

# Workers' Compensation Insurance



As the state's insurance regulator, the Commerce Department oversees insurance companies and other entities involved with providing workers' compensation insurance in Minnesota. The goal is to ensure a strong, competitive and fair workers' compensation insurance marketplace that serves both employers and workers

## Licensing

**Insurers.** Commerce licenses all insurance companies that seek to offer workers' compensation coverage in Minnesota. There are currently 494 licensed insurers that cover about 73 percent of Minnesota's workers' compensation market.

**Third Party Administrators (TPAs).** Any entity that seeks to service an insurance (or self-insured) plan in Minnesota must be licensed as a TPA. There are currently 53 TPAs licensed for workers' compensation in Minnesota.

**Data Service Organization (DSO).** Every insurer licensed for workers' compensation in Minnesota must be a member of a licensed DSO, which collects statistical data from its members for ratemaking. The Minnesota Workers' Compensation Insurers Association (MWCIA) is currently the only licensed DSO in the state.

## Private Self-Insurance Oversight

Non-governmental entities that seek to self-insure for workers' compensation liabilities must be approved by Commerce. They must meet minimum financial standards and post a security with Commerce to ensure payment of their liabilities in the event of bankruptcy or default.

Minnesota currently has 102 individually self-insured companies and 18 self-insured groups, accounting for about 15 percent of the state's workers' compensation market. The State of Minnesota and its political subdivisions, such as cities and counties, may self-insure their workers' compensation liabilities without Commerce oversight. Public self-insured entities account for about 10 percent of the state's workers' compensation market.

## Assigned Risk Plan

Commerce oversees the operation of the Minnesota Workers' Compensation Assigned Risk Plan (MWCARP), the "insurer of last resort" for employers, often small businesses, that cannot otherwise obtain coverage. MWCARP covers about three percent of the state's workers' compensation market.

## Rate and Form Filings

Commerce's Product Filing Unit reviews all rates, rating plans and forms used by workers' compensation insurers in Minnesota. These filings are subject to prior approval and, on average, Commerce staff reviews about 600 of these filings each year.

The MWCIA files base rates, rating factors, manual rules and standard forms on behalf of its members. Individual insurers also file items for which they apply unique rating factors in addition to standard MWCIA items. Workers' compensation coverage forms are standard under Minnesota rules, but insurers are allowed to file forms to address rating plan features unique to their business.

## Enforcement

Commerce's Enforcement Division investigates complaints by employers about workers' compensation rate classification or premium disputes with insurers, as well as complaints about insurance agent misconduct involving workers' compensation.

## Fraud Investigations

The Commerce Fraud Bureau, a law enforcement unit within Commerce, conducts criminal investigations of insurance fraud, including individuals who collect workers' compensation benefits they are not entitled to and employers that evade their legal obligations to provide coverage. Each year, the Fraud Bureau investigates more than 100 cases of alleged workers' compensation fraud, typically referred by insurers or the Minnesota Department of Labor and Industry.

## Interaction with MWCIA

The Commerce Commissioner appoints two public members to the Minnesota Workers' Compensation Insurers Association (MWCIA) Board of Directors, which also includes a non-voting staff liaison from Commerce.

The primary function of MWCIA as a Data Service Organization (DSO) is to produce an annual Ratemaking Report, which is the basis for all workers' compensation rates in Minnesota. Insurers then apply their unique expenses and loss experience to these base rates to create their own independent rates. Commerce staff works with MWCIA to prepare this annual report.

### ◆ For More Information

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