



Members' Reference Guide

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WCRA Legal Documents

- Reinsurance Agreement
- WCRA Restated Plan of Operation
- Commissioner of Labor and Industry Order Approving Plan of Operation and Reinsurance Agreement
- Enabling Statute

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Overview of Reference Guides

The WCRA reference guides are intended to help you, our members, understand our policies and procedures and to introduce you to the resources we have available to serve you. The guides consist of four primary components:

1. The *WCRA General Reference Guide* provides a variety of information including frequently asked member questions, the WCRA mission, a history of the Association, and a glossary of terms relating to WCRA reinsurance.
2. The *WCRA Claims Reference Guide* contains information about how and when to report claims, what information we need to process reimbursements, services the WCRA offers its members, and the role of the WCRA with its members throughout the claims management process.
3. The *WCRA Financial Reporting and Premium Reference Guide* assists members in selecting a WCRA retention level, explains how rates are developed and premiums are calculated, and describes WCRA billing procedures.
4. WCRA legal documents include the WCRA Reinsurance Agreement, Enabling Statute, and the WCRA Plan of Operation.

These guides and documents are designed to provide answers to your most frequently asked questions. We sincerely seek to serve our members well, and we welcome the opportunity to work with you.

Frequently Asked Member Questions

What is the WCRA?

The Workers' Compensation Reinsurance Association was established by Minnesota statute in 1979 to respond to a need for reliable, low-cost reinsurance protection for serious workers' compensation claims. The Association's membership consists of companies, groups, and governmental subdivisions authorized to insure their own Minnesota workers' compensation exposure (self-insurers) and insurance companies authorized to write workers' compensation insurance (insurers). All of these Minnesota self-insurers and insurers are required by law to be WCRA members.

Is the WCRA a state agency?

No. The WCRA is an independent, nonprofit organization that was established by the State Legislature, is governed by its own board of directors, and is regulated by the Department of Labor and Industry.

What is a retention limit?

A retention limit is similar to an insurance deductible dollar amount. The Association reimburses members for all statutory workers' compensation loss payments in excess of the chosen retention limit.

Does the WCRA provide coverage on a per-occurrence or per-employee basis?

As a general rule, per-occurrence coverage is provided. Where one incident results in injuries to one or more employees, one retention limit applies to the occurrence, which is treated as a single claim. Occupational disease claims are considered separate occurrences for each affected employee, and the limit applies to each employee separately. There is also an exception for affiliated insurer members of a group who sustain losses in a single occurrence. “Per-Occurrence Coverage” is discussed in the *WCRA Claims Reference Guide*.

How does a member know what retention limits are applicable for which years?

Members select a retention limit, with a corresponding premium rate, for each calendar year. Every autumn, the WCRA informs members of the retention limits available in the upcoming year. Members must then choose by December 1 which retention level they prefer for the next year. This information is also available on the WCRA website at www.wcra.biz.

What is a self-insurer hybrid?

A self-insurer hybrid (hybrid) is a subset of the self-insurer members that have elected to report payroll and loss information in a different manner than other self-insurers due to their organizational structure. Hybrids may include trusts, groups, associations, and political subdivisions comprised of 50 or more policyholders. Members may apply to the WCRA to be designated as a hybrid. If approved by the WCRA, a member must execute and return to the WCRA a Hybrid Authorization Agreement prescribing special reporting terms and audit schedules for the hybrid. Except for special provisions for hybrids in the WCRA Premium Operating Rule, hybrids are required to follow all other requirements established for self-insurers.

How does a member determine which retention limit applies to a claim?

The retention limit in effect for the year in which the employee’s injury occurs applies to the claim, regardless of when the claim is reported to the WCRA.

What is a Member TPA Authorization Agreement?

If a WCRA member elects to use a third-party administrator (TPA) to handle some or all of its business with the WCRA, the member must execute a WCRA Member TPA Authorization Agreement.

Why does the WCRA need prior year’s payroll information for new self-insured members?

This information allows the WCRA to calculate and bill estimated premiums for the upcoming coverage period. If the estimated premium differs from the actual premium incurred, the difference is billed or credited the following July and appears on the member’s August statement.

How is the exposure base determined?

For an insurer member, the exposure base represents the direct workers’ compensation pure premium of the member in Minnesota during the calendar year. For a self-insurer, the exposure base approximates the Minnesota pure premium a member would pay if workers’ compensation coverage was purchased from an insurance carrier. The pure premium class rates of the MWCIA are used to ensure that exposure bases for all WCRA insurer and self-insurer members are calculated at the same rate level.

How is the WCRA premium calculated?

The WCRA premium equals the member's exposure base multiplied by the reinsurance rate that applies to the member's selected retention limit. The "Billing Procedures" section of this guide includes sample premium calculations.

Does the WCRA make a profit?

The WCRA is a nonprofit organization and its rates contain no profit margin. The Board periodically examines the Association's financial position relative to actual and expected costs. Excess funds may be distributed to policyholders or members, or the Board may make assessments if there is a shortfall. These actions are determined in accordance with Minnesota law, the Board's policies, and the Association's Plan of Operation.

Can a member purchase other reinsurance coverage?

A member that has selected the low retention level may purchase per-occurrence reinsurance from other organizations for losses below the low retention limit, but members who select the high or super levels may not. Some limited exceptions are allowed by statute. Refer to "Selecting a Retention Limit" in the "Retention Limits" section of this guide for more information.

What types of reports or statistical information can a member obtain from the WCRA?

The WCRA maintains a variety of data that is available to members and public policymakers. Extensive information about serious claims, benefits, financial data, and other topics pertaining to the Minnesota workers' compensation system is available on an aggregate basis that maintains the confidentiality of each member's claims and activities. The membership mailing list is not available to members or nonmembers.

Why does an insurer have to be a member of the WCRA if it does not write workers' compensation coverage and does not plan to in the future?

Minnesota law requires all insurers that are authorized to write workers' compensation to be WCRA members. If a member does not write workers' compensation coverage, it will not be billed for WCRA premiums.

What does the 1.2 adjustment factor in the exposure base represent?

This number (called the pure premium adjustment factor) is an algebraic factor that adjusts for a one-time change in the base rates used to calculate the exposure base. It allows for historical continuity and ease of comparison with the exposure base used prior to 1984, when Minnesota became a competitive rating state.

Does the 1.2 adjustment factor in the exposure base raise members' premiums?

No. All WCRA members' exposure bases have included the 1.2 adjustment factor since 1984. This factor does not raise members' premiums because the rates charged by the WCRA are at lower levels (consistent with pre-1984 rates) because of the 1.2 factor. WCRA rates are set in order to collect enough premium to cover projected losses and expenses. These projected costs are independent of the 1.2 adjustment factor.

Does the WCRA charge interest for late premium payments?

Yes. Premium payments must be received at the WCRA's bank by the due date indicated on the premium notice to avoid late fees.

What information does the WCRA need for a member to wire payments directly to the bank?
Refer to "Payment Procedures" in the Financial Reporting and Premium Reference Guide.

Does the WCRA provide employer's liability, federal coverage, or reinsure any other types of insurance other than workers' compensation?

No. Providing reinsurance protection for statutory Minnesota workers' compensation benefits is the WCRA's sole mission.

WCRA Retention Limits *Indexed to Statewide Average Weekly Wage (SAWW)

Year	Low*	High	
1979	\$100,000	\$300,000	
1980	\$100,000	\$300,000	
1981	\$110,000	\$320,000	
1982	\$120,000	\$320,000	
1983	\$130,000	\$330,000	
1984	\$140,000	\$340,000	
1985	\$150,000	\$350,000	
1986	\$160,000	\$360,000	
1987	\$170,000	\$370,000	
1988	\$180,000	\$380,000	
1989	\$190,000	\$390,000	
1990	\$200,000	\$400,000	
1991	\$210,000	\$410,000	
1992	\$220,000	\$420,000	
1993	\$230,000	\$430,000	
1994	\$240,000	\$440,000	
1995	\$250,000	\$450,000	
Year	Low*	High (2 x Low Limit)	Super (4 x Low Limit)
1996	\$260,000	\$520,000	\$1,040,000
1997	\$270,000	\$540,000	\$1,080,000
1998	\$280,000	\$560,000	\$1,120,000
1999	\$290,000	\$580,000	\$1,160,000
2000	\$310,000	\$620,000	\$1,240,000
2001	\$330,000	\$660,000	\$1,320,000
2002	\$350,000	\$700,000	\$1,400,000
2003	\$360,000	\$720,000	\$1,440,000
2004	\$360,000	\$720,000	\$1,440,000
2005	\$380,000	\$760,000	\$1,520,000
2006	\$390,000	\$780,000	\$1,560,000
2007	\$400,000	\$800,000	\$1,600,000
2008	\$410,000	\$820,000	\$1,640,000
2009	\$430,000	\$860,000	\$1,720,000
2010	\$450,000	\$900,000	\$1,800,000
2011	\$450,000	\$900,000	\$1,800,000
2012	\$460,000	\$920,000	\$1,840,000
2013	\$470,000	\$940,000	\$1,880,000
2014	\$480,000	\$960,000	\$1,920,000
2015	\$490,000	\$980,000	\$1,960,000
2016	\$500,000	\$1,000,000	\$2,000,000

WCRA Mission and Vision

Mission

The WCRA ensures the availability of long-term reinsurance protection for serious Minnesota workers' compensation claims. Our staff of innovative professionals is dedicated to achieving the highest standard of excellence through stable and reasonable rates, expert claims administration, financial stability, and informational services.

Vision

The WCRA will provide reinsurance services that are considered superior by its members and other participants in the workers' compensation system.

Background and Organization

History

In 1977, the Minnesota State Legislature created a study commission to analyze the state's workers' compensation insurance system, with the goals of finding ways to minimize the cost of insurance, ensuring fair compensation to employees for job-related injuries, and encouraging an injured employee's rapid return to work.

After receiving the study commission's recommendations, the 1979 Legislature enacted legislation creating the Workers' Compensation Reinsurance Association (WCRA), an unincorporated, nonprofit association that operates under the direction of a board of directors whose members represent many of the parties involved in the workers' compensation system.

The Legislature's purposes in establishing the WCRA were to:

- Promote the availability of workers' compensation insurance coverage and self-insurer plans.
- Assure the availability of reinsurance protection at reasonable rates.
- Monitor settlement of claims to promote expert administration of serious claims.
- Assure that effective and economical rehabilitation programs are provided for seriously injured employees.
- Provide accurate and comprehensive information to the Minnesota Legislature to assist in evaluating workers' compensation benefits and costs.

Since its formation, the WCRA has been focused on achieving these objectives in the most efficient and effective manner possible. By working together with its members, the Association is achieving its goal of providing effective reinsurance coverage through sound financial protection, expert claims administration, and reliable information services.

Membership

All insurance companies licensed to write workers' compensation insurance and self-insured employers, including self-insured groups and governmental units, must be members of the WCRA and abide by its Plan of Operation. Foremost among the obligations of a member are the duty to belong to the WCRA and pay reinsurance premiums, to accept indemnification from the WCRA for losses that exceed the member's retention limit, and to report claims that can reasonably be expected to involve reimbursements by the WCRA.

An insurer member may withdraw from the WCRA only when it is no longer authorized by the Commissioner of the Minnesota Department of Commerce to transact workers' compensation insurance in Minnesota and when all such insurance policies the insurer has issued have expired. A self-insurer may withdraw only when it ceases to self-insure its workers' compensation liability in Minnesota and the Minnesota Department of Commerce terminates its authority to self-insure, or for political subdivisions, when the appropriate governing body ceases to self-insure its workers' compensation liability.

Member Communications

WCRA members meet each June to elect insurer and self-insurer representatives to the Board of Directors and to conduct other business. At the annual meeting, the members have a weighted vote based on each member's share of the WCRA exposure base.

The WCRA website, www.wcra.biz, contains useful tools, current announcements, and reference materials to assist members with reporting requirements, educational opportunities, and basic information about the WCRA.

In addition, the WCRA publishes the newsletter *WCRA Update* for its members to keep them informed of organizational changes and services provided by the Association. The newsletter also reports on Board and staff activities and informs the membership about legislative and regulatory actions affecting the WCRA.

Staff members of the WCRA are available to conduct workshops on subjects relevant to member claims, rehabilitation issues, and premium reporting, as well as seminars introducing new members to the Association.

Board of Directors

The Board of Directors is responsible for establishing the WCRA's policies and procedures and for retaining and directing its professional staff to manage the Association. Board members represent the business community, the insurance industry, organized labor, state government, and the public.

The insurer members of the WCRA elect four insurer directors and the self-insurer members elect two self-insurer directors. The Commissioner of the Minnesota Department of Labor and Industry appoints two directors representing employers, two representing employees, and one representing the public. The Executive Director of the State Board of Investment and the Minnesota Commissioner of Finance, or their designees, complete the 13-member Board.

Other representatives of the Association's members assist the Board's decision-making process by offering their expertise on standing advisory committees. These include the Actuarial, Audit and Financial Compliance, Investment, Personnel, and Member Advisory Committees. An Executive Committee has authority to act for the Board between meetings.

Operations

The WCRA maintains a full-time staff to manage the business of the Association, including general reinsurance administration, claims handling, rehabilitation, actuarial, financial, and information services functions.

The WCRA engages outside investment firms to manage the investment portfolio of the Association in accordance with guidelines established by the Board of Directors. The Association also retains an independent certified public accounting firm that annually conducts an audit of the Association's financial statements. The audited financial statements are presented to members in the WCRA's annual report.

Glossary of Terms

ADJUSTED PURE PREMIUM

Total pure premium multiplied by an adjustment factor of 1.2. Represents exposure base in calculating premiums for insurers. (See Pure Premium Adjustment Factor.)

ANNUAL ADJUSTMENT

Comparison of the billed estimated premium with actual premium due, based on actual exposure base figures reported by members. The difference is billed or credited to the member.

COVERAGE

The reinsurance coverage provided by WCRA on loss amounts greater than the member's selected retention level.

ENABLING ACT

Minnesota Statutes Sections 79.34–79.40. This law, adopted in 1979 and subsequently amended by the Legislature a number of times, established the WCRA as a nonprofit organization to provide reinsurance protection for serious workers' compensation claims. See the WCRA Legal Reference Guide.

EXPERIENCE RATING MODIFICATION FACTOR

A factor used to refine the exposure base figure for self-insurers to reflect individual loss experience. It is computed from historical payroll and incurred loss data. (The insurer exposure base also reflects this factor, but it is imbedded in the financial call data and does not need to be directly calculated by the WCRA.)

EXPOSURE ADJUSTMENT FACTOR

A factor used temporarily to convert a member's Actual Exposure Base from two years prior to an Estimated Exposure Base for the current or upcoming coverage year in order to calculate estimated WCRA premium for the current or upcoming coverage year. The Exposure Adjustment Factor reflects anticipated changes in payroll amounts due to inflation and economic conditions. The effects of the Exposure Adjustment Factor are temporary, since the factor is removed when the actual payrolls of the current or upcoming year become available and are applied to the MWCIA base rates of that coverage year.

EXPOSURE BASE

A calculated value used to measure a member's exposure to workers' compensation loss. A member's exposure base is multiplied by the WCRA premium rate for the member's chosen retention level to calculate a premium. For an insurer member, the exposure base represents the direct workers' compensation pure premium of the member in Minnesota during the calendar year. For a self-insurer, the exposure base approximates the Minnesota pure premium a member would pay if workers' compensation coverage was purchased from an insurance carrier. The pure premium class rates of the MWCIA are used to ensure that exposure bases for all WCRA insurer and self-insurer members are calculated at the same rate level.

EXPOSURE BASE, ACTUAL

A measure of a member's actual exposure to loss. The actual exposure base is not known until the policy period has expired.

EXPOSURE BASE, ESTIMATED

A temporary, estimated measure of a member's exposure to loss for a given policy year. The WCRA estimates a member's exposure base for a policy year by using the most recent verified actual exposure base, generally from two years prior. Once the policy period has expired, the estimated exposure base is replaced with the actual exposure base in the WCRA premium calculations.

INTERVENTION, CRITERIA FOR

Conditions under which the WCRA contacts a member to request additional information or changes in claims management.

LOSS EXPENSES

All expenses incurred by the WCRA to fulfill the claim obligations of the Association.

LOSS OCCURRENCE

One or more work-related incidents that involve one or more employees and result in a workers' compensation claim under Minnesota Statutes Chapter 176.

LOSS RESERVES

The amount of money the WCRA expects to pay in future years for members' workers' compensation claims in excess of the selected retention limit.

MEMBER

An insurance carrier authorized to write Minnesota workers' compensation coverage or a political subdivision or business entity that is authorized to self-insure its Minnesota workers' compensation losses.

MODIFIED ADJUSTED PURE PREMIUM

A self-insurer's exposure base, obtained by multiplying adjusted pure premium by an experience rating modification factor.

MULTIPLE-CLAIMANT LOSS

See Per-occurrence Coverage.

OCCUPATIONAL DISEASE

See Per-occurrence Coverage.

OPERATING RULES

Policies and procedures adopted by the WCRA Board of Directors to assure the proper administration and operation of the Association.

PER-OCCURRENCE COVERAGE

The basis of all WCRA coverage whereby a single retention limit applies to one or more claims arising out of a single compensable event. Multiple-claimant losses, i.e., one incident that results in simultaneous injuries to more than one employee, are considered to be one claim. Occupational disease claims, in contrast, are considered separate claims (separate occurrences) for each affected employee. PTSD claims are treated on a per-occurrence basis.

PLAN OF OPERATION

The statutorily required document in which the WCRA sets forth its purpose, organization, and operating procedures. See the WCRA Legal Reference Guide.

PREMIUM, ACTUAL

The premium due from a member for the coverage period, based on the member's actual exposure base. The member's actual premium is determined by multiplying the member's actual exposure base by the WCRA reinsurance rate for the selected retention level. Any difference between the previously billed estimated premium and the actual premium is billed or credited to the member (see Annual Adjustment).

PREMIUM, ESTIMATED

The premium due from a member for the coverage period, reflecting an estimate of a member's exposure base during the upcoming coverage period. The member's estimated premium is determined by multiplying the member's estimated exposure base by the WCRA reinsurance rate for the selected retention level.

PURE PREMIUM ADJUSTMENT FACTOR

The 1.2 factor used to adjust the exposure base calculated for all WCRA members for the purpose of keeping the exposure base constant for all years. This factor has been used since 1984 when changes to the workers' compensation law allowed competitive rates for insurance coverage and changed the available exposure information from standard earned premium to pure premium.

PURE PREMIUM RATE

A figure used in calculating the exposure base, in effect since the 1984 changes in the workers' compensation law. Pure premium rates are calculated by the MWCIA and are multiplied by classified payroll to obtain total pure premium. (See Total Pure Premium; Pure Premium Adjustment Factor.)

RETENTION LEVEL, LOW

The lowest available retention limit, calculated in accordance with Minn. Stat. § 79.34, subd. 2, indexed to the Statewide Average Weekly Wage.

RETENTION LEVEL, HIGH

Twice the low retention limit (after January 1, 1996).

RETENTION LEVEL, SUPER

Four times the low retention limit (after January 1, 1996).

RETENTION LIMIT

The retained liability selected by members, which sets the limit above which the WCRA accepts 100 percent of the risk.

SELF-INSURER HYBRID

A self-insurer hybrid (hybrid) is a subset of the self-insurer members that have elected to report payroll and loss information in a different manner than other self-insurers due to their organizational structure. Hybrids may include trusts, groups, associations, and political subdivisions comprised of 50 or more policyholders. Members may apply to the WCRA to be designated as a hybrid. If approved by the WCRA, a member must execute and return to the WCRA a Hybrid Authorization Agreement prescribing special reporting terms and audit schedules for the hybrid. Except for special provisions for hybrids in the WCRA Premium Operating Rule, hybrids are required to follow all other requirements established for self-insurers.

STANDARD EARNED PREMIUM

The basis used prior to 1984 for calculating a member's exposure base. Standard earned premium reflects gross standard rates of the MWCIA (including expenses) applied to payrolls, adjusted to include experience rating modification factors (see Pure Premium Adjustment Factor).

TOTAL PURE PREMIUM

Classified payroll multiplied by the corresponding MWCIA pure premium rates.

TOTAL WCRA INCURRED COST

Claim reimbursement payments made to a member by the WCRA plus the WCRA's outstanding case reserves on the claim.

ULTIMATE LOSS

The outstanding loss reserve and the amount that is paid or payable to a member for a claim or claims arising out of a loss occurrence. Ultimate loss does not include expenses, assessments, damages, penalties, or other payments specifically excluded by the Association.

WCRA REINSURANCE RATE

Ratio of the WCRA's cost of providing coverage to its total exposure base. Three different rates are calculated to apportion costs to the three retention levels (see Retention Limit). Used in conjunction with exposure base to determine member premiums.