



The mission of the Minnesota Workers' Compensation Insurers Association is to collect, process, and analyze workers' compensation data so that we can provide high quality, consistent information to our insurer members and regulators. We will develop and deliver useful services and products to the workers' compensation community.

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4th Quarter 2016 Issue

## In This Issue

- **President's Message**  
[Page 1](#)
- **Item Filing Update. NCCI's Item Filing B-1429 – Establishment of Audit Noncompliance Charge**  
[Page 2](#)
- **Locating and Accessing Unit Statistical Invoices**  
[Page 3](#)
- **State of the Minnesota Workers' Compensation Market**  
[Page 4](#)
- **Questions on Experience Modification Factors? Check out our new Online Training**  
[Page 4](#)

## Important Links

- [MCPAP renewal/sign up](#)
- [MWCIA Web Membership](#)
- [CDX User Guide and Support](#)
- [MN Work Comp Assigned Risk Plan](#)
- [Minnesota Department of Labor & Industry](#)
- [Minnesota Department of Commerce](#)
- [Minnesota Department of Employment & Economic Development \(MN Unemployment Insurance Program\)](#)

## President's Message



2016 has been another successful year for the MWCIA and the Minnesota workers' compensation marketplace. We have a highly competitive market with a strong roster of member carriers writing coverage.

While we recommended a pretty significant pure premium advisory rate reduction for 2017, we still anticipate even more premium growth in 2017.

2016 saw direct earned premiums eclipse the \$1 billion mark for the first time. In addition, the Assigned Risk Plan has been steadily decreasing in both number of policies, gross premium, and percent of market.

We are proud of the work we do for the Minnesota workers' compensation market in helping to provide a stable, secure, and profitable market for our members and their policyholders.

In 2016, we met some long term goals to enhance our value to the marketplace by increasing the effectiveness of our website, our technology, and our outreach and education.

These initiatives were reached while we kept our costs flat to member carriers. We strive to deliver quality service with knowledgeable staff while benefitting from significant investment in tools and technology. Together, these resources allow us to again plan for an essentially flat budget in 2017, close to levels budgeted back in 2010 and 2011.

Our knowledgeable and dedicated staff ensures we remain one of the most trusted resources for workers' compensation in Minnesota and we are proud of the quality and depth of experience our staff brings to our customers every day.

## Circulars/Announcements/Links

[Circular Letter 16-1700](#)

**Frequently Asked Questions Regarding NCCI Item B - 1429 - Establishment of Audit Noncompliance Charge - Minnesota**

[Circular Letter 16-1699](#)

**Reminder – 2015 Special Compensation Fund Assessment “True-Up”**

[Circular Letter 16-1698](#)

**Release of Experience Modification and ACCEDE Computer Based Training Modules on MWCIA’s Website**

[Circular Letter 16-1697](#)

**MWCARP – Servicing Carrier Change**

[Circular Letter 16-1696](#)

**ARROW Enhancements**

[Circular Letter 16-1695](#)

**Revised Minnesota Medical Data Call Reporting Manual Effective November 1, 2016**

[Circular Letter 16-1694](#)

**Web Membership Carrier Group Administrator Account Verification**

[Circular Letter 16-1693](#)

**Eligibility Requirements for Experience Rating in Minnesota**

[Circular Letter 16-1692](#)

**2017 Minnesota Ratemaking Report**

[Circular Letter 16-1691](#)

**NCCI Item R-1411 – 2015 Update to the Retrospective Rating Plan Hazard Group Differentials and Manual Rules**

[Circular Letter 16-1690](#)

**NCCI Item Filing B-1431 – Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group**

[Circular Letter 16-1689](#)

**New MWCIA Website**

[Circular Letter 16-1688](#)

**NCCI Item B-1429 – Establishment of Audit Noncompliance Charge**

[Circular Letter 16-1687](#)

**2015 Annual Report**

[Circular Letter 16-1686](#)

**Minnesota Experience Rating Split Point**

[Circular Letter 16-1685](#)

**Implementation of a Hard Copy Experience Rate Sheet Handling Fee Effective July 1, 2016**

[Circular Letter 16-1684](#)

**Manage Policy System Expansion and Web Membership FTP Capability**

[Circular Letter 16-1683](#)

**MWCARP – Change to the MWCARP Application Process for Coverage**

[Circular Letter 16-1682](#)

**NCCI Item E-1404 – Establishment of a Methodology to Calculate Experience Rating Premium Eligibility Amounts**

[Circular Letter 16-1681](#)

**Release Date for the Newly Redesigned ManageUSR**

[Circular Letter 16-1680](#)

**2015 Test Audit Summary Report**

[Circular Letter 16-1679](#)

**The New Minnesota Statistical Plan Manual**

I want to recognize a select number of staff who are celebrating milestone anniversaries in 2016. With 15 years of service Vicki Evenson, and 35 years, Sharon Bye.

Have a wonderful end of 2016 and we look forward to working with you in 2017.

## Item Filing Update. NCCI’s Item Filing B-1429 - Establishment of Audit Noncompliance Charge

Do you remember the last time a new **Minnesota Basic Manual** rule was introduced?

The next time someone asks you that question, you can say January 1, 2017. That is the day that Item B-1429-Establishment of Audit Noncompliance Charge (ANC) takes effect. The filing introduces a new rule to the **Minnesota Basic Manual**, a new mandatory endorsement to the **Minnesota Forms Manual**, and a new Statistical Code with corresponding reporting rules to the **Minnesota Statistical Plan Manual**. The intent of this item is to provide carriers a more uniform approach for handling policyholders that do not allow them to examine and audit records.

The new rule states that the application of the ANC is not mandatory, but the inclusion of policy endorsement WC 00 04 24 (at policy inception) is required in order to apply the charge. The inclusion of the new endorsement at policy inception ensures that the policyholder is put on notice that if they do not comply with the audit provision of the policy, there may be a steep penalty to pay. The ANC rule states that a carrier must make at least two attempts to gain access to the employer’s records. If they are not successful, they may apply the ANC of up to two times the estimated premium. A policyholder with an estimated premium of \$2,000 could be charged up to an additional \$4,000 if they are noncompliant. That results in a total premium due of up to \$6,000. If the insured subsequently allows the carrier to complete the audit, the carrier would then remove the ANC and charge the insured for the actual exposure insured.

A workers’ compensation policy is issued based on an estimated amount of payroll. The premium audit is the process by which the insurance carrier verifies the policy data, gathers the actual rating exposure (remuneration), and reviews and adjusts classification codes for accuracy (in accordance with the **Minnesota Basic Manual** rules). When a carrier is not allowed access to the employer’s records, it is impossible to know what the final exposure and premium should be. Determining the true policy exposure is important for a variety of reasons. A carrier wants to ensure they are classifying policyholders correctly and are charging an adequate premium for the exposure they are insuring. Inaccuracies lead to issues beyond inadequate pricing. Bad

## Important Dates & Deadlines:

- MN Contractors Premium Adjustment Program (MCPAP)
  - 2018 MCPAP
  - Does not automatically renew! Applications received with a postmark after 4/1/2017 will have a late penalty applied.
  - Average Hourly Wage: \$26.00
  - The MCPAP factors for 2017 have been calculated and sent out.
- Effective 1/1/2016 the Split Point is:
  - \$16,250
- Effective 1/1/2017 the Split Point is:
  - \$16,250
- Effective 1/1/2016 the State Per Claim Accident Limitation is:
  - \$216,000 Single
  - \$432,000 Multiple
- Effective 1/1/2017 the State Per Claim Accident Limitation is:
  - \$220,500 Single
  - \$441,000 Multiple
- Minimum & Maximum Payrolls
  - Effective 1/1/2016 – Standard Market
  - Effective 4/1/2016 – Assigned Risk
    - Minimum: \$51,428
    - Maximum: \$205,712
    - Family: \$15,444
  - Effective 1/1/2017 – Standard Market
    - Minimum: \$53,352
    - Maximum: \$213,408
    - Family: \$16,016

## Gift Card Anyone:

What am I?

I have the same regions in my brain responsible for emotions that a human does. There are 32 muscles in my ears and I can rotate them 180 degrees. If I have extra toes I am called polydactyl. If you're having a bad day at work one of my 2 million plus videos on the internet will surely cheer you up.

data can have an adverse effect on maintaining and developing the insurer's underwriting guidelines and policy services that may be offered to the insured. Inaccurate data reported to a Data Service Organization, such as MWCIA, leads to inaccuracies in the ratemaking process resulting in over or understated experience modification factors. For the workers' compensation industry at large, the premium audit function is vital to preserving rate and benefit accuracy and stability.

Policy provisions state the employer must keep all records that relate to the policy and provide those records to the carrier upon request to conduct an audit. In Minnesota, prior to the introduction of the new ANC, carriers had limited options to gain cooperation from employers who were noncompliant at audit. Non-renewing or cancelling a policy still did not satisfy determining the final policy exposure and premium. Under the new rule, the carrier will determine whether or not the employer is noncompliant with the policy terms and conditions in accordance with the filed and approved ANC rule, subject to state law.

Minnesota Assigned Risk Plan policyholders have already been subject to audit noncompliance rules. With this filing, the carrier would be able to assess the ANC in addition to the Assigned Risk Plan Audit Noncompliance rules. Reference the [MWCARP Agent Guide](#) for more details.

We have compiled a list of FAQ's regarding the new ANC rule. Please see MWCIA [Circular 16-1700](#) for more information.

## Locating and Accessing Unit Statistical Invoices

Carriers are required to send in unit statistical reports (USR) at specific times throughout the year based on the individual policy dates. If a carrier does not get these unit statistical reports filed on time they will be subject to a fine which is recurring for each additional 30 day period that they do not report.

In an effort to assist our carrier/members with how to find their fine reports, we want to give you a quick "how to" of logging in to check your report.

On our website: [www.mwcia.org](http://www.mwcia.org)

- Enter username and password into "Carrier Web Membership Log In".
- Select "Manage USR System", under "User Products".
- Select "Reports" in the left menu bar.
- Click icon for the desired report format next to the "Carrier Fines Unpaid – Notice of Fines Invoice Report".

A winner of a \$10 gift card will be drawn from the first ten correct responses that are emailed to: [newsletter@mwcia.org](mailto:newsletter@mwcia.org).

**Last Quarter's Answer:** Holidays or Obscure Holidays.

**Last Quarter's Winner:** The MWCIA Editor for stumping everyone ☺ (But she doesn't get the gift card).

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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 for articles you may have concerning this publication to:**

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As a friendly reminder, please note, all USRs not received by MWCIA within 30 days after issuance of the "Overdue USRs Report" are subject to a \$50 fine payable monthly. These delinquent USRs will continue to incur a \$50 fine for each additional 30 day period that they remain outstanding.

## State of the Minnesota Workers' Compensation Market

Minnesota's workers' compensation market is notably robust. Direct earned premiums have grown 45% since 2010, and the statewide loss ratio has improved 18 points since the shift in the underwriting cycle over five years ago. Reductions in lost-time claim frequency and permanency, and reduced growth in medical claim severity have led to significant reductions in loss costs; most recently a 12.1% reduction in the average pure premium rate level effective January 1, 2017. Increases in claim settlements have been a contributing factor to the \$19 million decrease in statewide net case reserves in 2015. Nonetheless, the effects of medical benefit trends on case reserve movement will continue to be central to monitoring the future health of the market.

For more information or to see the report in its entirety please visit our [website](#). It is the first item in the scrolling banner, and can also be found on the Newsfeed page as well.

## Questions on Experience Modification Factors? Check out our new Online Training

MWCIA has released a new computer based training (CBT) for [Experience Modification Factors](#). This training covers the basics of understanding an experience modification factor all the way to calculating an experience modification factor. This CBT is geared toward everyone from your clients to your new staff.

Brian Bent VP and Director of Underwriting at SFM Mutual Insurance Company had this to say about our new training modules: "I reviewed the three (3) experience mod training modules recently produced by the MWCIA and I thought that they were very detailed and provided an excellent review of the experience rating process."

Check them out by clicking [here](#).