

## Highlights

- What will be the "Rest of the Story"?
- Commissioners Jennings and Maglich Highlight MWCIA Annual Meeting Luncheon
- Western National Litigation – Final Resolution
- DOC Approves Use of Limited Power of Attorney
- Self-Insurers Reporting Data to MWCIA



Minnesota Workers'  
Compensation Insurers  
Association

# Newsletter

July 1999



## PRESIDENT'S CORNER

Bruce A. Tollefson

### WHAT WILL BE "THE REST OF THE STORY"?

In the last MWCIA Newsletter, I highlighted comments from two industry spokespersons concerning the future prospects for workers compensation. Their comments lead to the question, "are there storm clouds on the horizon?"

Over the past months, a number of industry publications that follow trends in the workers' compensation industry have contained "sound the warning" type articles. Here is a limited sampling of some of the headlines that have appeared in major publications over the past 18 months:

"CONSTANT VIGILANCE NEEDED IN WORKERS COMP". (Dennis PILLSBURY, February, 1998 Rough Notes)

"WC Hike Foreseen Despite Three State Cuts" (Daniel Hays, July 27, 1998 National Underwriter)

"Soft market end in sight: CEO" (Michael Bradford, October 19, 1998 Business Insurance)

"Good Workers' Comp Times May Soon Be Over" (Daniel Hays, October 26, 1998 National Underwriter)

"Slip Sliding Ahead" (January 1999, Best's Review Preview)

"Workers Comp Market Heads South" (Dennis H. Pillsbury, March 1999, Rough Notes)

"Higher Work Comp Rates Seen in 2000" (Meg Fletcher, March 8, 1999, Business Insurance)

"WC Price Picture Brightens As Ratio Worsens" (Daniel Hays, April 5, 1999, National Underwriter)

"Coming Full-Circle: An Economic Roadmap for Workers' Compensation Underwriting" (Robert P. Harwig, April 5, 1999, National Underwriter)

"Warning Signs Seen for Work Comp Woes" (Robert Kazel & Meg Fletcher, April 26, 1999, Business Insurance)

"Profits Fall Amid Low Rates" (Judy Greenwald, May 24, 1999, Business Insurance)

"Risk Managers Consider Workers' Comp Top Issue" (June 1999, Best's Review)

"Move Spurs More Talk of a Market Turn – Reliance to Boost Reserves" (Gavin Souter, June 21, 1999, Business Insurance)

"Insurers Rejoice at First Few Signs of Firmer Pricing" (Roberto Cenicerros & Mark Hofmann, July 5, 1999, Business Insurance)

"Buyers See Few Big Rate Hikes, Despite Talk" (Michael Bradford & Meg Fletcher, July 5, 1999, Business Insurance)

The theme of these articles is a familiar one. They point to experience indicators, quote industry spokespersons and pose questions concerning the future of workers' compensation.

Most of these articles focus on the national outlook for workers' compensation. The natural question for us is what will be the "Rest of the Story" in Minnesota?

For those of us who follow the political scene in Minnesota, the question is totally different and one that may prove to be very interesting.

Fortunately I'm not called upon to address political questions; however, I can provide some insight into the events surrounding our

workers' compensation experience in Minnesota.

National combined loss ratio numbers from 1988 through 1997 look like a classic bell curve. The 1988 ratio was in excess of 115%, and ratios remained high through 1992 with 1991 and 1992 being in excess of 120%. The 1993 loss ratio decreased significantly to slightly under 110% and this trend continued in 1994 and 1995 with 1995 coming close to the 97% range. In 1996 the national ratio once again slipped back into the negative range and continued to increase in 1997.

Minnesota experience has been more stable due in no small part to past legislative changes that continue to impact the system.

The Minnesota paid loss ratios for 1988 through 1997 are:

<u>Year</u>	<u>Paid L/R</u>
1988	65.9%
1989	59.5%
1990	63.7%
1991	69.2%
1992	75.8%
1993	75.0%
1994	67.5%
1995	52.9%
1996	65.5%
1997	66.8%

A good place to check for additional information on the Minnesota story is the 1999 MWCIA Ratemaking Report. The 1999 Report tracks changes in Pure Premium Base Rates which are directly tied to Minnesota's loss experience. The 1999 Report marks the fifth year in a row that Minnesota Pure Premium Base Rates have dropped. The previous three years were double digit reductions (1998 -14.3%, 1997 -14.8% and 1996 -15.6%). The 1999 reduction is -2.8%. Another significant fact is that the cumulative change since 1983 is -6.8%.

## What does this mean? Are these good signs for the future of workers' compensation in Minnesota or will insurers be faced with problems?

The simple answer is that no one knows for sure. While Minnesota's recent experience may have been driven more by responding to legislative changes than by other national trends, our future is less certain. Major legislative changes may already have been reflected in past experience and future changes may more closely mirror trends insurers see in other states.

For those of you who have been active in Minnesota for any length of time know, workers' compensation, like our weather and our politics, is not always a predictable event.

We, at the MWCIA, don't have a crystal ball for predicting the future but we can help you keep track of the present. Whether it is accurate, up-to-date data or information on changes in the laws and administration of the system, the MWCIA's goal is to be the reliable source of credible information.

Dennis Pillsbury's article gave his formula for success in this changing marketplace: "CONSTANT VIGILANCE". We agree! Having access to quality information and the ability to make informed decisions, in workers' compensation, is the best way for you to maintain constant vigilance and to determine what will be the "Rest of the Story".

For now, this is the "End of this Story".

### COMMISSIONER JENNINGS & COMMISSIONER MAGLICH

Commissioner David Jennings and Commissioner Gretchen Maglich highlighted the 1999 MWCIA Annual Meeting Luncheon. As the new Commissioner of the Department of Commerce, Commissioner Jennings presented his current views on workers' compensation in Minnesota.

As an added bonus, Commissioner Maglich and Commissioner Jennings consented to conducting a question and answer session. This session provided a **big plus** because members and invited guests were able to ask questions of the two key state government representatives in the workers' compensation arena.

On behalf of the MWCIA membership and staff, I would like to send a big "thank you" to Commissioner Maglich and Commissioner Jennings for participating in our 1999 MWCIA Annual Meeting Luncheon.

### ASSIGNED RISK TRUST FUND

MWCIA Circular Letter No. 98-1309 announced the final resolution on how to handle the MWCIA's responsibility for the Assigned Risk Trust fund going forward. The MWCIA

entered into a reinsurance agreement with American Re-Insurance Company.

Under this transaction, American Re, provides reinsurance coverage for (a) all workers' compensation policies issued by any of the Servicing Carriers from January 1, 1943 through December 31, 1981 to employers in the State of Minnesota under the Minnesota Assigned Risk Plan, and (b) all liabilities arising from these policies.

In exchange for the reinsurance agreement, the Assigned Risk Trust Fund paid American Re the total existing assets of the fund at the closing date. In addition, American Re and MWCIA entered into an Escrow and Security Agreement that pledges all of the assets of the Assigned Risk Trust Fund as additional security for performance of the Reinsurance Contract.

This is a real WIN - WIN - WIN situation.

First, this arrangement provides excellent security for any injured workers covered under the ARTF. Second, it provides MWCIA member companies with an excellent vehicle to fulfil their combined responsibilities for the ARTF funds that have been held in trust by the MWCIA. Third, this provides the Minnesota Department of Commerce with a very sound solution for their oversight responsibilities in the protection of any injured workers covered under the ARTF.

### DEPARTMENT OF COMMERCE HIGHLIGHTS

The Department of Commerce recently approved a Limited Power of Attorney For Purpose of Regulatory Filings form for use by all member companies. The use of this form and procedure permits a member company to continue using MWCIA filings without having to file the annual election form that was previously required. Those members that don't chose this alternative filing process will have to individually file all manual revisions made by the MWCIA with the Department of Commerce.

If a member is not currently writing workers' compensation insurance in Minnesota and is not interested in filing the Limited Power of Attorney form, they should contact Mary Lou Houde at the Minnesota Department of Commerce at (651)296-8592.

This new approved procedure is another real WIN - WIN - WIN situation. It eliminates the filing of the annual election form for member companies that file the Limited Power of Attorney form, it eliminates a significant amount of processing for the Department of Commerce and it provides the MWCIA with another opportunity to provide a valuable service for member companies.

### DEPARTMENT OF LABOR & INDUSTRY HIGHLIGHTS

Are you aware there is a lot of valuable information available from the Minnesota Department of Labor & Industry? Following are just a few examples of available reports:

Minnesota Workers' Compensation System Report 1997: Part 1 - Dispute Resolution, Part 2 - Vocational Rehabilitation, Part 3 - Claimant & Injury Characteristics, Part 4 - Claims and Cost Trends

Prompt First Action Report on Workers' Compensation Claims

Special Compensation Fund 1998 Annual Report

Also, if you haven't visited their web site at [www.doli.state.mn.us](http://www.doli.state.mn.us), you should do so to discover what other types of information are available from the Department of Labor & Industry. Also, a "link" has been established between the DOLI web site and the MWCIA web site for ease of navigation.

### WESTERN NATIONAL LAWSUIT

Final resolution of the Western National litigation has been reached. Their petition for further review of the Minnesota Court of Appeals reversal of the District Court's decision was denied on April 20, 1999. Following this decision, MWCIA staff restarted the claims settlement process that was agreed to in the original Settlement Agreement dated April 24, 1996.

Following Board of Director's approval, MWCIA staff will be set to mail the final claims settlement results along with invoices and supporting documentation to all effected association members. The mailings should be received by member companies towards the end of the second week in July.

Bruce Tollefson, Association President states: "This has been a lengthy and disruptive matter for the Association and all of its members. We are now at a point where final resolution of this issue can be achieved and bring this matter to a close, which is in the best interest of all parties involved. All affected parties can now fully focus on continuing to provide a competitive, financially sound and effective workers' compensation market place"

### SELF-INSURERS REPORTING DATA TO MWCIA

Effective 4/1/99, all self-insured organizations in Minnesota started reporting their data to the MWCIA. This was the result of a change in state statutes concerning self-insurer data reporting requirements. Our staff worked with the Self-Insurers Association, Department of Commerce, Department of Labor & Industry and the WCRA to streamline the reporting of self-insured information to all of the organizations. In the years to come, self-insurers will only have to report their data to the MWCIA and all of the other organizations will obtain their needed

information directly from the MWCIA. Once again, this is a real WIN – WIN - WIN situation. Self-insurers will only need to report their information once, the other organizations involved in self-insured regulation will be able to obtain their information directly from the MWCIA and the Association gains a valuable source of Minnesota data.

Linda Hanson and Sharon Bye are the MWCIA staff members that worked directly with the other organizations in development of the plans and procedures, and helped set up and conduct training sessions for self-insurers. Because it was decided that the MWCIA would start collecting data 4/1/99 and go forward, it will take a couple of years to build a complete database.

If you have questions or need additional information concerning Self-Insurers data reporting, please call Linda Hanson at 612.897.6427 or [linda.hanson@mwcia.org](mailto:linda.hanson@mwcia.org), or Sharon Bye at 612.897.6430 or [sharon.bye@mwcia.org](mailto:sharon.bye@mwcia.org).

### BEEP 2.0 RELEASE

MWCIA is one of eight independent Bureaus or Data Service Organizations, which joined to form American Cooperative Council on Computer Technology (ACCCT). This organization works jointly to develop technological products and services for the insurance industry. BEEP is a software product developed for the reporting of unit statistical data.

Early this fall, ACCCT will be releasing BEEP 2.0. This updated version will include a number of significant enhancements including:

- Multiple State Reporting Capabilities
- LAN Operations.

If you have questions concerning BEEP or need additional information concerning the upcoming release of BEEP 2.0, please contact Linda Hanson at 612.897.6427 or [linda.hanson@mwcia.org](mailto:linda.hanson@mwcia.org).

### MWCIA TASK FORCES

Over the last few months, MWCIA solicited the industry's assistance to address the issue of Wrap-Up Construction Projects through the creation of a Wrap-Up Task Force. A number of member carriers along with the Department of Commerce and MWCIA staff met at the MWCIA offices to discuss industry program needs. The process was a highly successful method for gaining the needed information, input and development for a Minnesota Wrap-Up Program, which will be filed in the near future. A circular announcing the program will be distributed once

final approval is received from the Department of Commerce.

Because the task force structure was such a positive experience and a productive format for working on specific issues important to member carriers, MWCIA will continue using this format to work on future projects. The next task force in the process of being formed will have the task of reviewing and revising the MWCIA Test Audit Program.

If you have questions or need additional information concerning the MWCIA's use of task forces or our Test Audit Program Task Force, please call Gary Bauer at 612.897.6411 or [gary.bauer@mwcia.org](mailto:gary.bauer@mwcia.org), or Marie Johnson at 612.897.6410 or [marie.johnson@mwcia.org](mailto:marie.johnson@mwcia.org).

### WEB SITE

Because effective communication and distribution of products and services is a key business need in today's fast paced world, MWCIA staff has been hard at work developing enhancements to our web site to move us towards our long-term goal of making the MWCIA Web Site our primary electronic communications and delivery vehicle. The base features of the MWCIA Web Site are operational. If you haven't had an opportunity to visit the MWCIA Web Site at <http://www@mwcia.org>, please do so right away.

Two products that recently became available on-line are Employer Lookup and Assigned Risk Rates Search. These database applications are available to members, subscribers, and the public. This fall, MWCIA will add three additional on-line database applications: Classification Code Search, Employer Experience Modification Search and Carrier Rate Search. These database services will be available for use by MWCIA members and subscribers.

In addition to providing details about MWCIA products and services, MWCIA's web site now provides expanded help and contact information.

### ELECTRONIC PRODUCTS & SERVICES

Because of the enhancement of MWCIA's web site as announced in the **WEB SITE** article, the **BBS SERVICE** will be discontinued effective November 30, 1999. The **BBS SERVICE** has been an effective electronic distribution system, but because of all of the technological advancements, it is now time to make the switch to the **WEB SITE**.

Current BBS customers will receive written notification of this change, and what electronic services will be available going forward and how to access these products and services.

The **FAX ACCESS SERVICE** will also be affected by the move to the **WEB SITE**. During

the transition phase to the new system, the current **FAX ACCESS SERVICE** will be temporarily suspended.

During the transition phase, all experience rating worksheet orders will be processed in-house. To place an order, a Service Request Order Form will need to be faxed to MWCIA. A MWCIA circular will be distributed in the near future outlining how the transition phase will work.

If you have questions or need additional information concerning **BBS SERVICE** or **FAX ACCESS SERVICE**, please call 612.897.1737 and speak to our front desk services specialist or an underwriter.

### Department Spotlight

The Operations Department is another department that quietly performs many valuable services for member carriers. Besides efficiently collecting, validating and compiling policy and unit statistical information, one of things the Operations Department does is manage our Insurance Coverage Verification System. This system provides the Department of Labor & Industry with needed computer generated information for proof of coverage verification. Because of this valuable service, member carriers' obligations to file notifications of coverage and cancellation with the Department were eliminated.

Another key thing is maintaining the quality and integrity of the unit statistical data that serves as the base for the development of the Ratemaking Report. It is through the constant vigilance of the Operations staff that we are able to produce high quality and reliable products, such as the Ratemaking Report.

The Operations Department staff continually looks for effective and efficient ways for member companies to report their data electronically. Electronic reporting of data by member carriers helps reduce costs, increases accuracy and improves overall effectiveness. If you have questions or would like additional information about electronic reporting of data, please contact Linda Hanson at 612.897.6427 or [linda.hanson@mwcia.org](mailto:linda.hanson@mwcia.org).

UPCOMING EVENTS	
July 27 <sup>th</sup>	Board of Directors' meeting & Annual Golf Outing
October 21 <sup>st</sup>	Fall Board of Directors' meeting

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 us at || Minneapolis, MN 55435 or call 612.897.1737 or ||  
7701 France Avenue South, Suite 450, || fax 612.897.6495. ||

## MWCIA BUSINESS CONCEPT

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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