



Minnesota Workers' Compensation Insurers Association, Inc.

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Bruce A. Tollefson, President

www.mwcia.org

October 13, 1998

ALL ASSOCIATION MEMBERS

Circular Letter No. 98-1307

RE: Year 2000 Minnesota Contractors' Premium Adjustment Program (MCPAP) Changes

The Minnesota Department of Commerce has approved the above filing effective 12:01 a.m., January 1, 1999, applicable to new and renewal business only. The purpose of this filing is to amend the special Minnesota rules of the Basic Manual to accommodate changes to the Minnesota Contractors' Premium Adjustment Program (MCPAP). Please note that a rule change effective date of 1999 is necessary to properly implement the changes described below in time for the Year 2000 MCPAP.

Association staff met with representatives of the Department of Commerce, the agents' associations, and the contractors' associations to determine if an adjustment to the enrollment period would have a positive impact on the program. As a result of these meetings, the Department of Commerce has approved an adjustment to the MCPAP enrollment period starting with the Year 2000 MCPAP. The new enrollment period will begin the middle of January and have an enrollment deadline of April 1st. Moving the enrollment period to an earlier time in the year will allow eligible contracting employers to apply prior to their busy season. This change will also provide a benefit to the insurance industry by allowing the Annual Ratemaking Report to become available at an earlier date.

Association staff has also been working with the Department of Commerce to seek approval of an increase to the late processing fee sufficient to encourage the timely submission of the Minnesota Contractors Premium Adjustment Program applications without creating an unnecessary financial burden on the smaller employers in the program. As a result of these meetings, MWCIA will begin assessing a two-point (.02) penalty factor to all employers who apply after the April 1st deadline for the Year 2000 MCPAP. Inasmuch as the Minnesota Contractors Premium Adjustment Program (MCPAP) is designed as a "credit only" program, the two point penalty will be capped at a MCPAP factor of 1.00 (example: .99 mcpap + .02 penalty = 1.01. This employer would not receive a MCPAP factor if applying after the deadline).

The attached exhibit outlines the changes to the Basic Manual necessary to implement the above proposal. Please note that the proposed language on the attached exhibit page contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. MWCIA is currently preparing notification to Minnesota contracting employers regarding the changes to the Year 2000 MCPAP.

Very truly yours,

M. A. Johnson
Director of Und. Services

**EXHIBIT I
BASIC MANUAL**

STATE SPECIAL RATING PLANS AND PROGRAMS

MINNESOTA CONTRACTORS PREMIUM ADJUSTMENT PROGRAM

CURRENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

MN EXCEPTION:

AMEND MN EXCEPTION:

The Minnesota Contractors Premium Adjustment Program (MCPAP) provides for a premium credit for up to one year for a policy that contains one or more contracting classifications. The basis for determining the credit is the total payroll (excluding overtime premium pay and including holiday, vacation, and sick pay). The payroll base follows Minnesota payroll audit rules. In addition, the hours worked for each contracting classification for the previous calendar year is reported. A credit is determined for each contracting classification by dividing the total payroll as reported by the number of hours worked to arrive at the average hourly wage for the classification.

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The total contracting classification credit amount, in dollars, is calculated by multiplying the payroll for each class by the Minnesota data service reporting pure premium base rate to develop the pure premium by classification. The credit percentage developed for each classification is multiplied times the pure premium for each classification to develop the total credit dollar amount for each classification. The total pure premium credit amounts for contracting classifications are then divided by the total policy pure premium, using Minnesota data service pure premium base rates, including contracting and noncontracting classifications. The result would be the percentage credit that is applied. When calculating the total credit, the percentage shall be rounded to the nearest whole number, with .5 being rounded upward. The insured shall submit the required payroll and hours worked information to the Minnesota Workers' Compensation

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**EXHIBIT I
BASIC MANUAL**

STATE SPECIAL RATING PLANS AND PROGRAMS

MINNESOTA CONTRACTORS PREMIUM ADJUSTMENT PROGRAM

CURRENT PHRASEOLOGY:

Insurers Association for calculation of any applicable credit. The carrier may audit the information submitted to verify that it is in accordance with the MCPAP rules. If the carrier discovers an error, revised data must be resubmitted to the Minnesota Workers' Compensation Insurers Association for recalculation of the MCPAP credit. If the insured does not furnish records to verify the payrolls and hours worked submitted and used in the calculation of the credit, there shall be no credit applied to the policy.

Each year a new MCPAP credit must be applied for and calculated. On or about ~~July 15~~ of each year an application form will be sent to each employer whose insurance carrier reported a policy with a contracting classification during the previous calendar year. Enrollments will be accepted ~~for 45 days~~. MCPAP credits for the following calendar year should be available by October 15. The new applications will contain information concerning any changes applicable to the subsequent year's MCPAP program.

The MCPAP credit applies to all entities included in the insured's experience rating. Payroll and hourly wage information, therefore, must be submitted for all policies that are included in the insured's experience rating even though they do not contain any contracting classifications.

PROPOSED PHRASEOLOGY:

Insurers Association for calculation of any applicable credit. The carrier may audit the information submitted to verify that it is in accordance with the MCPAP rules. If the carrier discovers an error, revised data must be resubmitted to the Minnesota Workers' Compensation Insurers Association for recalculation of the MCPAP credit. If the insured does not furnish records to verify the payrolls and hours worked submitted and used in the calculation of the credit, there shall be no credit applied to the policy.

Each year a new MCPAP credit must be applied for and calculated. On or about January 15th of each year an application form will be sent to each employer whose insurance carrier reported a policy with payroll exposure in a contracting classification during the previous calendar year. Enrollments will be accepted until April 1st. Applications received after the enrollment period deadline will be subject to a late processing penalty. MCPAP credits for the following calendar year should be available by October 15th. The new applications will contain information concerning any changes applicable to the subsequent year's MCPAP program.

The MCPAP credit applies to all entities included in the insured's experience rating. Payroll and hourly wage information, therefore, must be submitted for all policies that are included in the insured's experience rating even though they do not contain any contracting classifications. The MCPAP credit factor is to be applied to the premium determination process directly after the application of an experience modification and prior to any deviation and premium discount.