

agent agenda

Further increases ahead

Pricing responding to rising loss costs

Pricing was up 19.3 percent overall on renewal business for the first three quarters of 2001. The increase has helped move 2001 pricing closer to the level needed to keep pace with increasing claims costs.

However, continued increases in medical costs and the incidence of lost-time claims, plus the decline in investment markets and the likely impacts of recession on employers are adding up to further substantial pricing increases in the months ahead.

Policyholder retention has stayed at a pretty consistent 89 percent through September. That accounts for business lost to competitors and business nonrenewed because of loss performance or return-to-work problems.

New business through September was 390 accounts totaling \$6.7 million, down from a year ago. Quality of business and adequate pricing remain key for both new and renewal business. The Service and Retail Trade areas have generated the most new business. Manufacturing generated the largest single new premium.

Pricing trend continues

Looking ahead, loss trends and changing economic conditions point to continued pricing increases ahead.

Loss-time claims began rising in 1998, and the up-trend continues. That's significant because the average lost-time claim

Continued on back

Will slips-and-falls be up this winter, too?

Slip-and-fall injuries were way up last winter, so now's the time to start talking with your clients about how to keep that from happening again this season.

Work injuries sustained from winter slips-and-falls accounted for 24 percent of all lost-time claims reported to State Fund during first quarter 2001.

Even the typical frequency of around 10 percent makes lost-time claims from slips-and-falls a leading cause of injury during the winter months. So it's of significance to note that the upturn encompasses not only an increase in frequency but an increase in severity, too.

The increase in frequency may be due in part to last winter's harsh weather. The increase in severity may stem from factors that could have more lasting effects—factors such as today's aging workforce.

The average age of Minnesota workers is now in the 40s. With many continuing to work past the traditional retirement age, slips-and-falls that would have resulted in minor bruises at earlier ages are now resulting in more severe injuries, like broken bones and even hospitalization. SFM's average lost-time claim resulting from a slip or fall cost \$8,492 in first quarter 2001 compared to \$7,890 in first quarter 2000, mindful that some of the increase is due rising medical costs.

These increased claims costs coupled with rising overall workers' compensation pricing and a softening economy present a challenge for Minnesota employers and insurers. Preventing winter slips-and-falls, sharing winter tips with employees and getting injured workers back to work quickly are key in meeting this challenge.

You can help your clients do a better job with slips-and-falls loss prevention this winter. Think about which ones have employees doing slip-prone jobs like outside sales calls or delivery services. Some employers may need to pay more attention to basic precautionary steps so employees are less apt to slip on icy steps, sidewalks or parking lots. Others may need to work with specific employees' behaviors.

SFM's "Prevent winter slips and falls" *CompTalk* may be of help to some employers. A sample is enclosed in this mailing. You or your clients can order more copies by calling SFM Policyholder Services at (952) 838-4325 or (800) 937-1181 ext. 4325.

OSHA enhances visibility of safety garments

Workers wearing high-visibility garments like safety vests will be easier to see under a newly revised Minnesota OSHA rule.

Compliance with these new Class II provisions of the High Visibility Personal Protective Equipment Standard, which applies to construction and general industry, is required by Jan. 1.

The standard addresses the types of high-visibility garments to be worn, maintenance of the garments and the exceptions that apply.

For information, go to OSHA's website at www.osha.gov or call SFM Loss Prevention at (952) 838-4200 or (800) 937-1181.



Sample enclosed. You may want to order some for your clients.



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Back injury packet available

SFM's Back Care Awareness packet was mailed to many policyholders in September. The packet, designed to help employers reduce the incidence and severity of back injuries, includes:

- Checklists and tools to help employers see how work practices may be contributing to back injuries.
- Materials for supervisors and employees.
- Posters on safe lifting.
- A calendar to help employers organize their use of these materials and other efforts to reduce back injuries.

For packets, call Policyholder Services at (952) 838-4325 or (800) 937-1181 ext. 4325 or email resources@sfmic.com.

SFM's OSHA workshop set

SFM is planning OSHA workshops for contractors and general industry early next year. The workshops last a day-and-a-half. Participants will receive OSHA course completion certificates. Cost is \$75.

General industry workshop: For those responsible for employee safety in any industry except construction. Two sessions are planned: Jan. 15-16, College of St. Benedict's, St. Joseph, Minn., and Feb. 19-20, SFM headquarters, Bloomington.

Contractors workshop: For residential and commercial contractors to improve job site compliance. One session is planned: Jan. 22-23, SFM offices, Bloomington.

Extend a personal invitation to policyholders to attend. Have them call Stacey Kurash, SFM director of Field Services, at (952) 838-4322 or (800) 937-1181 ext. 4322 for registration materials. Or you can call SFM yourself and ask that registration materials be sent.

New DOLI commissioner

Shirley Chase, a Little Canada attorney, was appointed commissioner of the Minnesota Department of Labor and Industry in early September.

Chase is an attorney for Chase & Associates, a private law firm providing third party consulting and legal services, and served as co-chair for Gov. Ventura's transition team. She replaces Gretchen Maglich, who resigned in August.

◆ Pricing trend Continued from front

costs more than \$24,000 compared to the average medical-only claim at \$430, figures that include assessments and costs to adjust claims.

Claim costs are rising from other factors, too, like more back surgeries, more slip-and-falls, and higher overall costs for medical treatment. SFM has had to increase reserves for some claims from prior accident years, particularly 1999 and 2000. That suggests higher reserving likely will be necessary for current and future claims, too.

For employers, the economic downturn is beginning to produce layoffs and other signs pointing toward potentially higher claims costs. Return-to-work is one good example. Employers faced with layoffs or with the ability to draw from a larger pool of skilled applicants may be less inclined to bring some employees back to work, leading to higher workers' compensation benefit costs. You can help employers understand the implications of business decisions like these.

Pure premium up but still lagging

You may recall that a year ago the Minnesota Workers' Compensation Insurers Association's pure premium rates declined overall by 5 percent. That was in contrast to the substantial pricing increases you were seeing from SFM and probably other insurers through 2001. Last month, the MWCIA announced an overall pure premium increase for 2002 of 1.4 percent. So after many years, the downward trend in pure premiums appears to have bottomed out, but, like a year ago, it does not reflect the pressures on pricing for the months ahead.

Pure premium lags behind current pricing because it is a look back in time, reflecting aggregate statewide loss costs as they were for a time span ending two years prior.

The lag is especially noticeable at times like this, when trends have turned and pure premium is clearly out of sync with the more responsive changes in pricing called for by insurers who are looking at their own current claims and loss trends.

The chart here shows how SFM's pricing levels dropped to and below pure premium for several years—a drop less dramatic than for some insurers—then for 2001 and projected 2002 return to a “positive” level above pure premium.

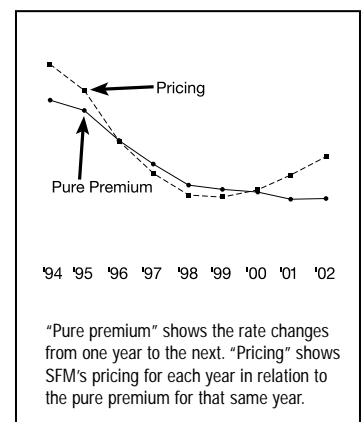
The positive margin provides for costs of coverage not recognized by pure premium, which does not go beyond loss costs. Pure premium does not, for instance, reflect the costs of underwriting, claims adjusting, operations, assessments and other expenses that must be factored into filed rates and ultimate pricing.

The margin also anticipates what SFM is seeing for the loss trends not yet reflected by the pure premium or those happening to its policyholders anyway.

MWCIA changes in pure premium rates

Manufacturing	+6.6 %
Contracting	-3.5
Office and Clerical	-5.6
Goods and Services	+7.4
Miscellaneous	-5.6
Overall change	+1.4

Source: MWCIA 2002 Ratemaking Report



Employers need to use OSHA 300 log starting Jan. 1

Minnesota OSHA has adopted significant changes in the standard for record-keeping of workplace injuries. The standard is effective Jan. 1.

Changes affecting employers include:

- Replacing the old 200 log with the new 300 log.
- Requiring that cases be recorded within seven calendar days rather

than six working days.

- Posting the annual summary for three months rather than one month.

Until January, employers should follow the current standards, and they will still need to post the 2001 OSHA 200 log for one month beginning Feb. 1.

Employers can download the new OSHA 300 log and user instructions

from SFM's website at www.sfmic.com under the “Resources catalog” link on the main policyholder page. Employers who need more information on the OSHA recordkeeping changes should call the Minnesota OSHA Safety Consultation at (651) 297-2393 or go to the federal OSHA website at www.osha-slc.gov/recordkeeping/index.html.