

## **MMA Workers Compensation Fund General Underwriting Guidelines**

The following Underwriting Guidelines are established to assist the Underwriting Department in managing the risks included in the Maine Municipal Association's Workers Compensation Fund ("The Fund"). This is necessitated by the absolute need to create and maintain a financially sound group self-insured compensation fund and to satisfy the requirements of the Bureau of Insurance and the Fund's excess insurers or reinsurers.

The Maine Municipal Association is designated as the Trustee of the Fund. The Fund is managed and overseen by the MMA Workers Compensation Fund Board of Trustees. MMA's Risk Management Services Department, under the direction of experienced insurance professionals, conducts the day-to-day operations of the Fund.

### **1. Membership in Maine Municipal Association ("MMA") and the Workers Compensation Fund.**

The MMA Workers Compensation Fund is established under Title 39-A, MRSA, Sections 403 et seq. This statute allows the establishment of the MMA Workers Compensation Fund and identifies all municipalities as potential members of the Fund.

Quasi-public entities must be reviewed pursuant to the definition of members contained in the Declaration of Trust to confirm membership status. Establishment papers, incorporation papers and/or by-laws are requested and forwarded to MMA's Executive Office for forwarding to the General Counsel for determination of eligibility. The Executive Office will notify Risk Management Services ("RMS") in writing on the eligibility status of the applicant.

A two-year commitment is required of all new Members of the Workers Compensation Fund, along with the necessary resolution of the entity's governing body and a properly signed Indemnity Agreement. After the initial two-year commitment, a Member must provide not less than 60 days written notice to the Fund of its intent to leave as noted on the Member Coverage Certificate.

### **2. Entity Requesting Quotation**

Each entity will be considered based upon its own merits and individual risk characteristics. The RMS Underwriting Department will carefully review all applications for acceptability. Factors to be reviewed include exposure type, currently valued workers compensation claim

loss history, experience modification factor (if applicable) and compliance with loss control recommendations made by prior insurers.

### **3. Coverage**

The Workers Compensation Fund includes the following coverages to the member:

#### **PART ONE- WORKERS COMPENSATION INSURANCE**

As required by the State of Maine Workers Compensation Act

#### **PART TWO – EMPLOYERS LIABILITY INSURANCE**

The limit of liability is \$2,000,000 each accident, \$2,000,000 aggregate disease.

### **4. Applications**

All Members must complete appropriate applications for all new and renewal business. The RMS Member Services staff is available for assistance in completing the applications.

The underwriter will review the application for completeness and accuracy. The Underwriting Department will contact the applicant regarding items that need clarification and document the file accordingly.

### **5. Loss History**

Each Member must provide 5 years of currently valued workers compensation claim loss runs with their applications in order to be considered for coverage.

### **6. Quotations**

All quotations for new and renewal business, including additions or revisions to coverage, must contain an expiration date of 30 days. All quotations will be confirmed in writing and must include the following statement: "This quotation is valid for a period of 30 days."

If no response is received within the thirty-day time frame, the Member will be contacted and informed that the quotation has expired.

Consideration can be given to extending a quotation for an additional thirty days, but in no event will a quotation remain open for more than sixty days. Approval of the Underwriting Manager and/or Director of Risk Management Services is required to extend a quotation beyond thirty days.

## **7. Underwriting Authority**

An Underwriter can only quote and bind coverage in the Fund with authorization from the RMS Director or Underwriting Manager as delegated in the written Letter of Authority. Letters of Authority will be reviewed annually and must be approved by the Director of Risk Management Services, who retains the ultimate underwriting authority.

## **8. Binding**

Coverage cannot be bound without the written approval of the RMS Underwriting Department.

## **9. Coverage**

Coverage is as stated in the Workers Compensation coverage document specifically issued to the Member. The Coverage Document specifically includes the coverage certificate, extensions, exclusions, endorsements and deductibles applicable to that Member.

## **10. Loss Control**

All Members will be subject to loss control and loss prevention inspections. Coverage may be conditional upon completion of written recommendations within a reasonable period of time. Failure to comply with recommendations may lead to cancellation of coverage.

The Underwriting Department may require a complete loss control report prior to binding or renewing any Member or risk.

## **11. Claims**

The RMS Claims Department staff, and its assigned investigators and attorneys, will handle all losses. The Fund reserves the right to appoint counsel in each and every case.

Claims reserving practices are regularly audited and examined by consulting actuaries, the reinsurer's auditors, and RMS' independent auditors to ensure adequate loss reserves and appropriate claims handling.

## **12. Contributions**

Contributions by Members of the Fund must be adequate to meet fixed costs and anticipated claims. All Members will be individually rated based upon identified exposures.

### **13. Deductibles**

Deductible options are not generally available to members of the Workers Compensation Fund. Any exceptions must be approved by the Director of RMS.

### **14. Dividends**

In order to encourage a commitment to good risk management and loss prevention practices and to act as an incentive for Members to participate in the Fund, a dividend may be available based on:

- Loss experience;
- Length of participation in the Fund and;
- Participation in more than one RMS group program.

Dividend recommendations must be reviewed and approved by the MMA Workers Compensation Board of Trustees each year.

### **15. Workers' Compensation Safety Incentive Program**

The Workers' Compensation Safety Incentive Program provides all members the opportunity to earn an additional contribution credit. The goals of this voluntary program are to:

- Reduce the incidence of injury and illness throughout the operations
- Improve overall safety in the work environment
- Maintain lines of communication with all employees
- Protect members assets
- Promote a self-sustaining safety culture
- Utilize best practices claim management

The program is tiered into three levels based on specific qualifying criteria. Documents supporting tier qualification need to be received by September 1<sup>st</sup> prior to the policy renewal for which the credit will be applied. The credit may only be applied at renewal or at the time of new business. There will be no mid-term tier adjustments in this program. Members may submit documentation over the year to support a tier change for the next renewal. If a member no longer qualifies for a tier at renewal, the credit will be adjusted to the appropriate tier for which they do qualify or it may be removed. The application of this credit will not reduce the minimum contribution level.

## **16. Cancellation**

Maine Cancellation/Non-Renewal regulations will be applied when any Member is no longer in compliance with the Fund underwriting criteria and/or the terms and conditions of the Indemnity Agreement and Declaration of Trust.

Non-renewal or cancellation requires the prior approval of both the Underwriting Manager and the Director of Risk Management Services.

## **Workers Compensation General Coverage Guidelines**

All Workers Compensation exposures are subject to underwriting consideration for coverage.

### **Premium Development:**

Premium for each work classification is determined by multiplying a rate times a premium basis. Remuneration is the most common premium basis. The premium basis includes payroll and all other remuneration paid during the policy period for the services of:

- a. All your officers and employees engaged in work covered by this Certificate, and
- b. All other persons engaged in work that could make us liable under Part One (Workers Compensation Insurance) of this Certificate. If no payroll records exist for these persons, the contract price for their services and materials may be used as the premium basis. This will not apply if proof is provided that these persons have lawfully obtained workers compensation coverage or have submitted an approved Predetermination of Independent Contractor Status.

### **Experience Modification factor:**

Individual member experience modifications will be calculated in the Underwriting system using the National Council on Compensation Insurance (NCCI) formula and factors. The individual modification factor is applied based on the member's own experience. Independent modifications may be calculated as needed, on a case by case basis, subject to the approval of the Underwriting Manager.

### **Premium Audit:**

A payroll audit will be completed and processed within 120 days of the expiration date of the Coverage Certificate. The member must provide accurate and timely information when requested by the premium auditors or by MMA. Information developed by the audit will be used to determine final member contributions.

If a member fails to cooperate with the premium auditors or MMA's request for payroll information, the estimated payrolls will be adjusted by +20% and an invoice will be sent to the member for payment. If the member provides the requested information, the invoice will be corrected.

### **Waivers:**

With respect to volunteer firefighter and volunteer emergency medical technicians who are considered employees under the WC Act pursuant to Section 102, the reduction of weekly

benefits provided for disability insurance payments under subsection 3, paragraph A, subparagraphs (2) and (3) and subsection 3, paragraph D may be waived by the employer. If a member requests a waiver under this section, the member's annual contribution will be appropriately adjusted for the additional exposure. This waiver must be requested prior to the Fund's anniversary date of January 1<sup>st</sup> and updated annually. It cannot be added mid-term.

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## **Pricing Guidelines**

### **1. Rates**

The MMA Workers Compensation Fund uses standard NCCI insurance industry rates as the basis for all WC classes. Deviations may be used on certain classes when the NCCI rate does not reflect the Fund's own historic loss experience. In addition to the NCCI rates the following three additional rate factors may apply to qualified members.

- **Dedicated Member Credit.** A member may be eligible for a contribution credit for continuous participation in the Fund prior to September 1st of the next renewal. The credit is broken into three noncumulative factor bands of 3-5 years, 6-10 years and greater than 10 years. If there is a break in continuous participation this credit will no longer apply until the member has accumulated the necessary continuous participation.
- **Claim Management Credit.** A member may be eligible for a contribution credit if they use a preferred provider and/or written return to work policy across all departments prior to September 1st of the next renewal. The credit is made up of two factors. One for having a preferred provider and the second for having a written return to work policy.
- **Performance Credit.** A member may be eligible for a contribution credit if the member is not eligible for experience rating and the current 3 year loss ratio with the Fund is less than or equal to 25% prior to September 1st of the next renewal.

Please note that these new factors will not impact minimum contribution requirements of the Fund and may only be applied at renewal or at the time of new business.

### **2. Pricing**

Pricing standards will be reviewed annually by RMS Management. It is a Workers Compensation Fund requirement that funding will be adequate to meet all claims and administrative expenses and will fully support the required loss fund. The Underwriting

Department will endeavor to maintain adequate contribution levels for all Members.

All members will be individually rated based upon identified exposures. The underwriter will determine member pricing based upon the quality of the risk, past loss experience and compliance with loss control recommendations. Underwriters will document their pricing rationale for the Member based on appropriate risk and coverage characteristics. The use of scheduled debits and credits is authorized through the underwriter's written Letter of Authority.