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MWCIA News



www.mwcia.org

3rd Quarter 2011 issue a publication of the Minnesota Workers' Compensation Insurers Association

If I hire a sub, why do I need a certificate of insurance or copy of the sub's WC policy? See page 4.

Wednesday, August 10, 2011



PRESIDENT'S CORNER

By Bruce A. Tollefson

Effective Communications – A Key for any Successful Organization!

Within MWCIA and in prior articles I have emphasized the importance of good and effective communications in building and maintaining any successful organization. In my opinion, achieving this level of communications is not a simple matter and understanding how to achieve that goal needs a very broad perspective.

For example, before this or any organization can communicate to our members and customers our products, services and benefits, we need to have a strong internal understanding of who we are and what we as an organization want to bring to our members and customers. This internal understanding must also be linked to an external communications strategy which uses various types of quality communication vehicles and creates a consistent "look and feel" that member and customers recognize as the work of MWCIA.

MWCIA has worked hard over the past years to meet these dual objectives. MWCIA is directed by law and its members to deliver a variety of products and services that are critical to the proper functioning of the workers' compensation industry in Minnesota. The accuracy and quality of those products and services allows our members and customers to utilize these products and services without concern over the completeness or accuracy of a MWCIA created product or service.

MWCIA's staff fully understands our role in the Minnesota workers' compensation system and the importance of communicating to our members and customers the quality of our work. We have developed and utilize a variety of vehicles to convey this message. They include our newsletter, periodic circular letters, email notification system, an easy-to-use website, key staff accessibility via phones, and involvement in various industry meetings and seminars.

One area in which we believe additional efforts are warranted is participation in educational and training seminars and other similar venues aimed at employers and agents.

Currently we have a program which provides speakers in response to special requests we receive from agency owners and other interested groups. We have had some limited success with small group requests, however, we have not been able to make headway in larger settings. We have also partnered with the Minnesota Department of Employment & Economic Development to provide new employers with information regarding workers' compensation insurance for individuals starting a business in Minnesota.

We will now be able to expand our outreach in a very meaningful way. We are very pleased to announce that MWCIA is now partnering with the Minnesota Independent Insurance Agents & Brokers to provide workers' compensation training and education through their "Town Meeting" education services. Glenn Colby of our staff will be the presenter. Glenn worked a number of years for various insurance carriers and has a wealth of experience and knowledge. Because of that experience, and his excellent communication skills, I believe that insurance agents and brokers will gain a lot of valuable information and insight through his participation in this program.

We will continue to seek other opportunities to provide educational/training services in support of the Minnesota workers' compensation marketplace. We believe that this is another important step in fulfilling our "Business Concept Statement"

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

The preferred Data Service Organization (DSO) for quality workers' compensation data collection, analysis and products in Minnesota.

- Our products and knowledge provide for informed decisions for clients' products/pricing/rates and state policy.
- We are committed to proactive partnerships in developing state, regional and national standards, structures and systems.

{For additional information on our products & services, please visit our website at www.mwcia.org}

FROM THE ASSIGNED RISK CORNER

CERTIFICATES OF INSURANCE and AGENCY CHECKS

It has been brought to our attention that agents are issuing Certificates of Insurance for policies written through the Minnesota Workers' Compensation Assigned Risk Plan (MWCARP). It has also been brought to our attention that agents have been requesting insureds' policies to be cancelled due to nonsufficient funds being provided by the insured to the agent.

The following warnings have been posted on the MWCIA (www.mwcia.org) and the MWCARP (www.mwcarp.org) websites:

CERTIFICATES OF INSURANCE

Insurance agencies are not authorized to issue a Certificate of Insurance on behalf of the MWCARP in Minnesota. This activity is not in compliance with the operation of the MWCARP. On page 4 of the Application for Workers' Compensation Insurance, #7, Application Rules and Procedures: "**Agents are not agents of the Assigned Risk Plan and cannot issue Certificates of Insurance or bind coverage**". Your agency should request any Certificate that is needed for policies written through the MWCARP from the servicing carrier to whom the coverage has been assigned. Certificates must be issued by the servicing carrier.

AGENCY CHECKS

Payment submitted with an application should be made by the insured to the Assigned Risk Plan. If payment is made by an agent, the agent understands that it will be solely responsible for reimbursement from the insured, and will have no right to cancel the policy for nonpayment by the insured, unless cancellation is agreed to by the insured. All premium refunds are issued to the insured.

Please direct any questions you may have concerning these items to the following: Ms. Kim Zersen – kim.zersen@aon.com - Affinity Insurance Services, Inc. (AON) – Plan Administrator, 8300 Norman Center Drive, Suite 1000, Minneapolis, MN 55437 Tel: (800) 471-6767.

IMPORTANT NOTICE INDEPENDENT CONTRACTOR EXEMPTION CERTIFICATE (ICEC)

The following link (http://www.dli.mn.gov/cclld/PDF/iccec_fact_sheet.pdf) to the **FACT SHEET** produced by the Minnesota Department of Labor & Industry (DOLI) answers the question, "**Who**

may work as an independent contractor in the construction industry?"

It is very important that you carefully read this FACT Sheet and understand whether or not you need to seek an Independent Contractor Exemption Certificate (ICEC) from DOLI.

The **FACT SHEET** states that "**The ICEC is only required for independent contractor sole proprietorships who subcontract.**" If you are a general contractor who utilizes subcontracted services of a sole proprietor independent contractor, and that sole proprietor does not have an ICEC, your Workers' Compensation insurance carrier will charge premium for that sole proprietor at the time of the payroll audit. This could have a significant impact on the amount of premium you pay.

A valid Certificate of Insurance showing that the independent contractor sole proprietor had a Workers' Compensation insurance policy is **not** considered to be acceptable documentation for premium audit purposes. You will need to secure a copy of the independent contractor sole proprietor's ICEC, in addition to a valid Certificate of Insurance. However, as it is stated in the **FACT SHEET**, "**To operate as independent contractors, individuals must be able to meet the conditions set out in the law's nine-factor test.**" Failure to meet this test will result in premium charges leveled on the wages of these statutory employees. View the nine-factor test at <http://www.dli.mn.gov/cclld/iccec.asp>

AR PREMIUM GUIDELINES

RECEIPT OF PREMIUM

The Servicing Carrier will not issue the **renewal policy** if the renewal premium down payment is not received by the effective date of the renewal policy. However, the Servicing Carrier will make an exception if the renewal premium down payment is postmarked on or before the effective date of the renewal policy and is received within seven (7) days after the effective date.

If the renewal premium down payment is received more than seven (7) days after the effective date, but not more than twenty (20) days after the effective date; then the Servicing Carrier shall issue a **new policy** to the employer that will be **effective the day after the payment is received.** If payment is received more than twenty days after the renewal effective date the employer will need to reapply for coverage in the MWCARP by submitting a new application.

PAYMENT PLAN

Estimated Annual Premium (EAP)

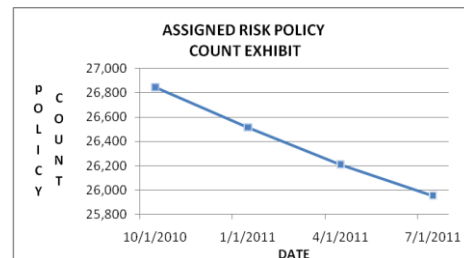
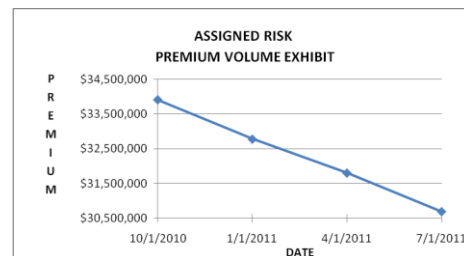
- EAP less than \$2,000 → 100% down payment
- EAP \$2,000 to \$9,999 → 50% down payment with 3 equal quarterly installments
- EAP \$10,000 or more → 35% down payment with 8 equal monthly installments

CANCELLATION PROCEDURES

- Non-payment of premium → **30-day notice required**
- Refusal to permit completion of the payroll audit → **60-day notice required**
- Other reasons approved by the Commissioner of the Minnesota Department of Commerce and/or the MWCARP Plan Administrator **60-day notice required**
- Policyholder request for cancellation. The Servicing Carrier shall not honor requests to cancel policies before the date of request, **except in cases of where there is duplicate coverage.**

The Servicing Carrier will **reinstate** a policy without a lapse of coverage, if the basis for cancellation is removed **before** the cancellation is to take effect. If the basis for cancellation is removed **after** the cancellation has already taken effect, the employer will need to reapply for coverage in the MWCARP by submitting a new application.

ASSIGNED RISK SUMMARY REPORT AS OF 07/01/2011 (ALL SERVICING CONTRACTORS)



ASSIGNED RISK QUICK REFERENCE FACT SHEET

CONTACTS

(Application assistance):

MWCIA
7701 France Ave South
Suite 450
Minneapolis, MN 55435
Tel: (952) 897-1737 (Option 2)
Email: oar@mwcia.org

(Servicing carrier assistance):

Berkley Risk Administrators Co LLC
PO Box 59143
Minneapolis, MN 55459-0143
Tel: (612) 766-3000
Email:

brac_mwcarp_policies@berkleyrisk.com

RTW, Inc
PO Box 390901
Minneapolis, MN 55439-0901
Tel: (952) 897-5566
(888) 273-9709
Email: arp@rtwi.com

SFM Risk Solutions
PO Box 9403
Minneapolis, MN 55440-9403
Tel: (952) 838-4430
(877) 256-1411
Email: arp_phs@sfmic.com

Assigned Risk Plan Oversight:

Assigned Risk Plan Administrator
8300 Norman Center Drive
Suite 1000
Minneapolis, MN 55437
Tel: (800) 471-6767
Email: kim.zersem@aon.com

FEIN Number.....(800) 829-3676

UEIN Number / Info.....(651) 296-6141

Assigned Risk Plan Fees /Values Effective 04/01/2011

Expense Constant	\$180
Max wklly payroll (exec officers, etal)..	\$1,736
Min wklly payroll (exec officers, etal)....	\$434
Min wklly payroll (family members).....	\$260
Terrorism payroll/\$100 x .02	
SCF Assessment .034 x Std. Premium	
WCRA Deficiency .006 x Std. Premium	

FROM THE IT CORNER

MWCIA WEBSITE – MANAGE POLICY and WEB MEMBERSHIP—THEY'RE HERE!

In August, 2011, MWCIA introduced two new exciting products: **Manage Policy System** and **Web Membership System**.

Effective August 15, the **Manage Policy System** allows member carriers to manage their own policy data. Member carriers can search for and view coverage, electronic policy transactions, submissions, and policy errors. Carriers can also update policy data by creating, importing, or copying electronic policy transactions and submitting them to the MWCIA. The Manage Policy System validates transactions thoroughly, prior to submission to the MWCIA.

The Manage Policy System data is updated in *near-time* based upon electronic bureau processing. However, please allow extra processing time for the mailing and entry of hard-copy policies.

The Manage Policy System includes over 33 months of coverage and transaction history. It is available to submitters of both electronic and hard-copy policy data. Submission testing is not required for Manage Policy System submissions.

To use the Manage Policy System, each carrier group must register for the new **Web Membership System**. Each carrier group must establish one group administrator who is responsible for setting up and maintaining user accounts for the group. Only one registration request is needed per carrier group. A Web Membership-Group Administrator Application is available on the MWCIA website and via Circular Letter No. 11-1597.

The group administrator may appoint secondary group administrators to assist with user account maintenance. The group administrator may also appoint product administrators who have authority to maintain user accounts with respect to a particular product, like the Manage Policy System. A product or group administrator sets up one account for each product user at their company.

The Manage Policy System is the first of many products to be integrated with Web Membership. As other web products are added, the same logins can be used to access multiple products.

For more information, refer to Circular Letter No.11-1597-**New Manage Policy System for the MWCIA Website**.

Please note that the MWCIA will discontinue mailing hard-copy policy error

reports effective September 1, 2011. Beginning on this date, policy error information must be accessed via the new Manage Policy System or the Policy View web application. Policy View is tentatively scheduled to be phased out on November 1, 2011. Existing Policy View accounts will remain in effect until this date.

FROM THE UNDERWRITING CORNER

CIRCULARS & FILINGS Since our last issue of *MWCIA News*, the following changes have been filed and approved for use in MN:

Circular Letter 11-1594

2010 Annual Report
This circular announces the release of the MWCIA 2010 Annual Report.

Circular Letter 11-1595

NCCI Item B-1419- Revisions to Basic Manual Classifications and Rules
This circular announces the approval of filing item, B-1419, to modify certain classifications, classification phraseologies, cross-references, and/or classification rules in the *Minnesota Basic Manual*.

Circular Letter 11-1596

Updated WCIO Workers' Compensation Data Specifications Manual
This circular announces the updated *WCIO Workers Compensation Data Specifications Manual*.

Circular Letter 11-1597

New Manage Policy System for the MWCIA Website
Release of the new Manage Policy System effective August 15, 2011.

We recommend 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. **Reminder:** 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. Therefore, each Circular, continues to identify those NCCI changes that are not approved for use either in part or whole in MN.

FROM THE POLICY CORNER

Carriers who have been approved to report policy data using electronic transactions should cease submitting the paper version of the approved transaction codes. For example, if a carrier is approved to submit cancellation/reinstatement transactions, do not

submit WC 89 06 09C hard copy forms. Faxes are not considered electronic reporting and are not recommended for paper reporting without prior approval due to the possibility of failed transmissions. MWCIA does not accept responsibility for failed fax transmissions.

MISC QUICK REFERENCE FACT SHEET

State Average Weekly Wage
(Effective 10/01/2010) \$ 868

State Per Claim Accident Limitation
(Effective 01/01/2011) \$179,000

State Multiple Claim Accident Limitation
(Effective 01/01/2011) \$358,000

FEATURED MWCIA SERVICE OR HIGHLIGHT OF THE QUARTER

If I hire a subcontractor, why do I need a certificate of insurance or copy of the subcontractor's WC policy?

MN statute 176.041

Subdivision 1: *Employments excluded.* *This chapter does not apply to any of the following:*

(12) *persons who are independent contractors as defined by sections 176.043 and 181.723, and any rules adopted by the commissioner pursuant to section 176.83 except that these exclusions do not apply to an employee of an independent contractor.*

MN statute 176.215,

Subdivision 1: *Liability for payment of compensation.* *Where a subcontractor fails to comply with this chapter, the general contractor, or intermediate contractor, or subcontractor is liable for payment of all compensation due an employee of a subsequent subcontractor who is engaged in work upon the subject matter of the contract.*

What we see here embedded in statute, is those who meet the definition of an

“independent contractor” are not considered employees of the entity for whom they are performing the work (i.e. general contractor, intermediate contractor, or other subcontractor). This potentially frees the general contractor, intermediate contractor, or other subcontractor of the responsibility for providing Workers Compensation coverage to these persons (independent contractors).

However, MN statute goes on to state that a general contractor, intermediate contractor, or other subcontractor **is responsible** for the payment of compensation benefits to **employees** of its **uninsured subcontractors.**

Since it is a widely accepted truth that a general contractor, intermediate contractor, or other subcontractor does not want to assume the additional burden and cost of workers' compensation coverage for those uninsured subcontractor's employees, or the potential that the “independent contractor” would be found to be an employee and not an “independent contractor”, proof of workers' compensation coverage for the subcontractor is usually requested by the general contractor, intermediate contractor, or other subcontractor. The accepted form of “proof” is either a Certificate of Insurance of the subcontractor's workers' compensation policy or a copy of the subcontractor's policy.

Bottom line, workers' compensation coverage written for the subcontractor, albeit a “minimum premium policy” or “if any” policy, creates another layer of insurance. The intent is to further distance the general contractor, intermediate contractor, or other subcontractor from the subcontractor and the potential for additional workers' compensation cost to the general contractor, intermediate contractor, or other subcontractor.

For further details, refer to subject matter contained within the DOLI website (<http://www.dli.mn.gov>), or Rule 2 H of

the *Minnesota Basic Manual* found on the MWCIA website (www.mwcia.org).

ANNOUNCEMENTS

MWCIA EXPANDS WC EDUCATION and TRAINING

In addition to MWCIA's ongoing quarterly “New Employer” WC education sessions conducted in conjunction with the Minnesota Business Tax Education Partnership sponsored by the MN Department of Employment and Economic Development), MWCIA will be conducting CE approved (2 CE credits) WC training sessions at each of the MIIAB's 2011 Fall Town Meetings. For more information about the Fall Town Meetings, click on the following link: [MIIAB Fall Town Meetings.](#)

Interested in Workers' Compensation education or training for your staff? MWCIA offers a wide range of subjects. If interested, please contact Glenn Colby, CPCU, Sr./Communications/Underwriting Specialist, at glenn.colby@mwcia.org, tel. (952) 897-6411.

Need or want a handy guide to commonly referred to MN Workers' Compensation statutes and rules? Then, click on the following link: [MN Statutes and Rules.](#)

Have an article of interest or an announcement you'd like us to include in the next edition of MWCIA News? Please submit any articles or announcements to glenn.colby@mwcia.org.

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 Glenn Colby, editor of *MWCIA News*, c/o MWCIA; 7701 France Avenue South, Suite 450; Minneapolis, MN 55435. You may also contact Glenn by phone (952 897-6411), fax (952 897-6495), or e-mail glenn.colby@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.



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