INFORMATION MEMO
LMCIT Workers’ Compensation Coverage Guide

Learn about the workers’ compensation statute and the unique coverage features offered by the League of Minnesota Cities Insurance Trust. Understand premium and deductible options. Includes information on filing a workers’ compensation claim.

RELEVANT LINKS:
See also LMC information memos, LMCIT Property, Crime, Bond, and Petrofund Coverage Guide; LMCIT Liability Coverage Guide; LMCIT Auto Coverage Guide; and LMCIT Eligibility Requirements. For more information, contact the LMCIT underwriting department 651.281.1200 800.925.1122.

I. About the League of Minnesota Cities Insurance Trust (LMCIT)

LMCIT is a cooperative joint-powers organization formed by Minnesota Cities in 1980 as one of the first municipal self-insurance pools in the country. It exists solely to meet the risk management and coverage needs of Minnesota cities and other types of entities. It provides coverage for members’ property, liability, workers’ compensation, and auto risks.

This Coverage Guide provides a summary of workers’ compensation coverage available through the Trust. LMCIT urges members to examine the coverage document for actual wording. In all cases, the coverage document determines coverage, exclusions, and limitations.

II. Workers’ Compensation Coverage

With certain exceptions, all cities must pay workers’ compensation benefits to its employees for all injuries from accidents arising out of, and in the course of, city employment. The law is designed to ensure the quick and efficient delivery of benefits to injured workers. The law doesn’t require cities to purchase coverage for this purpose, but they should do so, unless the council feels the city is financially able to pay compensation benefits from the city treasury.

In the right circumstance, self-insuring can be an effective way for a city to handle its workers’ compensation exposure. For this reason, LMCIT is more than willing to work with a city that is interested in self-insuring and for whom self-insurance is feasible and makes sense.
The decision to self-insure shouldn’t be made lightly. Self-insuring has long-term consequences and carries significant risk with it. A permanently disabling injury could require the city to make weekly benefit payments for as much as 20, 30, or even 40 years. For example, LMCIT is presently making payments on an injury that occurred in 1980. Because liabilities for workers’ compensation injuries can affect the city’s finances for many years in the future, it’s very important to understand and evaluate carefully the nature and the potential extent of the risks the city is retaining when it decides to self-insure.

A. Injury definition

Workers’ compensation is a “no-fault system.” In other words, regardless of who is at fault, an injured employee is covered under the workers’ compensation statute. However, not all injuries that occur at work or during work hours are compensable. An injury defined by statute as compensable must have the following three elements:

- The employee must sustain a personal injury (including mental impairment caused by post-traumatic stress disorder) or occupational disease.
- The personal injury or occupational disease must arise out of the employment.
- The personal injury or occupational disease must occur in the course of employment.

Examples of non-work related injuries include:

- Idiopathic injuries, which are injuries caused by a personal condition or where there is no known cause for the injury. An example is an employee who has sudden knee pain when getting up from a chair.
- Injuries that occur while participating in voluntary recreational programs such as a city-sponsored picnic. An employee who injures his or her back while playing volleyball is an example of this type of injury. This does not apply if an employee was ordered or assigned to attend.
- Injuries that occur during unpaid lunch breaks where the employer has no supervision or control during breaks. An example is an employee who injures his or her arm while playing flag football.
- Injuries that do not arise out of the employee’s employment. An example is an employee who breaks his or her tooth while eating an apple at lunch.
- Mental impairment if it results from a disciplinary action, work evaluation, job transfer, layoff, demotion, promotion, termination, or retirement taken in good faith by the employer.
B. Benefits

The goal of the workers’ compensation statute is to assist an injured employee in quickly obtaining appropriate medical care to help the employee return as close as possible to his or her pre-injury condition. If an employee has sustained an injury covered by workers’ compensation, he or she may be entitled to:

- **Medical benefits** come with no cap under the workers’ compensation statute, but medical providers are subject to a maximum fee.
- **Indemnity benefits**, or more commonly known as lost time benefits or wage replacement, are based on the individual’s actual earning from all employment.
- **Temporary total disability** is paid when an employee is completely disabled from work for a temporary period of time.
- **Temporary partial disability** is paid when an employee receives less than his or her pre-injury wage.
- **Permanent partial disability** is paid when a disability rating is provided by a treating physician.
- **Permanent total disability** is paid when an employee is permanently restricted from employment.
- **Death benefits** are paid when an employee dies as a result of an injury.
- **Rehabilitation benefits** may be granted if the employee requests and the employer is in agreement that consultation services of a qualified rehabilitation consultant (QRC) be obtained. If the employee qualifies, rehabilitation services may be provided. Generally, a QRC is required if the employee is not back to work at 90 days from the date of injury.

C. Unique features of LMCIT’s workers’ compensation coverage

LMCIT provides the same workers’ compensation coverage and benefits as set out by statute. However, it also picks up some risks that statutory workers’ compensation coverage doesn’t cover.

1. Exposure testing

According to Federal and State Occupational Safety and Health Administration (OSHA) requirements, as well as Minnesota statutes, employers are responsible to pay for exposure testing for certain employees if they are exposed to some bloodborne pathogens or infectious diseases.
An employee who is exposed to an infectious disease such as AIDS, hepatitis, tuberculosis, or anthrax but hasn’t actually contracted the disease may not have an “injury” for purposes of workers’ compensation. Because there is no injury or occupational disease, a standard workers’ compensation insurance policy won’t pay for diagnostic testing if an individual has been exposed, even though OSHA requires the city to provide that testing.

LMCIT automatically covers this employer responsibility at no additional premium charge. In fact, LMCIT coverage for exposure testing is broader than OSHA or statutory mandates. LMCIT covers the cost to test any city employee who is exposed in the course of his or her employment, not just public safety workers as required by law. The list of bloodborne pathogens and diseases covered by LMCIT is broader than required, and includes exposure testing for meningitis and anthrax exposures.

When an employee has been exposed to an infectious disease, LMCIT also covers the diagnostic testing of the person or persons who were the source of the disease.

2. Employer’s liability

The workers’ compensation statute precludes most tort claims against an employer for injuries to an employee, but there are a few ways such claims can occur. For example, if an employee is injured while operating a piece of equipment, the employee may collect workers’ compensation benefits from the city and also decide to sue the equipment manufacturer for injuries that may have been caused by poor product design. The manufacturer in turn sues the employee’s supervisor for negligent supervision.

LMCIT covers, under Coverage B, the city’s potential tort liability for injuries to an employee. City officers, employees, fellow employees and volunteers are named as covered parties; and the limits under Coverage B matches the $1.5 million statutory limit on municipal tort liability.

3. Federal laws

LMCIT coverage automatically provides coverage for any liability the city may have under the Longshoremen’s and Harborworkers’ Act, the Jones Act, or the Federal Employers’ Liability Act.

These are federal laws governing an employer’s liability for injuries to certain employees. Under some circumstances, a city employee might be entitled to benefits under one of these laws instead of, or in addition to, Minnesota’s workers’ compensation statute.
4. **Obstructing an employee from seeking benefits**

State law allows an injured employee to sue the city and/or a city officer or employee for damages for coercing or obstructing the employee from seeking workers’ compensation benefits. A city with 16 or more employees can also be sued for failing to offer continued “light duty” employment to an injured employee if such employment is available.

LMCIT does not provide coverage for actual damages, but it does pay for defending the city or a city officer or employee on a claim seeking damages under this statute.

5. **Elected and appointed officials**

LMCIT makes workers’ compensation coverage for elected and appointed officials the default coverage option for members of the workers’ compensation program. That is, elected and appointed officials of covered entities are covered parties for workers’ compensation unless the member specifically elects otherwise.

Workers’ compensation benefits are provided for municipal officers that are elected or appointed for a regular term of office. Individuals include:

- Mayors
- Councilmembers
- Elected clerks
- Elected treasurers

Members of other administrative boards and committees who have independent authority under law, either alone or with others of equal authority, to determine policy or make a final decision not subject to supervisory approval or disapproval are also covered. Some common examples include:

- Planning commissions
- Utilities commissions
- Park boards
- Hospital or nursing home boards

Workers’ compensation coverage is generally not available for purely advisory boards or members of committees that are not created by state law, such as volunteer members of a Fourth of July planning committee. However, limited medical, disability, impairment and death benefits are made available under the LMCIT volunteer accident coverage.

See also Section II.C.7, City volunteers.
Under the LMCIT workers’ compensation coverage, elected and appointed officials receive medical benefits and indemnity benefits. Indemnity, or lost time, benefits are based on the individual’s actual earnings from all employment. In other words, benefits are based on the total earnings from the individual’s regular employment plus the salary (if any) he or she receives from the city.

It’s important to note that workers’ compensation benefits are paid only when the individual’s injury is the result of his or her city-related activity. There can be many borderline situations in which it is debatable whether elected or appointed officers are conducting official council business on behalf of and at the request of the city. For example, a mayor might be individually asked to attend a meeting of the Chamber of Commerce to discuss and explain city policies or proposals. Cities might want to consider adopting an ordinance or resolution that specifies whether the city considers such activities to be within the scope of duties its elected officials are expected to perform.

6. **Separate boards and commissions**

Agencies that are legally separate from the city, such as the following types of boards and commissions, are not automatically covered by the city’s LMCIT workers’ compensation coverage:

- Housing and redevelopment authorities
- Economic development authorities
- Port authorities
- Utilities commissions
- Hospital or nursing home boards
- Joint powers boards

Cities should consider whether these agencies will have their own workers’ compensation coverage or whether these agencies will be part of the city’s workers’ compensation coverage. If the city wishes to extend workers’ compensation under its own coverage, the city needs to contact its LMCIT underwriter and the agency will be specifically listed as included (for a joint powers board, at least one party must be an LMCIT member in order to extend coverage).

a. **Deciding whether boards and commissions should have stand-alone coverage**

In some cases, the city may prefer agencies managed by a separate administrative board or commission have workers’ compensation coverage separate from the city for a couple reasons:
• It may be easier to allocate costs between the two budgets.
• Each operation will stand on its own for purposes of LMCIT’s experience modification calculation. For example, with separate coverage, losses experienced by employees of the utilities commission won’t affect the city’s experience modification, and vice versa.

Whether to separate coverage is a decision to be made by the city. A downside to separate coverage is the city may lose some benefit of the volume discount on premiums. A premium discount applies when the total standard premium equals $5,000 or more.

b. Officers of boards and commissions

In the same manner as elected and appointed city officials, officers of covered boards and commissions are also considered covered parties for workers’ compensation unless the member specifically elects otherwise. Again, workers’ compensation benefits are applicable only when the individual’s injury is the result of his or her activities as an officer of the board or commission.

7. City volunteers

City volunteers deliver a range of city services, providing valuable benefits to cities. It’s worthwhile to consider what happens when a volunteer is injured. Some types of volunteers are eligible for workers’ compensation or other statutory benefits, while others may be eligible for alternative protections through the LMCIT volunteer accident coverage.

a. Emergency volunteers

The following types of volunteers are defined by statute as “employees” for purposes of workers’ compensation. LMCIT automatically includes these volunteers under the city’s workers’ compensation coverage:

• Volunteer firefighters
• Volunteer ambulance attendants
• Volunteer first responders
• Law enforcement assistance volunteers
• Emergency management volunteers
• Disaster assistance volunteers
• Civil defense volunteers
These volunteers are entitled to receive workers’ compensation benefits if they are injured while performing volunteer services for the city, as long as they are registered with and work at the direction and control of the city. If these types of volunteers are organized independently of the city and aren’t employees for purposes of workers’ compensation, they would not be entitled to benefits.

b. **Inmates on work release**

Inmates of state, regional, or local correctional facilities or county jails may be conditionally released and ordered to perform compensated or uncompensated work for various types of agencies. If an inmate is injured or causes damage in the course of his or her work, cities are precluded from being sued. Claims of $7,000 or less are submitted to the State Department of Corrections. Claims over $7,000 are submitted to the Legislature.

c. **All other volunteers**

LMCIT makes its volunteer accident coverage a standard coverage feature to all members of the workers’ compensation program. It provides benefits to volunteers who work under the city’s direction and control. Examples of city volunteers include:

- Coaches and instructors in recreation programs.
- Volunteers working on a city sponsored festival or celebration.
- Volunteers working on city construction and demolition projects.
- “Clean-up day” volunteers.
- Volunteer members of advisory boards or committees that do not exercise independent decision-making authority.

Individuals who are eligible for workers’ compensation pursuant to the Minnesota workers’ compensation statute, including emergency volunteers, are not covered persons under this coverage. Rather, they are automatically covered under the city’s workers’ compensation coverage.

Similar to workers’ compensation, the volunteer accident coverage protects city volunteers on a no-fault basis. In other words, benefits are payable if the injury occurs while the volunteer is performing services for the city, regardless of fault. Benefits include:
**Disability benefit**  
$900 per week is provided for up to 26 weeks if the volunteer is unable to work in his or her normal occupation.

**Death benefit**  
$200,000 is provided if the volunteer dies as a result of an injury.

**Impairment benefit**  
Up to $200,000 is provided if the volunteer is permanently disabled, either fully or partly, by an injury.

**Medical benefit**  
$2,500 is provided to help cover medical costs that the individual might otherwise be responsible for under the deductible on his or her health coverage.

The per accident limit for the volunteer accident coverage is $500,000, which applies regardless of the number of volunteers who are injured in a single accident.

**8. Firefighters**

In general, workers’ compensation for firefighters is the same as workers’ compensation for other employees. However, there are some special provisions concerning how lost wage benefits are calculated for volunteer firefighters, and there are also provisions specifying that certain diseases are presumed to be job-related for all firefighters. There are also some special issues that arise with regard to when a firefighter is considered to be on duty for workers’ compensation purposes when responding to a fire or other emergency call. Finally, LMCIT’s workers’ compensation premium rating system has some unique features that reflect the unique aspects of workers’ compensation for firefighters.

**a. Firefighter definition**

Firefighters in Minnesota may be employees or volunteers for a city. Volunteer firefighters are defined by statute as “employees” for purposes of workers’ compensation. They are entitled to receive workers’ compensation benefits if they are injured while performing volunteer services for the city, as long as they are registered with and work at the direction and control of the city. LMCIT automatically includes volunteer firefighters, as well as fire relief associations, under the city’s workers’ compensation coverage and does not charge an additional premium for this exposure.
b. When coverage applies

Injuries sustained while a firefighter is engaged in firefighter activities is covered by workers’ compensation. A firefighter is also covered from the time they respond to a fire alarm, a pager, or other device until the time they return home. Travel from home to the fire hall and directly home again is covered in a fire call or other emergency situation. In contrast, travel from home to a firefighter meeting, fire drill, or other type of training is not covered.

If a firefighter does not go straight home from the fire hall after responding to a fire call or other emergency, the scope of employment ends at the fire hall. For example, if the firefighter went to a friend’s house instead of going home, it would be considered a “detour and frolic.” Injuries sustained during a “detour and frolic” are not covered by workers’ compensation. A “detour and frolic” is not within the scope of employment.

It’s also important to note that Minnesota statute excludes workers’ compensation coverage for injuries sustained while an employee is participating in voluntary recreational programs sponsored by an employer such as health promotion programs, athletic events, parties, and picnics. This rule applies to all employees, not just firefighters. The courts have denied workers’ compensation coverage of injuries that firefighters sustained while playing employer-sponsored softball games or while voluntarily attending employer-sponsored picnics or dinners. The exception to this rule is if an employer requires its firefighters to attend these activities—a compensable injury would be covered.

c. Indemnity benefits for volunteer firefighters

A volunteer firefighter who is unable to engage in the activities of his or her normal occupation because of an injury suffered while performing volunteer services for the city may be entitled to indemnity benefits, more commonly known as lost time benefits or wage replacement. Following is a summary of how indemnity benefits are calculated for a volunteer firefighter:

- For volunteer firefighters who receive only an “expense reimbursement” payment from the city, lost wage benefits are based on the greater of either their normal earnings from regular employment or an imputed full-time firefighter wage.
- For volunteer firefighters who receive a “wage” payment from the city, benefits are based on the total of that wage plus the firefighter’s regular employment earnings. The firefighter may also have the right to choose instead to base benefits on an imputed full-time firefighter wage if that would result in a higher benefit.
d. Benefits for heart and lung diseases

The workers’ compensation statute establishes statutory presumptions for certain heart and lung diseases such as the following. If a firefighter contracts one of these diseases, the disease is presumed job-related if certain conditions are met:

- Myocarditis
- Coronary sclerosis
- Pneumonia
- Many types of cancer
- Infectious diseases (e.g., AIDS or hepatitis)

It is important to understand this does not mean a firefighter is automatically entitled to workers’ compensation benefits if they contract one of these diseases.

First, under normal circumstances, a person who claims a disease is job-related has the burden of proving that his or her job caused the disease in order to qualify for workers’ compensation benefits. Under the statutory presumption for firefighters who contract heart and/or lung diseases, the employer must bear the burden of proof to show the disease was not work-related. In other words, the diseases will be treated as job-related unless the employer can show they resulted from other causes. For example, in the case of a heart attack, the employer might try to show the employee was overweight, a heavy smoker, had high blood pressure and cholesterol and that these conditions, rather than the work of a firefighter, were the cause of the heart attack.

Second, certain conditions, as outlined below, must be met before these presumptions come into play.

(1) Heart and lung disease

In order for a heart or lung disease to be presumed job-related, the employee must have had a physical examination at the time he or she was first employed, and a written report of that examination showing that the employee was free of the disease. This report must have been filed with the fire department. (Police officers also qualify for this presumption.)

(2) Cancer

For firefighters who entered service before Aug. 1, 1988, a prior examination is not required to be entitled to the cancer presumption. However, if the firefighter entered service after Aug. 1, 1988, was examined prior to employment, and the exam showed evidence of cancer, that cancer is not presumed to be job-related.
(3) Infectious diseases

The presumption that an infectious disease is job-related applies only if the firefighter was exposed to the disease in the course of performing his or her duties. In other words, in order for the firefighter to be entitled to the presumption, there would need to be some evidence the firefighter actually came into contact with a carrier of the disease and that the nature of the contact was such that the disease could have been transmitted. Ordinary diseases of life, to which the general public is equally exposed outside of employment, such as colds and flu, are generally not covered by workers’ compensation. Police officers, EMT’s, ambulance attendants, and any other employee whose job involves providing emergency medical care outside of a hospital are also covered by this presumption.

e. Non-smoker credit for peace officers and firefighters

If a firefighter or peace officer contracts certain heart and lung diseases, the statute says these diseases are presumed to be job-related if certain conditions are met. Several of the diseases can be related to smoking. If a firefighter or peace officer is a smoker, he or she is more likely than a non-smoker to contract one of these diseases; and if one of these diseases is contracted, there is a good chance it will turn into a workers’ compensation claim. The diseases are treated as job-related unless the employer can show they result from other causes. If the individual was a smoker, his or her smoking might be one of the pieces of evidence used to rebut the presumption that the disease was job-related, so that workers’ compensation benefits would not be payable. But even so, there would likely be substantial legal costs involved to litigate the claim.

In short, a fire department with very few smokers represents a smaller risk of a workers’ compensation claim for heart disease, lung disease, or cancer. Any city that can certify that no more than 10 percent of the members of its fire or police department are smokers qualifies for a rate that is 10 percent lower than LMCIT’s standard rate for firefighters and peace officers.

To qualify for the credit, the city must obtain written statements from at least 90 percent of the members of each department. The statement must be signed and dated, and must state that the individual does not smoke and has not smoked within the previous six months. These statements, along with a roster of current department members, must be submitted to LMCIT in order to qualify for the credit.

III. Premium options

Cities can tailor their premium options and deductibles in LMCIT’s workers’ compensation program.
A. Regular premium option

If a city chooses the regular premium option, premium payments are the city’s only responsibility or liability. The regular premium option is a “guaranteed cost” option.

The regular premium option first calculates a member city’s rates based upon the city’s payroll, according to payroll class (rates for volunteer firefighters are based on the population of the area which the fire department serves rather than payroll). The rate is then adjusted by an experience modification factor that reflects the city’s previous loss experience to set its premium.

The city’s experience modification factor looks at a city’s claims from the oldest three years during a four-year period. The most recent year isn’t part of the modification because those claims haven’t yet matured. Using an experience modification factor is one way LMCIT seeks to maintain fairness in setting premiums.

B. Retrospective rating option

Cities can choose a retrospective rating option, which is an alternate method of determining the premium charge for a city. The city’s final premium under this option reflects the city’s own actual loss experience for the year. With good experience, this option can save the city significant money during the long run. Of course, the city is also subject to possible premium increases if it experiences a lot of injuries or a single big loss. Cities that use retrospective rating—or would like to—should recognize that a strong safety program is an important component of developing good loss experience.

1. Eligibility

There are three retrospective rating options available to any city whose standard premiums are $25,000 or more. The election form is automatically sent with the regular premium quotation to qualifying members. A city can select only one premium option. If a city selects a deductible option or the standard premium option, it cannot select a retrospective rating option.

2. How the retrospective rating option works

The city pays a deposit premium (net of discounts) to LMCIT at the beginning of the agreement period. The timing and amount of this payment are the same whether or not a retrospective rating option is selected. At the end of the agreement year, an audit determines the actual payroll for the period and the resulting net actual premium. If a retrospective rating option is not selected, this becomes the city’s final premium.
When a retrospective rating option is selected, the final premium is not known until all claim activity from that agreement period ceases permanently. The final premium reflects the city’s own losses and is subject to minimum and maximum limits. The premium amounts are estimated at the beginning of the agreement period and provided to the city prior to the election of an option. The minimum and maximum premiums are adjusted after the payroll audit is complete, and it reflect the net actual premium for the period.

The final premium equals the minimum premium plus actual incurred losses and loss-related expenses, including assessments due to the state Special Compensation Fund. Unlike typical retrospective plans offered by private insurers, LMCIT’s retrospective rating formula doesn’t use a “loss conversion factor.”

The city is billed or refunded the difference between the net deposit premium and the final premium. This is accomplished by annual adjustments.

**a. Annual adjustments**

Under the retrospective rating option, final premium amounts are determined based on a city’s own losses, which are adjusted throughout the coverage term. The first adjustment is made approximately six months after the expiration of the agreement period, based on the total incurred cost of losses known at that time. Further adjustments are made annually thereafter until all claim activity ceases permanently. This includes activity on claims that reopen and claims for injuries that are filed later for an accident occurring within the retrospective year.

These adjustments continue as long as any claims remain open or until the retrospective year is closed. If a closed claim reopens, or if a new claim is filed for an injury from that year, the annual retrospective rating adjustments for that coverage year resume unless the retrospective year has been closed by the city.

**b. Closing past retrospective years**

LMCIT automatically closes retrospective years after 16 years, unless the city specifies it wants to hold the old retrospective year open. LMCIT does this for ease of administration and to help cities avoid surprises for old claims that reopen. Cities are notified of the automatic closure and the option to hold retrospective years open longer.
Cities also have the option to close retrospective years sooner. Beginning five years after the first adjustment is made on a retrospective year, cities can close coverage from previous years. If a city selects this option, no further adjustments are made to the city’s premium for the selected year(s), regardless of future changes that may occur in the city’s paid or incurred losses.

There is an additional charge to close a retrospective rated year, which varies by age—the longer it is after the coverage year, the lower the charge to close it. Cities may elect to close older years by sending a written request to LMCIT. The request must be made within 60 days following its annual workers’ compensation retrospective adjustment invoice letter. A city can choose to close all, some, or none of its retrospective rated policies that are five years old or more.

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*This is the number of years after the first retrospective adjustment is made for the retro year.

**This is the percentage applied to the city’s incurred losses for that year, which is used to determine the cost of closing out that year. Special Compensation Fund assessments are included when calculating incurred losses.

To close a retrospective rating or to learn what your city’s close-out charges would be, contact LMCIT.

(1) **Advantages of closing past retrospective years**

There are a couple reasons why a city might want to close past retrospective years. First, it eliminates some uncertainty by eliminating the risk the city could incur additional charges because a claim from an old injury has reopened or has turned out to be much more serious than previously expected. Second, it eliminates some accounting and record keeping for the city, since the city will no longer receive annual adjustments on each of those old years.
(2) Disadvantages of closing past retrospective years

One obvious disadvantage is there is a cost to the city to close past retrospective years, at least up until 16 years out. Another potential disadvantage is that closing an old year also eliminates the possibility of receiving money back in a future adjustment in situations where a claim from that year closes for less than the amount for which it was reserved. In addition, if a city already hit the maximum premium on an old retrospective rated year, there’s no advantage to the city to close that year out since there’s no longer any risk that costs for that year will increase.

3. Effect on experience modification factor

Retrospective rating options do not replace the experience modification factor. The experience modification factor is separate from, and in addition to, any retrospective rating adjustments. Whether or not the city uses the retrospective rating option does not affect the experience modification calculation.

The experience modification factor does adjust the premium to reflect a city’s loss experience, but it is done in a calculation using several years’ worth of data. Not only is the retrospective rating adjustment a more immediate reaction to loss experience, but it also can potentially offer larger reductions or additions to the premium.

4. Loss control

For cities that choose the retrospective rating option, it is always in the best interest of the city to use LMCIT’s safety and loss control services. Reducing losses and creating a safer working environment not only decreases the city’s experience modification factor, but it also helps lower the overall rates for all cities. Under the retrospective rating option, this becomes even more important. There’s no additional charge to the city for most loss control services.

5. Deciding whether to choose a retrospective rating option

In deciding whether a retrospective plan makes sense, one good way is to look at the city’s losses from the past few years to see how it would have done under the plan. There are some important points to keep in mind:

- Workers’ compensation losses can develop adversely. Loss experience that initially looks good can become more expensive by the time those losses are finally closed in the future.
Cities should consider whether they are comfortable trading off cost certainty for potential savings. In addition, in light of the city’s loss history and safety programs, cities should consider whether they are confident that employee injuries will be kept down enough to save money in the coming year.

In any one year, a city’s losses could turn out to be very different from—and possibly much greater than—the pattern for past years.

A single large loss during the year could be enough to push the city to the maximum premium. Claims from prior years sometimes reopen or increase in cost, which means the city can owe additional amounts for prior years. When retaining risk through the retrospective option, a city should have a plan for where funds will come from to cover the city’s potential obligations according to the retrospective.

Unlike the way the experience modification formula works, large losses are not discounted for purposes of the retrospective rating formula.

Cities that use a retrospective should review their decision on an annual basis to ensure it makes sense. A prime opportunity to review a retrospective is when the city receives the annual adjustment bill or refund. This typically occurs about six months after the city’s expiration date on its coverage.

The adjustment mailing includes supporting loss and premium data members will need in order to decide how to go forward with the upcoming coverage renewal. It’s especially important during the first year of using a retrospective to look at the city’s current-year losses after 10 months to see how the city is doing, and whether to continue with the retrospective at renewal.

C. Deductible option

LMCIT offers several deductible options to member cities of the workers’ compensation program.

1. Eligibility

All cities who participate in the LMCIT workers’ compensation program are eligible to choose the deductible option. The deductible options give smaller cities—those whose standard premiums are less than $25,000 and who are not eligible for a retrospective rated option—a way to reduce their premium costs by retaining some risk. The deductible approach may also be an attractive alternative for larger cities who feel the retrospective rated premium option is too risky for their situation. A city can select only one premium option. If a city selects a retrospective rated option or the standard premium option, it cannot also select a deductible.
2. **How the deductible options work**

Under a deductible option, the city pays a lower premium in return for agreeing to reimburse LMCIT for paid medical losses up to the deductible. If the city selects a deductible option, the deductible applies per occurrence to medical costs only.

The deductible options and the 2017 premium credits for each option are:

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<td>5%</td>
</tr>
<tr>
<td>$5,000</td>
<td>7.5%</td>
</tr>
<tr>
<td>$10,000</td>
<td>11%</td>
</tr>
<tr>
<td>$25,000</td>
<td>16.5%</td>
</tr>
<tr>
<td>$50,000</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

The city pays a deposit premium (net of discounts) to LMCIT. If the city chooses a deductible option, the regular premium is reduced by the percentage shown above. This does not affect the premium volume discount (premium discounts are applied when a city’s total regular premium equals $5,000 or more).

As claims are submitted and medical costs incurred, LMCIT will pay the medical vendors directly. A city that chooses a deductible option is billed for medical costs paid up to its per occurrence deductible. Each occurrence has its own deductible.

Contact LMCIT to learn more about the payment or timing of deductible billings, receiving the deductible quote, where to send it, whether it has been received, or the payroll audit.

3. **Effect on the experience modification factor**

The selection of a deductible option does not affect the experience modification factor. The total amount of the claim will be used for calculating the experience modification factor. The experience modification factor would be the same regardless of the deductible option chosen.
The potential savings of the deductible option would be the percentage discount shown in the quote compared to actual medical deductibles for which the city must reimburse LMCIT.

4. Loss control

It is always in the city’s interest to use LMCIT’s safety and loss control services. Reducing losses saves the city money by lowering its experience modification factor; it creates a safer working environment for employees; and it helps lower overall rates for all member cities. Under a deductible option, the city stands to benefit even more by successfully avoiding and controlling losses. There’s no additional charge to the city for most loss control services.

5. Deciding whether to choose a deductible option

It is the city’s decision whether to select a deductible option. In making this decision, it can be helpful to look at the city’s loss history to see how it would have done in past years under a deductible plan. There are some points to keep in mind:

- A city’s loss experience will vary from year to year. Any one year’s losses could turn out to be very different from—and perhaps much greater than—the pattern of past years.
- There’s no theoretical “worst case maximum cost” under a deductible plan. Since the deductible applies to each occurrence, the maximum cost to the city depends on how many occurrences it has that year.

A deductible option can be a good way for the city to save money, but a deductible means the city is retaining risk. Cities that use a deductible option need to consider how they will fund that risk. The deductibles apply per occurrence, and cities need to be prepared for the possibility they may have multiple occurrences during a year. So, depending on what losses happen to occur, it can also turn out to be more expensive for the city.

IV. Filing a workers’ compensation claim

A workers’ compensation claim begins with the reporting process. To initiate the reporting process, employees report a workers’ compensation claim to the employer. Under the workers’ compensation statute, the employee has 180 days to report his or her claim.

Once the employer is notified of the employee’s injury, the employer must complete and file the state-required First Report of Injury (FROI) form to LMCIT within 10 days after knowledge of the injury. Do not wait for medical reports, the Employee Incident Report, or the Supervisor’s Report of Accident to submit the claim if waiting would take more than one day.
Given a death or serious injury, the information must be received by LMCIT within 24 hours so it can be submitted to the Department of Labor and Industry (DOLI) within its 48-hour deadline.

Failure to submit a claim within these timeframes may result in a late penalty assessment by the DOLI.

State law requires the employee be given a copy of the FROI and the Minnesota Workers’ Compensation System Employee Information Sheet.

Claims can be submitted to LMCIT using any of the following methods.

- Online: Members with a username and password can submit claims online. To obtain a username and password, contact LMCIT.
- Email: Submit the FROI form by email.
- Fax: Submit the FROI form by fax.
- Mail: Submit the FROI by mail.
- Phone: Call LMCIT to file a claim.