

*Extra, extra, read all about it!*

*\*\*Streamlined Import Processing for the Manage Policy System\*\* (see page 2)*

August 14, 2012



By Bruce A. Tollefson

## Making Things Work – It Can Happen In Government

If you just listen to the pundits and read the newspapers in the past few years, you could reasonably come to the conclusion that our entire system of governance is totally broken. When was the last time anyone put his or her arm around an opposing politician before the cameras and congratulated each other on being reasonable in solving a problem?

We at MWCIA are apolitical. This organization and its predecessors have been in existence in one form or another since April of 1921. Over the years in working with legislators and regulators of all political persuasions, we have seen a wide variety of attitudes and controversies.

The key to our success has always been focusing on our mission and doing it with the highest level of professionalism. Still there have been times when we have been buffeted by the winds of political discontent or change. Because of this history, we try to be cognizant of what is happening in the world of politics, particularly as it impacts our regulated industry.

It is with that reality in mind, as well as in my capacity as an ordinary citizen, that I shake my head at the “grid lock” I see, particularly at the national level. I have heard it said that politics is a contact sport, but even in contact sports like football and hockey they have time outs. Maybe we need a national referee who can call an un-sportsman like conduct penalty from time to time.

While I, like many others, am trying to tune out the discontent until I must make up my mind for the elections, I did recently hear a very intelligent comment from a political commentator. He observed that the level of discontent and downright nastiness decreases

## PRESIDENT'S CORNER

dramatically as you move away from national politics and look at the functioning of government at the state and local levels.

That comment made sense to me. It is hard to be too intractable or harsh when you sit on a city council and your fellow councilpersons are neighbors or your kids attend the same school.

But aside from the social pressures to be more reasonable, government at the state and local level have an additional incentive. When you can't print money and must balance a budget each year, you have to face problems and find a solution.

As a regulated entity, MWCIA faces the need to work with government on practical solutions to real problems on a regular basis. In dealing with our member insurers and regulators, there is only one way to address these issues. We have to listen to everyone's point of view, we have to be practical and, we have to reach a consensus that works.

Over the years I have discussed in this column solutions to issues faced by the MWCIA. In a sense we have come to take it for granted that when we have a problem it can be solved by this cooperative approach. But when we look at these issues through the prism of national deadlock, I realize how lucky we are.

For example, when MWCIA was faced with the prospect of electronic filings of information from carriers to our organization and from our organization with the Department of Commerce, we approached that issue using our time tested formula for problem solving.

In retrospect, you might view making that transition as a “no-brainer”, but in reality every change causes hardship to someone. Changing systems takes time and costs money for everyone involved. Luckily we did not have the paper lobby arguing that moving

from paper to electronic filing was a bad idea.

The reality of this change was that we defined the issue and the need for change. We discussed it with our members and with the Department of Commerce. We proposed a solution and a timetable. It was implemented. (The fact that we were regulated, and both government and industry had to change the rules and procedures, was simply not a problem.)

Another example was the transition between filing policies with both MWCIA and the Department of Labor and Industry's proof of coverage system. This dual filing system was efficient from the 1920's to the 1960's. That has changed. Working with our members and regulators, we conceived and implemented a single source data filing and data warehouse system. The issues boiled down to: was there a need and, was the solution good for the various parties impacted?

So my belief is that deadlock and rancor are not inevitable. True our issues are not national in scope, but whether in Minnesota or nationally, if you agree there is a problem, the goal should simply be, fix it.

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## FROM THE IT CORNER

### **\*\*STREAMLINED IMPORT PROCESSING FOR THE MANAGE POLICY SYSTEM\*\***

**IT'S HERE--enhanced import functionality in the Manage Policy System (MPS), making the importing of WCPOLS files easier and faster!!**

Insurance company staff will have the option to import, validate, and submit a WCPOLS file in one easy step. Based on a click of the "Import/Submit" button, MPS will import a selected WCPOLS file and validate the enclosed transactions. If the transactions all pass validation, then they are automatically submitted to the MWCIA for further processing. No further manual intervention is required.

If an imported file has errors, then the MPS user should review the transactions and determine what corrections are required.

For any submission to the MWCIA, please be sure to review the results.

Lastly, please note that some import file restrictions apply. If an imported file is smaller than 2MB and contains 25 or fewer transactions (not counting cancellations, reinstatements, and non compliance/compliance transactions), then the request is processed immediately, while the MPS user waits. For larger files, the request is processed offline, usually in a matter of minutes; the system emails the MPS user the results of the completed processing.

We're pretty excited about this enhancement and hope you are too!

None the less, for questions or to share your feedback, please send an e-mail to [Manage Policy@mwcia.org](mailto:ManagePolicy@mwcia.org)

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With the Elimination of Hard Copy Policy Data Submission Effective July 1, 2012, (refer to [Circular Letter No. 12-1613](#)), it's timely you review how (including the tools and where to find them) policy submissions and unit statistical data are reported (flow) to MWCIA.

Electronic submission requirements for the Minnesota Workers' Compensation Insurers Association (MWCIA) are provided in the **Workers' Compensation Insurance Organizations (WCIO) Data Specifications Manuals** which are found

on the WCIO website located at [www.wcio.org](http://www.wcio.org).

### **DATA REPORTING TOOLS THAT ARE ACCESSIBLE VIA THE MWCIA WEBSITE ([www.mwcia.org](http://www.mwcia.org))**

#### **Manage Policy System**

(path--Carriers/Agents Manage Policy System)

Data used for **policy** reporting, may be submitted directly through our Manage Policy System (MPS). For complete information about MPS, please refer to <https://www.mwcia.org/ManagePolicy/Default.aspx>

#### **Manage USR**

(path--Carriers/Agents Manage USR Release 2)

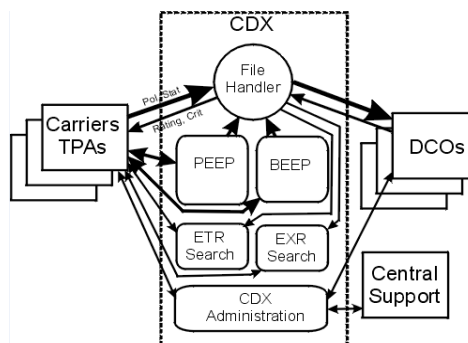
Data used for **unit statistical** reporting, may be submitted directly through our Manage USR Release 2 (MUSR) system. For complete information about MUSR, please refer to <http://www.mwcia.org/ManageUSR/Pages/frmLogin.aspx>

### **DATA REPORTING TOOLS THAT ARE ACCESSIBLE VIA THE ACCCT WEBSITE ([www.accct.org](http://www.accct.org))**

#### **CDX**

Compensation Data Exchange or CDX® has been developed as a secure internet application with the goal of providing the ability to exchange data electronically. The product is used primarily for the purpose of sending, receiving, and managing transaction submissions. The transmitted data uses the WCIO standards such as WCPOLS, WCSTAT, WCRATING, etc. These standards are found in the **Workers' Compensation Insurance Organizations (WCIO) Data Specifications Manuals**.

Here's an overview of the CDX system:



## PEEP

The Policy Entry and Edit Package or PEEP, developed by ACCCT, is an application designed to give insurers and Data Collection Organizations (DCOs) the ability to enter, edit, and electronically **submit policy information** through the Compensation Data Exchange (CDX). The application also allows insurers to import policy data in WCPOLS, (Workers' Compensation Policy Data Specifications) format. For additional information regarding WCPOLS, see the Products section of the WCIO Web site [www.wcio.org](http://www.wcio.org).

Policy information includes:

- New Policy
- Renewal Policy
- Cancellations and Reinstatements
- Annual Rerate Endorsements
- Rewritten Policies – Policies with changes to carrier code, policy number, effective date, etc.
- Policy Replacements – Includes rating change, non-rating change, add or delete state, etc.
- Proof of Coverage Transaction
- Non-Compliance Transaction

## BEEP

The Bureau Entry & Edit Package or BEEP is a web-based application designed to give insurers and DCOs the ability to **enter Workers' Compensation statistical information** for transmission to MWCIA. BEEP performs initial validation edits at the entry workstation level to ensure that Unit Statistical Reports (USRs) will meet predefined requirements for statistical reporting in the indicated jurisdiction. The finished, validated reports can then be bundled into an electronic submission file for transmission to the jurisdiction. Alternatively, statistical report data can be developed by other means and imported into BEEP for error checking.

## EXR

The Experience Rating Worksheet Lookup (EXR) is used to provide access to rating worksheets. Users will have the ability to search for, view, export, and print worksheets.

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## 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 12-1615

#### Updated WCIO Workers Compensation Data Specifications Manual

This Circular announces updates to the *WCIO Workers Compensation Data Specifications Manual* reflecting the revisions as approved by the committee.

#### Circular 12-1616

#### NCCI Item B-1425 – Revisions to Employers Liability and Admiralty or FELA Coverage Increased Limits Percentages and Factors

This Circular announces the approval of NCCI Item B-1425.

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. As such, each Circular, continues to identify those NCCI changes that are not approved for use either in part or whole in Minnesota.

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#### SPLIT POINT VALUE AND MAXIMUM DEBIT MODIFICATION FORMULA CHANGES—COMING TO MINNESOTA JANUARY 1, 2013

**Are you familiar with the changes to the Experience Rating Plan coming to MN January 1, 2013? (Refer to Circular 12-1614)**

(Refer to NCCI Item E-1402 – Revisions to the Experience Rating Plan Primary/Excess Split Point Value and Maximum Debit Modification Formula)

The Experience Rating Plan is a national merit rating program currently in use in those states that allow private workers' compensation insurance policies. NCCI's changes to the Experience Rating Plan (Item E-1402) are intended to apply to those states. To minimize confusion by maintaining consistency, especially for multi-state policyholders, independent DCO states, like Minnesota, do their best to stay consistent with NCCI.

The average claim cost has more than tripled in the last 30 years. Based upon NCCI's and MWCIA's research, the split point should actually be increased to \$15,000 immediately. To best manage the needed change (\$15,000) and minimize disruptiveness, NCCI decided to phase-in

the necessary change. After significant discussion and analyses, NCCI determined that a larger increase in the first year of the transition period would be much less disruptive than equal changes over a three- or even four-year period. This traditionally proves true in most rating transition programs: a larger change in the first year immediately focuses questions, engenders clarification, and encourages carriers to examine additional insured pricing considerations.

Here's what our analysis tells us about the impact of the changes to the Minnesota Experience Rating Plan:

1. There will be **no measurable change in the overall average statewide experience modification level in 2013;**
2. **82% of current rated insureds will either see modification decreases, or increases of no more than 2%;**
3. **12% of current rated insureds will see modification increases between 2% and 10%, with an average around +5%;**
4. **6% of current rated insureds will see modification increases of more than 10% - these changes will primarily affect businesses with current modifications exceeding 1.25.**
5. Future results will be much less significant; it's expected that only **5% of rated insureds will see additional modification increases of more than 5% from 2014 through 2015.**

Resources have been made available to facilitate training needs. Those resources include: NCCI [webinar](#); NCCI's "FYI Plus" dated August 5, 2011, with Frequently Asked Questions (refer to NCCI's website); MWCIA FAQs (soon to be released); CE classes offered in cooperation with MIIAB (2012 Fall Town Meetings to be conducted throughout the state); MWCIA Actuarial Department availability for questions (952) 897-1737, option 3, or email at [actuarial@mwcia.org](mailto:actuarial@mwcia.org).

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#### CHANGES OR CORRECTIONS IN CLASSIFICATION

Changes or corrections in classifications have often times been misunderstood or misinterpreted. Let's look at a few scenarios:

**Scenario 1:** The insured is a manufacturer of frozen pizzas, code 2003. Midway through the policy term, they decide to open a retail *take and bake pizza* operation, code 9083.

**Q.** Is it "OK" to add this code to the policy pro rata as of the date of the new operation?

**A.** Yes, the code may be added to the policy because there has been a change in the insured's operations regardless if the change results in an **increase** in premium.

#### **Rule 1 F., 1:**

*Changes in classification due to changes in an insured's operations will be applied pro rata as of the date the change in operations occurred.*

**Scenario 2:** A policy is issued with class code 8742, sales, and it is determined by the agent that it is strictly phone sales, 8810. The agent requests that the underwriter change the code to 8810.

**Q.** Is it "OK" for the underwriter to do this?

**A.** Yes, the underwriter must change the class code to 8810 retroactive to policy inception because this correction results in a **decrease** in premium.

#### **Rule 1 F., 2:**

*Corrections in classifications that result in a decrease in premium, whether determined during the policy period or at audit, must be applied retroactively to the inception of the policy.*

**Scenario 3:** A policy is issued with code 4583 – Fertilizer Mfg & D. The policy was audited and the auditor found out that the insured also applies the fertilizer and wants to add code 0050 which has a rate that is greater than 4583.

**Q.** Can the auditor add the code to the audit?

**A.** The answer is "no" not at audit, because adding code 0050 would result in an **increase** in premium. However, the code may be applied at renewal.

*For the Rules that apply to corrections in classifications resulting in an increase in premium, refer to the table (and noted exceptions),*

**Rule 1 F., 3, found on page R 12 of the Minnesota Basic Manual**

**IMPORTANT NOTICE TO INSURANCE CARRIERS**

We (MWCIA) will change the way we assess our members starting in 2013. In the past, MWCIA based the assessments and reapportionments on premium writings per parent group. If individual companies of the same parent group filed separate reports, the figures would be added together resulting in one figure for the entire group. Now, we will continue to collect the data from the same source, the Calendar-Accident Year Call, and Large Deductible Calendar-Accident Year Call, but your company and/or parent group will be assessed in the same manner as the reports are filed. A group that files separate reports for each member should expect to receive their assessments and reapportionments in the same manner. The second change that will occur is that the assessments will be emailed to the name and email address that we have on record. This data was collected this year. If you have any questions or comments concerning this change in procedure, please contact either Leann Hayes at leann.hayes@mwcia.org or Karen Ose at karen.ose@mwcia.org.

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**FYI**

**Assigned Risk Plan Volume  
(as of July 1, 2012)**

<u>Policy Count</u>	25,830	(+0.3%)
<u>Premium</u>	\$40,091,593	(+2.08%)
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**Manage USR**

Monthly unit stat reports that are **due, late or missing** are placed on a report (**14, 18, 21 Month Report**). Similarly, following the first Sunday of the subsequent month, a new set of reports are loaded in the system for the current month. These reports are available to the carriers via the **MANAGE USR (MUSR)**

program (this program electronically houses all unit reports for carriers' easy access). This site also serves as a place where carriers can access their unit stat data prior to acceptance in our Spectrum system.

The issue we have encountered is that carriers periodically request a prior month's report. It is imperative to remember that these reports are only available for one month at which time they are deleted from our system and no longer accessible.

We strongly recommend carriers use the MUSR system to maintain their own data. The MUSR system allows carriers to retrieve reports available within that month's time.

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***"On the road again, just can't wait to get on the road again....."***

For the second year running, MWCIA will be partnering with the MIIAB this fall to conduct WC educational sessions throughout the state at the MIIAB Fall Town Meetings. Here's a clip from MIIAB's August, 2012, edition of The Minnesota News:

**"Morning Session - 9:00 am – 11:00 am: Essentials of Workers' Compensation – 2 CE's Pending.** Glenn Colby, CPCU, from the Minnesota Workers' Compensation Insurer's Association (MWCIA) is once again on board to discuss changes and hot topics agents need to know in order to properly place workers' compensation coverage and advise customers in Minnesota. Did you know that effective January 1, 2013, the loss information included within the Minnesota Experience Rating Plan will change? Come and learn how the new "primary/excess split point" used to cap significant losses is changing in the Experience Modification calculation, and how it could significantly increase your customer's Experience Modification. Do you have customer's that pay their own losses to avoid higher experience mods? Is that practice legal? Don't miss this

opportunity to keep yourself informed about current workers' compensation issues in Minnesota."

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Reminder, if you or your organization have any WC educational needs, contact Glenn Colby, CPCU, Senior Communications and Underwriting Specialist, at [glenn.colby@mwcia.org](mailto:glenn.colby@mwcia.org), tel. (952) 897-6411. There's no fee involved.

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MWCIA is pleased ☺ to report that the transition to the elimination of hard copy policy data submissions effective July 1, 2012, has gone extremely well—better than expected. MWCIA attributes that to the total support of its members and to our members we send along a hardy and heartfelt "thank you".

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**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, CPCU, 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](mailto:glenn.colby@mwcia.org)).



**MWCIA PURPOSE**

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