

Can an employer pay wage loss benefits to an injured employee in an effort to turn a claim into a medical only claim, thus impacting reported loss information and presumably lowering the employer's experience modification factor? (page 4).

Thursday, November 10, 2011



By Bruce A. Tollefson

## PRESIDENT'S CORNER

### Building the Future!

In prior articles I have recounted that current advancements in data submission techniques is in a real sense measured against the system which carriers and MWCIA used for many years. That system was the US Mail.

Member carriers "bundled" their paper policy and unit statistical information together and sent it directly to MWCIA or another state Data Collection Organization (DCO). Error reports and other paper communications developed from those submissions were sent back to the submitting carrier. Both parties to this data submission process had large staffs manually handling and processing this river of paper. It was in its own way a workable system for the handling of this data.

Technology has allowed us to evolve in many ways. The types of data submitted and the communications exchanged – policy submissions, error reports, policy amendments and unit reports, to state a few – have not changed. What has changed, as we all know, is the method for the transmission and processing of this flow of data. Computers and electronic storage has replaced filing cabinets for the storage of data. Software, which manages the processing of data, has replaced thousands of clerks who years ago would handle, categorize and as needed retrieve pieces of paper. Finally electronic systems, such as CDX, which facilitates the transmission of electronic data, has replaced the US Mail.

Economists call this phenomenon increased productivity. This increased productivity means doing a task with less cost,

at higher speed, thus generating more profit for the system. While the increase in productivity arising from the computer age has touched all aspects of business, I believe that MWCIA, other DCO's, and our member carriers have taken full advantage of this opportunity.

We have achieved these advancements by leveraging our collective resources to standardize reporting protocols and provide uniform systems that best accommodate electronic data reporting. Our efforts so far have been very successful in achieving increased productivity. However, another part of this task is to constantly evolve these techniques to encompass even more and to continuously improve our data collecting and processing duties.

In 2008 I noted that one long term goal of MWCIA, as part of this evolution, was to implement new web based systems that take full advantage of technology and continue to improve upon the historical "snail mail" approach.

The latest component of this strategy was our August launch of the web/internet based Manage Policy System (MPS). MPS utilizes a number new functionalities including:

- Search interfaces for coverage, electronic policy transactions, submissions and policy errors.
- Functions to manage electronic policy transactions: view, create, copy, change, validate, import, export and submit.
- Coverage functions such as replace, renew and rewrite.
- Comprehensive pre-submission validation.
- Print capabilities for coverage, transactions, policy errors, letters and search result.

- Data is updated near-time based on bureau processing.
- Over 33 months of coverage and transaction history.

Beneath the "hood" of these enhancements is another significant change. MPS is utilizing what we call *near-time* processing. Near time processing takes data processing out of the current overnight batch processing and allows carriers more timely responses to their data submissions.

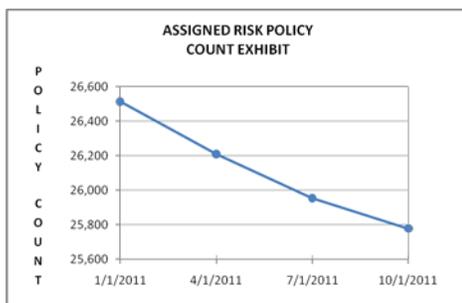
Depending on the submission size, a carrier will either be able to see the results of their submission in a few minutes or for larger submissions they will be able to see the results after a batch run. We have also updated our batch run methodology. Batch run now involves more than one run a day instead of a single overnight run. This faster processing means a carrier can react to our review of a filing in almost real time thus increasing productivity.

As we have done in the past, we will continue to seek out other opportunities to provide value-based systems, processes, and services in support of the Minnesota Workers' Compensation marketplace. As pledged in our mission statement, this commitment to quality Minnesota Workers' Compensation information also encompasses looking for greater productivity for both MWCIA and our members.

*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.*

## FROM THE ASSIGNED RISK CORNER

### ASSIGNED RISK SUMMARY REPORT AS OF 10/01/2011 (ALL SERVICING CONTRACTORS)



## FROM THE IT CORNER

### MWCIA WEBSITE – MANAGE POLICY SYSTEM HIGHLIGHTS

The Manage Policy System went live August 15, 2011, on the MWCIA website. Using this system, member carriers can search for and view the policy data they have submitted to the MWCIA. Member carriers can also *update* policy information. They can do this by creating transactions, validating them, and submitting them to the MWCIA.

#### HOW DO I CREATE TRANSACTIONS?

*Enter a new transaction.* You can create a new policy or cancellation/reinstatement transaction by entering the required fields from scratch.

*Replace coverage.* You can update coverage by replacing an existing policy in the system. The system will pre-fill a replacement transaction based on what is in an existing policy. You can then update the replacement as necessary.

*Renew coverage.* You can renew coverage currently in the system. The system will pre-fill certain information based on what is in the current policy. You can then update the renewal as necessary.

*Copy existing transaction.* You can copy an existing accepted or rejected transaction to

update information or respond to warnings/errors.

*Import transactions.* You can import electronic WCPOLS transactions created on your own system. If your system generates WCPOLS files, you can load them into Manage Policy for validation and submission.

### VALIDATION AND SUBMISSION

Once you have created transactions, you can validate them. The system provides comprehensive pre-submission validation. If the transactions pass validation, then you can submit them to the MWCIA.

To establish or update coverage, you must submit your transactions to the MWCIA and the transactions must be accepted.

Note: You may validate and submit transactions one at a time or in sets of two or more.

For further information on Manage Policy, please refer to the **Manage Policy System User Guide** located on the MWCIA website.

Note: MWCIA discontinued mailing hard-copy policy error reports on September 1, 2011. At this time, policy error information must be accessed via the new Manage Policy System.

**Carriers: If you are submitting any policy transactions (new, renewal, change, cancellation, non renewal, etc.) via the Manage Policy System, we remind you to not submit those same transactions via hard copy.**

## 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 11-1598

2012 Minnesota Ratemaking Report  
This circular announces the release of the MWCIA 2012 Ratemaking Report.

#### Circular Letter 11-1599

Eligibility Requirements for Experience Rating in Minnesota

This circular announces that there will be no adjustments to the eligibility thresholds for experience rating in Minnesota.

#### Circular Letter 11-1600

NCCI Item R-1402- 2011 Update to Retrospective Rating Plan Parameters- Excess Loss Factors- and Update to Basic Manual Appendix E

This circular announces an update to the Excess Loss Factors in NCCI's 2009 edition of the Retrospective Rating Plan Manual, a revision of Appendix E of NCCI's Basic Manual, and an update of the Minnesota Table of Classifications by Hazard Group- 7 Group Option contained in the *Minnesota Basic Manual*.

#### Circular Letter 11-1601

NCCI Item R-1403 – 2011 Update to Retrospective Rating Plan Parameters – Expected Loss Ranges and State Hazard Group Differentials – and Creation of Retro Rating Plan Manual Appendix D

This circular announces an update to Retrospective Rating Plan Parameters – Expected Loss Ranges and State Hazard Group Differentials – and Creation of Retro Rating Plan Manual Appendix D.

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.

### ERM-6 FORM – REQUEST FOR FORMER SELF-INSURED DATA

#### **I've heard of an ERM-14, but what is an ERM-6?**

Self-insureds and self-insured groups are not required to submit data (class codes, payroll & losses) to rating organizations for experience rating. The ERM-6 Form is used to provide the same information that *voluntary insurance carriers* submit to rating organizations via a *Unit Statistical Card*. However, in this case, the *insured* will be providing the information. **Important Note:** If the insured had coverage in the voluntary market during the “experience period” for their next experience rating, that experience will be utilized to promulgate an experience modification, if eligible, when they are again insured in the voluntary market.

### When is it used?

It is used when an employer, which was formerly self-insured or in a self-insured group, is now insured in the *voluntary* market, and wishes to use the prior self-insured data in the development of a future experience modification.

### What information is required to complete the ERM-6?

Class code, payroll & loss information will be entered in on the form. The form, including the injury codes, is found on our website under the Experience Rating tab ([ERM-6](#)).

### Where does the insured obtain this information?

The insured should work with their prior self-insurer or TPA to obtain this information.

### How often does the form need to be completed?

The form will need to be completed each year that prior self insured data is to be included in an experience rating according to the rules in the [Experience Rating Plan Manual](#) and the [Minnesota Statistical Plan Manual](#). Updated reports will need to be submitted as long as there are open claims.

Here are a couple of scenarios that may apply:

#### Scenario 1

*My client is considering leaving their self-insured group and re-entering the voluntary market. They have had excellent loss experience and are concerned about losing their credit experience modification. What can be done?*

**Answer:** An ERM-6 must be completed by the insured and submitted to the MWCIA in order for their data to be included in the calculation of a future experience modification. However, *before* this form is submitted to the MWCIA, the insured must have coverage in the voluntary market. The form cannot be submitted to us prior to obtaining coverage in the voluntary market.

#### Scenario 2

*My client is thinking about leaving their self-insured group and re-entering the voluntary market. They have had losses and have developed a debit experience modification. What will happen when they obtain coverage in the voluntary market?*

**Answer:** Well, that depends on how long they have been self insured or in a self insured group. If they had coverage in the voluntary market during the “experience period” for their next experience rating, that experience would be utilized to promulgate a mod. However, the experience developed

while self insured would not be used unless an ERM-6 is completed and submitted.

If you have any questions about ERM 6, please contact the MWCIA Underwriting staff.

## FROM THE POLICY CORNER

### ELIMINATION of HARD COPY POLICY DATA SUBMISSIONS EFFECTIVE JULY 1, 2012

The Minnesota Workers’ Compensation Insurers Association, Inc. (MWCIA) continues to experience an increase in the volume of electronic submissions of policy data. We attribute this increase to the unsurpassed benefits of electronic submissions: **quality**, **timeliness**, and **efficiency**.

Consequently and as approved by the MWCIA Board of Directors, effective July 1, 2012, MWCIA will **only** accept policy data submitted electronically. Policy data submitted subsequent to July 1, 2012, in any other format, will be rejected.

Independently and through its partnership with American Cooperative Council on Compensation Technology (ACCCT) and Compensation Data Exchange (CDX), MWCIA continues to offer free of charge products to support electronic reporting of policy data for member carriers.

- Through ACCCT, member carriers have access to the Policy Edit and Entry Package (PEEP), which is a software tool that allows carriers to enter, edit, and submit policy data electronically.
- CDX provides a secure file transfer facility. Additional information may be obtained by visiting [www.acct.org](http://www.acct.org).
- MWCIA’s recently released Manage Policy System offers yet another feature rich system for submitting policy data electronically. (For further information about the Manage Policy System, please refer to Circular letter [11-1597](#), dated August 8, 2011.)

Again, we remind member carriers that effective July 1, 2012, MWCIA will **only** accept policy data submitted electronically. Policy data submitted subsequent to July 1, 2012, in any other format, will be rejected.

Please be certain to communicate this very important change in reporting protocol to all

involved personnel (policy data reporting staff) to assure a smooth and fluid transition.

For questions or additional information about electronic reporting instructions, please refer to MWCIA Circular letter [11-1602](#), or Carrier Electronic Reporting Requirements located at [www.mwcia.org](http://www.mwcia.org), or, contact Kim LaHoud at 952-897-6412, [kim.lahoud@mwcia.org](mailto:kim.lahoud@mwcia.org).

### COMBINABLE GROUP ID vs COVERAGE GROUP ID

Combinable (Combo) Group ID numbers and Coverage Group ID numbers are a frequent source of confusion. The need for two “IDs” emanates from MWCIA’s responsibility to not only collect, identify, and process policy data for each individual MN employer, but also calculate experience modification ratings for those MN employers who qualify.

To carry out these duties, MWCIA assigns a unique **7 digit number** (Coverage Group ID) to each MN employer’s Workers Compensation policy. (A simple analogy might be your social security number, or your driver’s license number—both are numbers assigned to you, to identify you.)

All of an employer’s Workers Compensation policies and policy transactions, including renewal policies, are catalogued by their Coverage Group ID. Consequently, there can be many Workers Compensation policies within (under) the same employer’s Coverage Group ID.

In addition, there is also a need for MWCIA to assign an additional number (Combo Group ID) to the same MN business entity. The Combo Group ID is a **9 digit number** and it is assigned for ownership (article on ownership to be published in an upcoming edition of MWCIA News) and experience rating reasons.

In the case of experience rating, the rules of experience rating state that MN employers (more than one) who share common majority (more than 50%) ownership are combinable for the purposes of experience rating. For example, if Employer’s A’s majority owners own the majority of Employer B, which in turn owns the majority of Employer C, then all three (A, B, C) employers are combinable for the purposes of experience rating.

Consequently, in order to collect, maintain, and process data for all MN employers, (albeit one employer or a combination of many employers who share common majority ownership), MWCIA assigns both a Coverage Group ID and a Combo Group ID to all MN employers Workers Compensation policies.

There can be one Coverage Group ID which has the same Combo Group ID or there can be many different Coverage Group IDs assigned to one Combo Group ID.

**Important facts to remember:**

1. Experience modifications are calculated at the Combo Group ID level and can be found at the Combo Group ID level;
2. Carriers should report policies and policy transactions at the Coverage Group ID level.

**FEATURED MWCIA SERVICE OR HIGHLIGHT OF THE QUARTER**

**Can an employer pay wage loss benefits to an injured employee in an effort to turn a claim into a medical only claim, thus impacting reported loss information and presumably lowering the employer's experience modification factor?**

**Answer:** No, and here's why:

Minnesota's Workers' Compensation law makes the obligation to pay benefits an obligation of the employer to its injured employees:

**Minn. Stat. § 176.021, subd. 1.**

*Every employer is liable for compensation according to the provisions of this chapter and is liable to pay compensation in every case of personal injury or death of an employee arising out of and in the course of employment without regard to the question of negligence. The burden of proof of these facts is upon the employee.*

The law also mandates that employers guaranty that these obligations will be paid by purchasing Workers' Compensation insurance or having an approved self insurance plan.

**Minn. Stat. § 176.181, subd. 2(a).**

*Every employer, except the state and its municipal subdivisions, liable under this chapter to pay compensation shall insure payment of compensation*

*with some insurance carrier authorized to insure workers' compensation liability in this state, or obtain a written order from the commissioner of commerce exempting the employer from insuring liability for compensation and permitting self-insurance of the liability.*

The fact that the obligation to pay is that of the employer which is insured against by the carrier is reflected in the Worker's Compensation policy (form WC 00 00 00 B) **Basic Policy, Part One, B. We Will Pay:** *We will pay promptly when due the benefits required of you by the workers compensation law.*

The policy thus creates an unconditional obligation to pay the amount of the benefits owed by the employer. While traditionally the carrier pays those benefits to the injured worker directly, the policy does not say that the obligation disappears if the employer elects to pay the benefits itself and then collect on the policy's obligation. In the end, regardless of who receives the check from the carrier, the carrier is the ultimate payor of the benefits under this insurance.

Contractually if the employer makes the payment, the carrier's obligation under the policy is to write the check to the employer. In both instances the carrier must report the amount of benefits paid under the Unit Statistical Plan.

The employer can elect not to cash the check, but the only way to void the contractual obligation is for the contract to be modified by some form of endorsement, which would undoubtedly not be approved in Minnesota.

From a regulatory standpoint, if the Department of Commerce determines that a carrier has attempted to avoid the terms of the policy and the Statistical Plan (or if an agent is counseling an employer to avoid the impact of the plan) disciplinary action is possible.

In addition to the above standard, there is a public policy reason why the Department of Commerce would want these rules to be

followed. If an employer were seeking to avoid the policy by making direct payments, there is no guaranty that the injured employee is getting what he or she deserves. The discipline of going through a carrier helps insure that proper payments are made.

Bottom line, we believe, both MN statute and contract language (the WC policy) prohibit employers from paying lost wages to an injured employee in an effort to turn a claim into a "medical only" claim, thus impacting reported loss information and presumably lowering the employer's experience modification factor.

**REMINDERS**

**POLICY TRANSACTION SUBMISSIONS**

If you are submitting any policy transactions (new, renewal, change, cancellation, non renewal, etc.) via the Manage Policy System or CDX, we remind you not to submit those same transactions via hard copy.

**MANAGE USR APPLICATION**

*Accepted With Warning* (AWW) unverified status is no longer available. All unverified and verified unit reports will instead be shown under one status--*Accepted With Warning*. Member carriers are responsible for maintaining their own data but are not required to respond to MWCIA regarding AWW.

**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 *MWCLA 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](mailto: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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