. So far in 1999 the policy count and premium volume have remained fairly constant with minor ups and downs through out the many months.

Will it remain "All Quiet on the Assigned Risk Front"?

We don't know the answer to this question now. Like a lot of other things in life, only time will tell for sure, so stay tuned for further updates!

DEPARTMENT OF COMMERCE HIGHLIGHTS

Steve Minn was recently named to head the Department of Commerce upon the resignation of David Jennings. Commissioner Minn previously served as

Minority Leader on the Minneapolis City Council representing southwest Minneapolis. His experience on the City Council's Ways & Means, Transportation/Public Works, Zoning & Planning and Executive Committees provided a wide exposure to administrative policy.

Commissioner Minn grew up in the Chicago area, leaving to attend Syracuse University where he received a Bachelor of Science in Management degree in 1983. He also attended the J.L. Kellogg Graduate School of Management at Northwestern University and graduated in 1987 with a Master of Management Degree in finance and economic development.

Along with his wife, Lucy, and their two children, Commissioner Minn continues to live in southwest Minneapolis.

DEPARTMENT OF LABOR & INDUSTRY HIGHLIGHTS

The Department of Labor and Industry recently released a bulletin that addressed insurance companies' legal obligations for filing Notices of:

- Policy Issuance
- Cancellation
- Termination

as well as Minnesota requirements for timely filing of proper notice with the MWCIA in accordance with Minnesota Statute 176.185 and Minnesota Rule 5222.

MWCIA staff worked closely with DOLI staff in putting together the pertinent information and forwarding it to members and subscribers under MWCIA Circular Letter No. 99-1328 dated 8/31/99.

The DOLI bulletin outlines critical information concerning when policy coverage is considered cancelled and when coverage isn't considered cancelled under Minnesota statutes. The bulletin also outlines the requirement for timely reporting of policy issuance, cancellation, termination, or expiration notices according to Minnesota rules. This is an important item because DOLI's ability to properly identify "proof of coverage" in Minnesota depends upon timely and accurate reporting.

Direct any questions you have regarding timeliness issues and the proper filing of Policy Issuance, Cancellation, Termination, or Reinstatement Notices with the MWCIA to the Minnesota Department of Labor &

Industry at 651.297.3822 or contact MWCIA underwriters at 612.897.1737.

WESTERN NATIONAL LAWUIT

We reported in the last edition of the MWCIA Newsletter that the Western National lawsuit was moving towards resolution. As of October 1st, 94% of the assessment has been received. For those companies still needing to respond, a follow-up communication has been sent.

MWCIA staff encourages all companies that haven't mailed their assessments yet to do so soon as possible.

If there are questions or additional information is needed, please contact Craig Anderson at 612.897.6431 or craig.anderson@mwcia.org.

TEST AUDIT TASK FORCE

MWCIA's Test Audit Task Force continues to make good progress on reviewing and revising the MWCIA Test Audit Program. The plan is to have the final draft of the plan ready for Board of Director's review and approval in the next couple of months. If you have questions or need additional information concerning the MWCIA's Test Audit Program Task Force, please contact Gary Bauer at 612.897.6411 or gary.bauer@mwcia.org, or Marie Johnson at 612.897.6410 or marie.johnson@mwcia.org.

JUST ASK US!

This issue marks the start of a new article where Association staff will respond to the 'Frequently Asked Questions' of our readers. We invite you to submit any questions you would like addressed in a future newsletter to our staff via email at info@mwcia.org or mail us in care of 'MWCIA FREQUENTLY ASKED QUESTIONS'. Here are responses to some of the 'Frequently Asked Questions' our Association staff often receives:

What is an Association File Number and how do I find one?

The Association File Number is the identification number of each employer in our system. Each employer with an active policy in Minnesota will have an Association File Number whether they are experience rated or not. Association File Numbers for experience rated employers are now available

on our website under 'Employer Lookup' and may be accessed by logging onto our website as a guest or subscriber.

What is an FEIN or a UI number?

FEINs (Federal Employer Identification Numbers) are assigned by the federal government (800.829.1040) to every employer in the United States. UI Numbers (Unemployment Identification Numbers) are assigned by the Minnesota Department of Jobs & Training (651.296.6141) to all employers in the State of Minnesota. Insurance companies who write workers' compensation insurance in Minnesota are required to list the employer's FEIN and UI Numbers on the declaration page of each policy. FEINs consist of 9 digits and UI Numbers consist of 10 digits. MWCIA does not provide FEIN or UI Number information to either our members or agents. These numbers are required for proof of coverage verification under Chapter 5222.2000-2006.

What is a Carrier Code number and how do I determine who the carrier is if I only have the carrier's number?

A Carrier Code identifies the name of the carrier writing the workers' compensation policy for an employer. These codes are used by the industry in the reporting of statistical and policy information. Agents who wish to determine the carrier assigned to a particular code can obtain this information by checking our website or by contacting our front desk services specialist.

Frequently Asked For Phone Numbers:

Department of Labor & Industry

- 651.297.4377

Department of Commerce

- 651.296.4026

Assigned Risk Servicing Contractors:

- Berkley Administrators - 612.544.0311
- Employers of Wausau ARP 612.830.1700 or 800.862.6079

Department Spotlight



Underwriting Services Department provides many key, customer services including things such as:

- Assigned Risk Plan application processing and information
- Test Audit services

- Inspection services
- Experience Modification Factor Assistance
- Classification Surveys
- MCPAP Factors

On a day to day basis, Underwriting Services receives numerous calls from various customers requesting information and assistance; and sometimes Underwriting staff also assists callers in identifying which other key participants in the Minnesota workers' compensation arena that may need to be contacted to fulfil a customers needs.

Underwriting Services does just what it's name implies ... providing the types and of information and assistance that is needed to meet the ever evolving needs of our customers.

RECENT MWCIA CIRCULARS

Recent MWCIA Circulars is another "new addition" to our newsletter. This checklist will make it easy for all MWCIA members and subscribers to stay current with MWCIA Circulars.

Circular Letter No. 99-1321

7/27/99 – MWCIA Product & Services Changes

Circular Letter No. 99-1322

7/27/99 – MWCIA "Minnesota Classification Index"

Circular Letter No. 99-1323

7/29/99 – Correction: Forms Manual – Special MN Reference List

Circular Letter No. 99-1324

8/17/99 – Minnesota Department of Commerce Notification

Circular Letter No. 99-1325

8/17/99 - Minnesota Department of Commerce Notification

Circular Letter No. 99-1326

Statistical Plan Annuity Tables

Circular Letter No. 99-1327

8/31/99 – MWCIA 2000 Ratemaking Report

Circular Letter No. 99-1328

8/31/99 – Notice of Policy Issuance, Termination, Cancellation

Circular Letter No. 99-1329

9/09/99 – Minnesota Wrap-up Construction Projects Program

Circular Letter No. 99-1330

9/09/99 – Classification Codes & Statistical Codes Manual – Special MN Reference List

Circular Letter No. 99-1331

9/15/99 – MWCIA Website Access

If you have questions or need additional information, contact our front service desk at 612.897.1737. Also, MWCIA Circulars are posted on MWCIA's Website at www.mwcia.org.

UPCOMING EVENTS

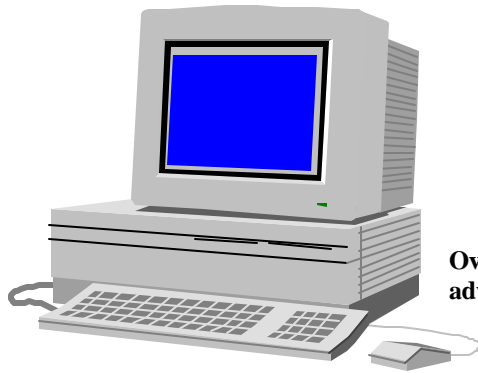
October 21st Fall Board of Directors meeting

Year 2000 MWCIA meeting and event schedule will be printed in the next MWCIA *Newsletter*

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.

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.



SPECIAL MWCIA **WEBSITE UPDATE**

Over the past weeks, members and subscribers of MWCIA have been advised of several changes that are in progress involving our current products and services. As MWCIA's preferred method of product and information distribution into the future, our website is being enhanced to provide members and subscribers with a secure method for ordering and receiving our products via the Internet. To assist members and subscribers in preparing for these changes, here are responses to some of the 'frequently asked questions' concerning MWCIA's new website:

Why is MWCIA changing its system?

MWCIA continues to receive an increasing number of inquiries on a daily basis from members and subscribers requesting access to our products and services through the World Wide Web. Additionally, some of our products are no longer compatible with older delivery systems such as the BBS and Fax Access.

Will this impact how carriers receive data for their current policyholders?

No. MWCIA will continue to distribute data to all of its member carriers in the usual manner. Member representatives who currently use our subscriber services, however, will need to reapply for a new MWCIA Individual User Account for each employee who wishes to continue purchasing products & services from MWCIA.

Has 'Fax Access' disappeared permanently?

Yes. MWCIA's automated phone ordering system has been discontinued because of its incompatibility with our new computer system. MWCIA staff is temporarily processing all orders for experience rating worksheets in-house until our online system becomes available.

When will experience rating worksheets become available through the web?

Our MIS team anticipates this enhancement will become available in the next 90 - 120 days. Once implemented, member representatives and subscribers who have been assigned a new MWCIA Individual User Account will be able to logon to our website using their individual login name and password to order employers' experience rating worksheets online. Users will be notified of the chargeable fee associated with their order prior to reviewing an employer's rating worksheet and each item ordered can be printed or downloaded by the user. A webpage announcement will alert users when this product is available online.

If we are already subscribers with MWCIA do we need to reapply?

Yes. Each member representative or subscriber will need to reapply for a new MWCIA Individual User Account for each individual in their company who wishes to continue ordering MWCIA's products & services.

How do I apply for a new MWCIA Individual User Account number?

Subscriber applications are currently available on our website, or can be obtained by calling MWCIA at 612.897.1737 or emailing our office in care of request@mwcia.org.

Completed web applications should be submitted to MWCIA's office with the \$30 annual fee. Users who wish to select their own login name and password should include this information in the appropriate section of the application prior to submission. Confirmation letters will be sent to each applicant acknowledging their application has been processed and a webpage announcement will alert users as various MWCIA products and services become available online.

Can I share my login name and password with others in my office?

Sharing login names/passwords erodes the security of a subscriber's MWCIA Individual User Account. MWCIA strongly discourages the practice of sharing Internet login names and passwords. Individuals who choose to share this information should be aware that they will be held fully responsible for any charges made using their login name/password even if they did not personally order the product/service.

Can I use my current BBS login name and password?

MWCIA's Bulletin Board System (BBS) is expiring on approximately November 1st and current login names and passwords from the BBS will not be transferred to our new website. Individuals who wish to continue using their established login name/password will need to register this information when applying for their new MWCIA Individual User Account.

What if I'm not 'connected'?

Subscribers without Internet access may continue to order MWCIA products and services by mail, fax, or phone using their new MWCIA Individual User Account.

What if we choose not to apply as a new 'MWCIA Web User' or are not assigned a new MWCIA Individual User Account?

Without a new MWCIA Individual User Account, current charge account holders will no longer be able to purchase MWCIA products and services but will continue to receive mailings through our Circular Letter Service until their current charge account renewal date. Member representatives and subscribers without new subscriber privileges may continue to receive a hardcopy mailing of our Circular Letter Service after their renewal date for an annual fee of \$60.

Can I look at your website before I sign up? Where can I find you?

You don't have to have a new MWCIA Individual User Account to visit our website. We have lots of free information about MWCIA and about the workers' compensation system in Minnesota as well as links to related sites. MWCIA's website address is www.mwcia.org. Sign on as our 'guest' and check us out!

Who should I contact if I have more questions?

If you would like more information about the various products & services available through MWCIA, please contact our front desk services specialists or one of our underwriters at 612.897.1737, or you can email us at request@mwcia.org. If you need additional information about MWCIA's website or our new subscriber service, please contact Marie Johnson, Director of Underwriting Services, at 612.897.6410.