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MWCIA News

*Minnesota Workers'
Compensation Insurers
Association*

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PRESIDENT'S CORNER

Bruce A. Tollefson

Is the Minnesota Tax System in the "Lotto" Business?

These are certainly interesting times in Minnesota politics. Whether we're waiting to hear what the next thing our Governor is going to say or hearing from the Legislature how much money we're going to get back this time, we seem to be faced on almost a daily basis with some new issue or distraction surrounding our state government that "makes the news". A number of the issues deemed "newsworthy" approach tabloid style journalism. Others, however, are solid state government issues that unfortunately, too often get wrapped up in the tabloid style issues.

While all of this media attention can be quite entertaining, it is important for us to remember that serious efforts are being made on a number of important issues during this legislative session. In listening to the news one may wonder if this is really true, but quietly there are a number of dedicated Minnesota citizens who are working very hard to develop good solutions for Minnesota.

One example that I want to point out concerns the \$500 million surplus in the Assigned Risk Plan and how that should be handled. This amount of money naturally attracts a lot of attention and many ideas have surfaced on how the excess funds should be disbursed, as well as ideas on the recipient of these dollars.

Under the wide umbrella of our work comp system, there is a group of diverse participants that are working hard to communicate a sound and fiscally responsible solution. Their solution keeps most or all of the excess Assigned Risk dollars within the Minnesota work comp system for the purpose of "shoring up" the Special Comp Fund. The Fund currently pays for two special state workers' compensation programs that are slowly being phased out. Until the phase out is completed, however, adequate funds to pay the remaining liabilities need to be maintained. Currently a short fall exists within the Special Comp Fund. Liabilities exceed assets, which means the current assessment level for funding the Special Comp Fund will need to be increased unless another solution can be found. By designating the Assigned Risk surplus dollars for the Fund, our state legislature could go a long way towards solving the shortfall problem. Depending on the actual dollar amount put into the Special Comp Fund, Assigned Risk surplus dollars could not only eliminate any needed assessment increases, but might have the positive affect of actually reducing the assessment level going forward.

What does all of this mean?

Without additional dollars to strengthen the Special Comp Fund reserves, the actual costs to the marketplace will need to go up. The assessment level charged to insurance companies will need to be increased, which means the costs of workers' compensation coverage to Minnesota employers will also most likely increase.

Finding a solution has been a participative event. The employer and employee communities along with the Minnesota Insurance Federation have been working hard to find solid, common ground so that they can provide Minnesota's legislature with a strong, unified solution.

There needs to be a good balance among costs to the employers, benefits to the employees and overhead costs to the insurance companies. As the various groups discuss and negotiate to find solid, common ground, MWCIA is there to continue in its role as the provider of quality workers' compensation information in Minnesota. Much of the information provided by MWCIA involves staff analysis of the "costs" of the various changes being proposed and their impact on the benefits schedules and other inner workings of the Minnesota work comp system. Information provided by Craig Anderson, MWCIA Actuary, and other Association staff is a critical element to the success of the discussions. Timely, accurate pricing information provided by MWCIA help participants involved in this and other public policy debates develop solid and fiscally responsible solutions.

Will it happen in this case?

As I write this article, the prospects look good for a solid, fiscally responsible solution for disbursing excess Assigned Risk funds. Hopefully a favorable solution will have been announced by the time you read this newsletter.

Helping to support the development of a

solid, fiscally responsible solution to this issue is important to MWCIA and to our membership. Knowing there is a good, broad-based model in place in Minnesota to work on solutions to various workers' compensation system issues is also very important. This approach has been in place for a number of years and has served the Minnesota workers' compensation system and ultimately the Minnesota citizens well.

Overall costs of workers' compensation in Minnesota have decreased over the past seven years. The resulting affect on the Minnesota economy has been very positive. As we move forward in this fast paced, ever changing world economy, however, we need to make certain that the decisions we make don't adversely impact the balance between costs and benefits.

I sincerely hope the "combined" voice of employees, employers, insurance providers and yes, even the Governor, is heard and listened to within the Minnesota legislature. They have a great opportunity to really make a difference through their handling of the Assigned Risk Surplus. While receiving a tax rebate would be a real nice "short term" gift, let's hope our legislature is forward thinking enough not to waste this excellent opportunity by including the surplus in the Minnesota's current "lotto" of tax rebates. A solid and fiscally responsible solution to Minnesota taxes is needed, but not at the expense of other critical areas. To make it happen we need our legislature and other involved state officials to understand the difference.

FROM THE ACTUARY . . .

The initial release of the Automated Carrier Call Entry & Data Edit (ACCEDE) program has been a strong success, with over 45% of Association member companies submitting their financial data electronically. Carriers seem pleased with the prospect of not having to provide paper submissions, and the opportunity to submit data forms virtually error free.

With the ability to import data directly from diskette, staff has experienced significant reductions in entry time, and improved early data integrity. Expectations are high that Ratemaking Report production

time will be shortened considerably in the near future. Staff is currently working on various enhancements to the software to encourage more carriers to use the product.

SPECIAL UNDERWRITING FORMS ALERT

Recently, Minnesota published a list of approved forms and endorsements in the Basic Manual exception pages to provide carriers with a quick reference list. This list has created a flurry of inquiries from our member underwriters. Here are just a few examples:

Foreign Coverage Endorsement WC 48 06 03

The above endorsement appears as an advisory endorsement in the National Council on Compensation Insurance Forms Manual. Recently a member carrier requested the Foreign Coverage Endorsement be filed for use in Minnesota. Association staff reviewed the specific language of the Foreign Coverage Endorsement WC 48 06 03 against Minnesota statutes and our manual rules. As a result of this review, it was the opinion of Association staff that a Foreign Coverage Endorsement is unnecessary in Minnesota as it duplicates coverage already granted by the extra-territorial provisions of the standard workers' compensation policy in Minnesota.

The operative language of Foreign Coverage Endorsement WC 48 06 03 reads as follows:

"This coverage applies only to employees you hire within the limits of the United States of America while they are travelling or temporarily residing outside of the United States of America, its territories or possessions, or Canada for a period of no longer than ninety days."

Part One of a standard workers compensation policy covers "the benefits required of you by the workers' compensation law." (Sec. B). "Workers' compensation law means the workers' compensation law . . . of each state." (General Section C). M.S. 176.041, subd. 2 provides for temporary employment outside

of Minnesota and reads:

"If an employee who regularly performs the primary duties of employment within this state receives an injury while outside of this state in the employ of the same employer, the provisions of this chapter shall apply to such injury. **If a resident of this state is transferred outside the territorial limits of the United States as an employee of a Minnesota employer, the resident shall be presumed to be temporarily employed outside of this state while so employed.**" (Emphasis added)

Minnesota statute extends coverage to any person transferred outside the territorial limits of the United States. The policy also covers the "benefits required of you by the workers compensation law" – or of the statute – injuries "arising out of or in the course of employment and includes personal injury caused by occupational disease" in accordance with M.S. 176.011 subd. 16. The policy also covers the "benefits required of you by the workers compensation law" – or of the statute – injuries "arising out of or in the course of employment and includes personal injury caused by occupational disease" in accordance with M.S. 176.011 subd. 16. Since Minnesota law and the policy provisions already cover employment outside of the United States, a Minnesota Foreign Coverage Endorsement is unnecessary.

Pending Rate Change Endorsement WC 00 04 04

The Pending Rate Change Endorsement WC 00 04 04 which appears in the National Council on Compensation Insurance Forms Manual is not applicable in the state of Minnesota. Under Minnesota's open rating rules, carriers must file and obtain approval of their rate schedules prior to their use. All standard policies must be issued using a carrier's currently approved rate schedule as filed with the Department of Commerce. Each rate schedule applies to the entire term of the policy and cannot be adjusted midterm if a second rate filing is approved, even if the policyholder is subject to an anniversary rate date change. Policies subject to anniversary rate date changes should attach the Minnesota version of the Anniversary Rating Date Endorsement (see

next article) to allow a change to the policyholder's new experience modification as of the next anniversary rating date but should not change the rate schedule until the following renewal date.

Anniversary Rating Date Endorsement WC 22 04 02

In Minnesota, the premium rates in effect on a policy's inception date apply for the entire period of a standard policy. In cases where the policy's normal anniversary rating date is more than 90 days past the policy effective date, carriers should attach the Minnesota Anniversary Rating Date Endorsement WC 22 04 02. The use of this endorsement notifies the policyholder that the modification on their policy is subject to change at the normal anniversary rating date. It is important to note the use of Minnesota's Anniversary Rating Date Endorsement WC 22 04 02 does not allow premium rate schedule changes midterm or retroactively to the policy effective date. Proper use of Minnesota's Anniversary Rating Date Endorsement WC 22 04 02 only authorizes the carrier to change a policyholder's experience modification midterm to correspond with their new anniversary rating date.

For a reference list on all of the applicable forms and endorsements in Minnesota, please refer to Rule I.D. in the Minnesota pages of the Basic Manual.

ASSIGNED RISK PLAN NEWS

In our last newsletter, MWCIA reported that the Commerce Commissioner approved a 6.2% decrease in the overall level of the Minnesota Workers' Compensation Assigned Risk Plan rates to be effective April 1, 2000. The new Assigned Risk rate schedule was released on January 4th via MWCIA's Circular Letter No. 00 - 1335 and copies of the new Assigned Risk rates are now available on our website at www.mwcia.org or by calling the Association's offices at 952.897.1737. An interactive set of the rates may also be found by logging on to the public access side of MWCIA's website.

Another big piece of news involves one of the Assigned Risk Plan's servicing

contractors. After many years of service, Employers of Wausau will discontinue their role as a servicing contractor for the Minnesota Assigned Risk Plan effective June 30th. Although it is not unusual for the Assigned Risk Plan to change servicing contractors from time to time, Employers of Wausau has been an Assigned Risk provider for many years. MWCIA and ARP wish to thank Wausau for their many years of excellent service to our industry. Effective July 1, 2000, Berkley Risk Administrators Company, LLC has been awarded 100% of the servicing contract for the Assigned Risk Plan. Steps are already in place to facilitate the transfer of all Employers of Wausau Assigned Risk renewals to Berkley starting with their July 1st renewals. MWCIA and ARP want to assure agents and their clients that every effort is being made to assure that this transition runs as smooth as possible. Should you have any questions or concerns during this transition, please feel free to give one of our underwriters a call.

And here's one more bit of news. MWCIA staff has begun work with the Minnesota Department of Commerce to develop a brochure as a quick reference guide to assist agents who place business in the Assigned Risk Plan. This brochure has been long awaited and will provide basic information on the Assigned Risk Plan's rules and procedures as well as general contact information. We don't have a release date scheduled as of yet but keep reading and we'll let you know just as soon as this handy brochure is available.

DEPARTMENT OF COMMERCE

In February, the Minnesota Department of Commerce issued its annual Report on Workers' Compensation Rates, which compares the average rates charged by workers' compensation insurers in the state to the pure premium base rates filed by the MWCIA. The conclusions of the report are as follows:

1. The pure premium base rates have decreased 31.7% on a cumulative basis since 1996, the four-year period covered by these reports.
2. The average rates charged by workers' compensation insurers in Minnesota

decreased by 1.8% between January 1, 1999 and January 1, 2000.

3. Insurers' rates have decreased 39.0% on a cumulative basis since 1996.

4. The Commissioner of Commerce concludes that the market rates have reasonably reflected changes in pure premiums.

To obtain a copy of the complete report, please contact Legislative Library Reference Services at (651) 296-8338.

DEPARTMENT OF LABOR & INDUSTRY HIGHLIGHTS

The Minnesota Department of Labor and Industry recently released its third annual *Workers' Compensation System Report*. The report presents data through 1998 to analyze claims, system costs, benefit payments, vocational rehabilitation and dispute resolution activity.

Among the findings:

- The total cost of the workers' compensation system was an estimated \$1.0 billion for 1998. This is down \$360 million, or 26%, from the 1994 peak of \$1.36 billion.
- Estimated total system cost per \$100 of payroll fell to \$1.46 in 1998. This is down 41% from the 1994 figure of \$2.50, and the lowest since 1980.
- Insurance rates for 2000 are down 46% from their 1994 peak and 27% below 1984.
- From 1990 to 1997 (the latest year available), the total number of paid claims fell from 9.6 per 100 full-time workers to 8.5. From 1990 to 1998, the number of paid wage-loss claims fell from 2.6 per 100 full-time workers to 1.7.
- Among injured workers with wage-loss benefits, 14% received vocational rehabilitation services in 1998. This compares with the low of 5% in 1993 and the peak of 18% in 1991.
- 52% of paid wage-loss claims resulted

from sprains and strains. 29% of wage-loss injuries were to the arms and hands; 28% were back injuries.

- The total number of claim disputes filed with the Department of Labor and Industry fell from 22,100 in 1992 to 13,000 in 1998, a 41% decrease.

The most important overall system characteristics are accessible at the DLI web site. The system highlights can be viewed at www.doli.state.mn.us/wcfact98.html.

For a free copy of the report, which is published in four parts, contact the Department of Labor and Industry Research and Statistics unit at (651) 297-4595 or by e-mail at dli.research@state.mn.us.

JUST ASK US

Here are more responses to some of the 'Frequently Asked Questions' our staff received over this past quarter. If you have questions you would like addressed in a future newsletter, please submit them via email to underwriting@mwcia.org; or mail us in care of 'MWCIA's FREQUENTLY ASKED QUESTIONS'.

When will MWCIA's mod fiche and diskettes be available?

Although the mod history information is available today on MWCIA's website, we understand some of subscribers either don't have web access or prefer to have this information available to them on microfiche or diskette. We recently completed converting our microfiche to our new system and should have the diskettes available by the time this goes to press. Users should be aware that the mod histories on the web are

updated daily while our microfiche and diskettes are updated on a monthly basis.

I subscribe to a monthly service of the ARP Depop Report on diskette. Why did you stop sending me this information?

In anticipation of our conversion to the new MWCIA Individual User Accounts, the renewal fees for the Depop service were never charged. Now that the ARP Depop is available again on diskette, subscribers need to renew their annual subscription to the Depop Report to continue receiving this valuable product. Users should be made aware that this information is also available on our website as a part of the annual subscriber fee (\$30).

Frequently Asked Phone Numbers:

- Department of Labor & Industry - 651.297.4377
- Department of Commerce - 651.296.4026
- Assigned Risk Servicing Contractors:
- Berkley Administrators - 763.544.0311
- Employers of Wausau ARP - 952.830.1700 or 800.862.6079

RECENT MWCIA CIRCULARS

Following is a list of the most recent MWCIA Circulars published since the last MWCIA Newsletter. This checklist is published to help all MWCIA members and subscribers stay current with MWCIA Circulars.

Circular Letter No. 00-1338

2/10/00 – 1999 Test Audit Summary Report

Circular Letter No. 00-1339

2/24/00 – MWCIA Area Code Changing to 952

Circular Letter No. 00-1340

4/11/00 – MWCIA 1999 Annual Report

MWCIA's Circulars are available on our website at www.mwcia.org or by calling our front desk services specialists at 952.897.1737.

UPCOMING EVENTS

July 27th Summer Golf Outing

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 952.897.1737 / fax 952.897.6495.

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.

MWCIA News

SPECIAL UPDATE

WEBSITE UPDATE

Here is an update to some of the 'frequently asked questions' staff received since the last newsletter about MWCIA's website and subscriber services:

How will I know when I can begin using my login name & password?

After an application is processed, the user receives a confirmation letter advising them of their new account number. It is important to retain a copy of your account number and your application for your records. For security purposes, MWCIA staff does not provide login name, password, or account number information over the phone. If you have misplaced this information, please email our office at info@mwcia.org.

Someone else in my office signed up for 'our' subscriber account and left the company without giving us the login name and password. What should we do now?

We continue to receive this question in various forms. MWCIA no longer assigns group subscriber accounts. Sharing login names/passwords can erode the website user's security of the [MWCIA Individual User Account](#). For that reason, the practice of sharing internet login names and passwords is not recommended by MWCIA. Also, since the account belongs to an individual and not a company, the person who signed up for the account can transfer that account when they switch employers. Individuals who use a co-worker's account number, therefore, may be inconvenienced when the person who signed up for the account holder leaves the company until they can re-establish an account in their own name.

In an earlier issue I read that the experience modification worksheets are scheduled to become available through MWCIA's website. When will this happen?

In an effort to make MWCIA's website available as soon as possible, Association staff had to make some tough decisions. Because of staff's diligent efforts, MWCIA successfully handled our major Y2K issues. Unfortunately, preparing for Y2K took its toll on various staff resources that would have been spent to continue its website development. We're back full time and working harder than ever to bring this feature to MWCIA's website sometime this spring. Until it's ready, please continue to fax all intrastate ratesheet orders to our front desk specialists at 800.257.8671. (Remember to include your new [MWCIA Individual User Account](#) number when placing your order.) If you still haven't applied for a new account, you may obtain an application from our website or by calling our office at 952.897.1737.

What other features will MWCIA be adding to its website?

MWCIA continues to look for ways to improve our website and to identify new products for the future. Association staff review all suggestions from the users and staff. Based on their feedback, our MIS staff is working to enhance several available products & services. As each new product or service becomes available, staff will implement them as quickly as possible.

Here is a list of some of the future enhancements we are working on for release in the coming months:

- search by file number for all Minnesota employers with active policies
- search by additional file names

MWCIA *News*

SPECIAL UPDATE

- free web access to all Minnesota modification histories included with active subscriber account (note: orders handled via the front desk will continue to carry a handling fee per modification)
- carrier rate search by code or carrier ID number
- online ratesheet ordering for all active subscribers
- downloadable Assigned Risk Depopulation Reports included with active subscriber account
- online class code search (MCI)
- more 'help' box information
- broadcast messaging of new circular letter releases

Who should I contact if I have more questions?

If you would like more information about the various products & services available through MWCIA or need help using our website, please contact our front desk services specialists or one of our underwriters at 952.897.1737, or email us at underwriting@mwcia.org. If you have comments or suggestions about the look of our website, please email them to marie.johnson@mwcia.org.