



agentagenda

OCTOBER - NOVEMBER 2003

news briefs

Extended Services Program

State Fund Mutual's *Extended Services Program* is off to a good start thanks to the help of agents.

Since the rollout of the program in June, an impressive number of policyholders have requested proposals for additional services directly or through their agents. Many already have received services through SFM's team of loss prevention specialists.

So far, the most-requested services are OSHA workshops, ergonomic evaluations and training, and industrial hygiene testing.

The *Extended Services Program* provides an employer with the opportunity to purchase additional services through SFM that have not been priced into its workers' compensation policy.

A number of these fee-based services have been provided to policyholders whose losses suggest the strong need for some additional work.

"We'll offer an entire service package that includes, say, various training sessions, assistance with developing and maintaining a safety committee, timely reporting methods, and return-to-work policy and procedures. Our presumption and hope is that these services will help the employer improve its performance," said Mary Wells, director of SFM Risk Management Services.

SFM encourages agents to look for opportunities with clients who want to or need to get a better handle on loss costs.

For more information about the *Extended Services Program* or to request a written proposal, call Wells at (952) 838-4240 or (800) 937-1181 ext. 4240. For copies of the *Extended Services Program* brochure, call SFM Policyholder Services at (952) 838-4325.

For 2004

More moderate average price increase of 9.7% expected

State Fund Mutual anticipates an overall average increase in the cost of coverage in 2004 of about 9.7 percent.

That will be the level of pricing needed to keep pace with rising costs, including steeply rising medical costs, according to Fran Kaitala, vice president, Insurance Operations.

Of course, rate changes will vary in the different wage classifications, so the pricing adjustment will be less than this average for some and more for others. Retaining good policyholders is an important priority for SFM, and its underwriters want to work with agents to achieve that.

If you have concerns regarding specific clients, be sure to talk with your underwriter.

The cost of coverage includes premium charges plus the Minnesota

Special Compensation Fund assessment. SFM premium rates for next year actually are projected to increase 11.7 percent on average. However, that's moderated by a decline in the Special Compensation Fund assessment, so the average overall cost of coverage is expected to rise a more moderate 9.7 percent. The assessment rate is declining because the Special Compensation Fund's payments are slowing for some now-discontinued programs.

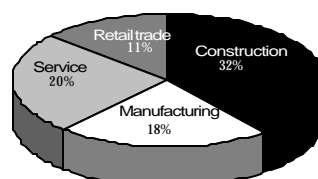
Rising medical costs

The most significant factor pushing up pricing is rising claims costs, especially medical costs.

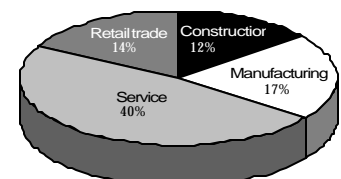
Medical costs have been increasing sharply. Pharmaceuticals have been rising about 15 percent a year

Continued on page 3

Premium by industry
Through third quarter 2003



Insured payroll by industry
Through third quarter 2003



State Fund Mutual maintains a diversified base by underwriting employers of all types and size. Agents are invited to let SFM quote businesses of any industry, location and size.

news briefs

First Report of Injury form

If you have any clients who still use the paper First Report of Injury form, remind them to use the most recent version.

SFM policyholders should have received the most recent form in the new SFM *Employer Kit* or in other mailings SFM sent in August.

The current First Report of Injury form has the revision date "09/02" in the lower left corner. The information requested on the current form is somewhat different from prior forms. Please remind clients to throw out any prior forms.

Of course, employers are encouraged to report injuries online through SFM's website. Online reporting is easier, the faster submission helps get the reports in on time, and the online form is always up to date.

Employers who need to use the paper form can download or order the current version through the "Resource catalog" at www.sfmic.com, or by calling (952) 838-4325 or (800) 937-1881 ext 4325.

2003 SFM Employer Kit

SFM has received many good comments from agents and policyholders on the 2003 SFM *Employer Kit*.

Not only is it user-friendly for policyholders, but agents are using the new kit to show prospective policyholders the kind of quality communications that employers receive from SFM. The kit also demonstrates how SFM partners with employers to help them manage their workers' compensation costs.

For additional copies of the Employer Kit, go to SFM's online "Resource catalog" at www.sfmic.com or call SFM Policyholder Services at (952) 838-4325.

calendar

Oct. 28	HR & Employment Law seminar
Oct. 28	SFM claims coordinator seminar
Nov. 27-28	Thanksgiving - SFM closed
Dec. 25	Christmas - SFM closed
Jan. 1	New Year's Day - SFM closed
Jan. 20	SFM claims coordinator seminar
Feb. 3-4	Contractor's OSHA workshop

Court ruling is a wake-up

Employers should do checks when hiring workers from other countries

It's not enough to see a Social Security number and green card. You need to make a call to verify that they're legitimate.

If you service any employers who hire people from other countries, you may want to remind them about the special precautions they need to take. Employers need to watch for false identifications and be sure they are hiring workers who are legally documented and allowed to work in the United States.

Failure to do that can result in unexpected and costly legal consequences.

Under Minnesota law, undocumented workers injured on the job are entitled to workers' compensation benefits. However, employers and insurers had taken the position that once an unauthorized alien was released to return to work—with or without restrictions—his entitlement to wage-loss benefits immediately ends. The reasoning had been that his employer cannot lawfully take him back and that he is not capable of conducting a diligent job search because other employers can't lawfully hire him, either, and federal law prohibits him from showing fraudulent documentation, like a counterfeit Social Security card, to get a job.

Nonetheless, the Minnesota Supreme Court ruled recently that, even though an unauthorized alien cannot legally obtain employment in this situation, he can conduct a "diligent job search" and therefore is entitled to continuing workers' compensation wage-loss benefits. In the case before the court, benefits were awarded even though the employer had asked for and was provided with a Social Security number.

The lesson for employers is that the cost of workers' compensation indemnity benefits can be far greater when the injured employee is an "illegal alien." Because the employee cannot legally work in the United States, the employer does not have the option of bringing him back even to light-duty work. Nor can the insurer help him find a job elsewhere. But, the injured employee will still continue receiving benefits until he reaches maximum medical improvement or until he reaches the 104-week maximum benefit allowance.

Claims like these can significantly impact the employer's workers' compensation experience modification factor and premium.

Who to call

To avoid unknowingly hiring undocumented employees, employers need to take some extra steps when hiring people who've come from other countries. An employer should verify a job applicant's identity or eligibility for employment by:

- Verifying the Social Security number with the Social Security Administration. Call the SSA at (800) 772-6270 or visit its website at www.ssa.gov.
- Taking advantage of the services of the U.S. Immigration and Naturalization Service by verifying all of the worker's documentation including a green card or other immigration cards. The agency provides software for Social Security number searches and other resources useful for employers who are hiring aliens. Call (888) 464-4218.

❖ Pricing (continued from page 1)

for the past several years. Hospital costs are way up. Expensive surgeries are up. Pain management is expanding fast, as are its costs. More medical procedures are being done per injured employee than ever before.

Overlying these medical trends are issues regarding the levels at which workers' compensation insurers are required to reimburse those who provide and charge for the medical services. For example, workers' compensation pays more than twice as much as Medicare for the same medical treatment.

For more about the issues involved in workers' compensation healthcare cost increases and a legislative study under way, see the August *Agent Agenda*. Also, SFM is running an analysis piece in the October *Companion* to help employers understand the significance of the healthcare cost issues. You may want to call your clients' attention to it.

Other circumstances are pushing up the cost of coverage, too. These include continuing slight increases in average length of disability, a substantial increase in the cost of reinsurance, and investment earnings that continue at low levels.

Pure premium's additional factors

Pure premiums for 2004 are essentially flat overall compared to 2003. The Minnesota Workers' Compensation Insurers Association recently announced pure premium "rates" for 2004 reflecting an insignificant decline of 0.3 percent on average statewide.

However, the MWCIA has two additional factors which together applied to the pure premium indicate an increase of nearly 9 percent in Minnesota's ultimate 2004 loss costs compared to those for 2003.

One is the "trend" factor. Keep in mind that the pure premiums are a look back in time at aggregate statewide loss costs as they were for a span of time ending two years prior. The trend factor is an adjustment that brings those loss costs to a

projected level for 2004. The MWCIA has increased its trend factor from last year's.

The other key factor is a loss development factor that projects claim cost changes beyond the first eight years of maturity to their ultimate costs. The pure premium rates incorporate only eight years of maturity. The MWCIA's "eighth to ultimate" loss development factor has also increased from last year's. This means the MWCIA is projecting more claim cost increases in later years of maturity than they have in the past.

Carriers may use these factors or their own in projecting their loss costs for 2004. But these two additional factors, applied to the newly issued 2004 pure premium, reflect more comprehensively the outlook by the MWCIA of statewide loss cost trends than just pure premium alone. Altogether, they anticipate an increase of nearly 9 percent in Minnesota's ultimate loss costs.

That's pretty close to the 11.7 percent SFM expects from higher premium charges. The extra increase is from factors not included in costs projected by the MWCIA's data, including rising claims administration costs and still-sluggish investment returns.

Declining Special Compensation Fund assessment rates will moderate SFM's expected average increase to about 9 percent.

Two sets of rates

As in 2003, SFM will use two sets of rates in 2004. Pending approval by the Minnesota Department of Commerce, the same percentage increase is expected in each of the two sets of rates.

Beginning in 2004, and at the request of the Commerce Department, SFM expects to write the lower set of rates through Mount Rushmore Insurance Company, a wholly-owned and until now inactive subsidiary of SFM.



State Fund Mutual COMPANIES

Agent Agenda is published bimonthly by State Fund Mutual Companies, 3500 West 80th Street, Suite 700, Bloomington, MN 55431-4434. Inquiries about the publication, call (952) 838-4285 or e-mail info@sfmic.com.

President Patricia R. Johnson,
VP, Insurance Operations Frances M. Kaitala, **Editor** Mark A. Ladwig,
Assistant Editor Jennifer Kopp

Board of Directors:
Truman L. Jeffers, chair; Eugene R. Merriam, vice chair; James W. Benike, Tamara G. Garcia, Patricia R. Johnson, Robert Mars, L. Mark Michel, F. Clayton Tyler, Matthew P. Winkel