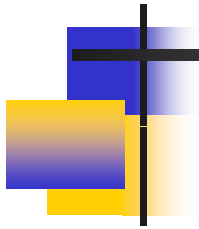


Minnesota

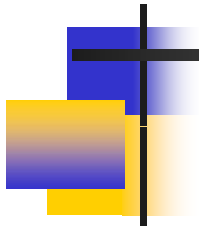
Test Audit program

June 9, 2010



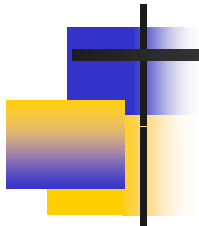


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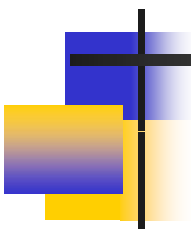
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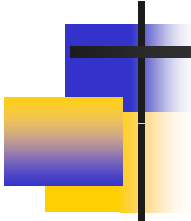
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- Minnesota also changed to an “Open Rating” system.



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This is important because:

- In 1981, the Minnesota Legislature changed the system from Administered Pricing to “Pure Premium Base Rates”.
- Minnesota also changed to an “Open Rating” system.
- The MWCIA is statutorily prohibited from telling and/or advising on the pricing of a policy.



**2009 Minnesota Statutes – 79.61 – DSO Required
& Permitted Activity (copy in handouts)**

April 19, 2010



**2009 Minnesota Statutes – 79.61 – DSO Required
& Permitted Activity (copy in handouts)**

- File Statistical Plans



**2009 Minnesota Statutes – 79.61 – DSO Required
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- Establish Data Reporting & Monitoring Methods



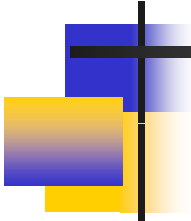
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2009 Minnesota Statutes – 79.61 – DSO Required
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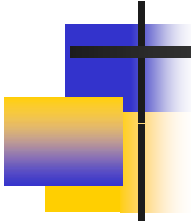
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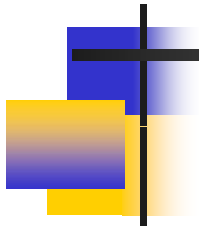
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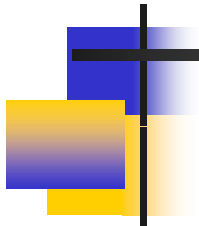
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- Assess Its Members for Operating Expenses.



Minnesota Test Audit Program

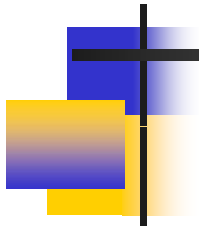
April 19, 2010





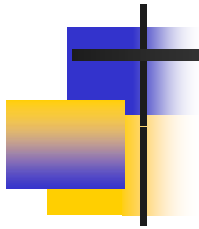
Minnesota Test Audit Program

- About 10 Years Ago – Conducted a Major Review



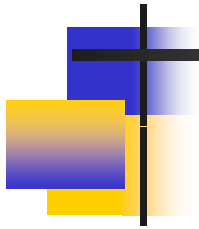
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- Formed a Task Force of 5 Member Company Audit Managers, Internal Staff and Department of Commerce



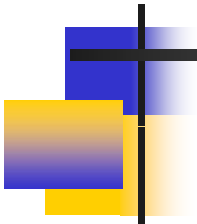
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- Resulted in Redefining of the Test Audit Program in Light of Statutory Required Activities
- Implemented the Redefined Test Audit Program That is Still in Effect Today with One Minor Change



Purpose of MWCIA Test Audit Program

April 19, 2010





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- A physical examination of the employer's books and records from which statistical data is developed and filed with the Association.



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- To establish requirements for data reporting and to develop monitoring methods to maintain a consistently high quality database.



Purpose of MWCIA Test Audit Program (continued)

- To monitor the proper assignment of classifications and premium development in the Assigned Risk Plan.



Purpose of MWCIA Test Audit Program (continued)

- To monitor the proper assignment of classifications and premium development in the Assigned Risk Plan.
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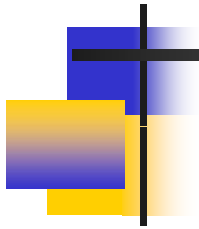
Purpose of MWCIA Test Audit Program (continued)

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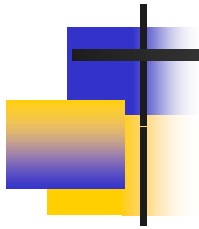
Purpose of MWCIA Test Audit Program (continued)

- To monitor the proper assignment of classifications and premium development in the Assigned Risk Plan.
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- To provide miscellaneous services to our membership.
- To respond to requests for information from authorized governmental authorities.



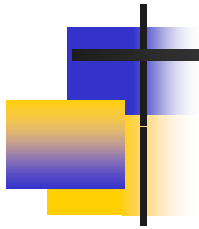
MWCIA Test Audit Results – Required Distribution (see DSO License handout)

April 19, 2010



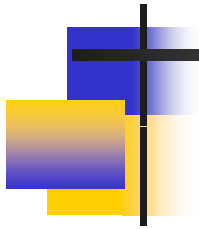
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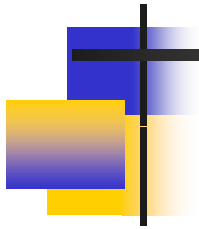
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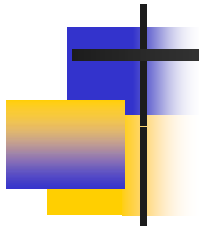
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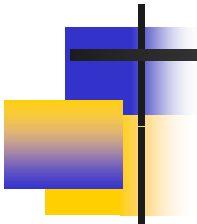
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- MWCIA



MWCIA Test Audit Summary Report

April 19, 2010





MWCIA Test Audit Summary Report

- Each Year Board of Directors Authorizes Release

April 19, 2010



MWCIA Test Audit Summary Report

- Each Year Board of Directors Authorizes Release
- Test Audit Summary Report is Posted on MWCIA Website



MWCIA Test Audit Summary Report

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MWCIA Test Audit Summary Report

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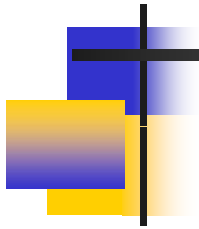
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- Click on Circular 10-1572 – Dated 02/25/10



Minnesota Workers' Compensation
Insurers Association, Inc.
7701 France Avenue South • Suite 450
Minneapolis, MN 55435-3200

February 25, 2010

ALL ASSOCIATION MEMBERS

Circular Letter No. 10-1572

RE: 2009 Test Audit Summary Report

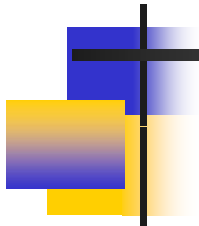
Attached are the summary sheets showing the results of the 2009 Test Audit Program by the Minnesota Workers' Compensation Insurers Association, Inc. For your convenience, the report lists all test audits completed between January 1, 2009 and December 31, 2009, and is sorted by carrier ID in the voluntary and assigned risk markets.

If you have any questions regarding this report, please contact Jeff Kvam, Underwriting Supervisor, at 952-897-6414 or by emailing jeff.kvam@mwcia.org.

952.897.1737 PH • 952.897.6495 FX • www.mwcia.org

April 20, 2009



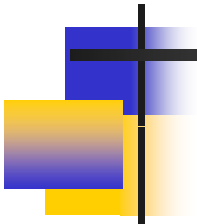


MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.

Voluntary Market

Test Audits Completed January 1, 2009 - December 31, 2009

Qtr: 1	AFN Number	Carrier ID	Test Audit Payroll	Company Audit Payroll	Reason Code(s)	Total Payroll Difference
	2860813	11037	148,262	148,262	C4	0
	3030512		1,085,671	1,085,671		0
	2870193		180,690	183,360	P6	-2,670
	3169636	11509	3,491,023	3,491,023	C1 C4	0
	3140774		257,995	257,995		0
	1345672		2,406,826	2,406,826	C4	0
	0285889		7,473,716	7,310,000	C4 P7	163,716
	1343424	12122	580,234	480,193	C4 P1 P4	100,041
	3219150		409,047	409,047		0
	1089560		720,759	717,604	C1 P4 P6	3,155
	0871230		252,048	252,048		0
	1311409	12440	282,165	282,165		0
	2105012	14184	4,929,042	4,929,042		0
	1005545	15539	258,945	242,307	C4 P1 P6	16,638
	3130431	15571	354,187	354,187		0
	0363880	15628	5,062,172	5,062,172		0
	0801194		231,366	231,366		0
	0673846	15865	1,531,947	1,531,947	C4	0
	0141429	16985	307,941	306,166	P2 P6	1,775
	0114090		140,729	141,900	C4 P2	-1,171
	1119214		42,124	30,634	P1 P6	11,490
	0945790		893,290	865,574	P1 P6	27,716
	0318817		493,025	486,373	C3 P6	6,652
	0901997		1,117,854	1,117,854		0
	0306690		131,972	131,972		0
	2058774	18244	167,543	167,543		0
	1307606	19968	472,409	572,250	C4 P7	-99,841
	2136295		310,442	310,442		0
	0291510		1,177,109	1,177,109		0
	1242180		528,763	528,763	C3 C4	0
	0377023		226,137	228,195	P2	-2,058
	0377104		1,319,344	1,321,046	P4 P6	-1,702
	0608246		89,868	94,442	C4 P6	-4,574
	0484466	22799	677,987	677,987		0
	2589680		474,039	474,039		0
	1442490		191,290	191,290		0
	0224030		283,198	283,198		0
	1265270		874,005	874,005		0
	0633860		310,674	310,674		0
	0779202		192,446	192,446		0
	0430447		272,431	272,431		0



MINNESOTA WORKERS' COMPENSATION INSURERS ASSOCIATION, INC.
Voluntary Market
Test Audits Completed January 1, 2009 - December 31, 2009

YTD Total Test Audit Payroll :	378,793,826
YTD Total Company Audit Payroll :	385,625,874
YTD Total Payroll Difference :	(6,832,048)

Summary of Errors :

Error	Count of Errors	Error	Count of Errors
P1	26	C1	11
P2	17	C2	8
P3	16	C3	5
P4	22	C4	70
P5	3	C5	0
P6	70		
P7	4		

Total Audits: **346**

Total Audits w/ Differences: **138**

Percentage of Audits showing Differences: **39.9 %**

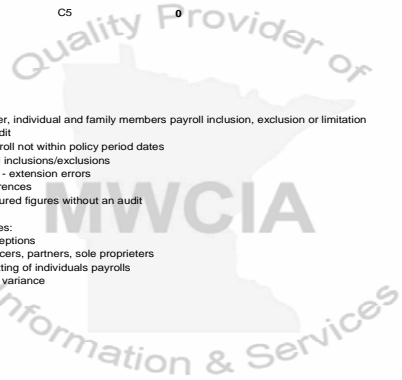
Difference Reasons

Payroll Differences:

- P1: Officer, partner, individual and family members payroll inclusion, exclusion or limitation
- P2: Overtime Credit
- P3: Reported payroll not within policy period dates
- P4: Rule 2 payroll inclusions/exclusions
- P5: Mathematical - extension errors
- P6: All other differences
- P7: Accepting insured figures without an audit

Classification Differences:

- C1: Standard exceptions
- C2: Executive officers, partners, sole proprietors
- C3: Improper splitting of individuals payrolls
- C4: Classification variance
- C5: All Other





Contact for Questions?

Jeff Kvam

952-897-1714

Jeff.kvam@mwcia.org