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Contact: Cathy Kennedy
(612) 309-3951-mobile

Minnesota Workers' Compensation Reinsurance Association to Assess \$268 Million to Restore Fund

Saint Paul - May 20, 2009 – The Board of Directors of the Minnesota Workers' Compensation Reinsurance Association (WCRA), a state-authorized independent nonprofit organization, voted Tuesday to assess its members and Minnesota employers a total of \$268 million to help reduce a \$423.7 million 2008 year-end deficit.

Next, the assessment must be approved by the Minnesota Commissioner of Labor and Industry Steve Sviggum and reviewed by the Minnesota Commissioner of Commerce Glenn Wilson.

A public meeting on the assessments is scheduled for 10:30 a.m. on June 4 at the Minnesota Humanities Center.

From 1979-2008, the WCRA earned \$1.36 billion in premiums paid by its member insurers and self-insured employers. During the robust financial markets of the early 1990s, the WCRA accumulated large surpluses. At that time, the Minnesota Commissioner of Labor and Industry recommended that, because the WCRA is a nonprofit organization and can assess its members if needed, it shouldn't maintain large surpluses and should distribute those surpluses to its members and policyholders. Since 1992, the WCRA has distributed more than \$1.2 billion in surplus funds to its insurers and Minnesota employers.

"If we hadn't made those distributions, we would now have a surplus of \$1.6 billion and would not have to make assessments today," said Carl Cummins, WCRA President and CEO. "But just as our members and policyholders enjoyed the benefits of our positive investment results in strong financial markets by receiving more than a billion dollars in distributions, this Surplus Distribution Recovery Program is now necessary for the WCRA to have sufficient funds to reimburse our members for the state's most serious workers' compensation injuries."

"Our investment record is strong," said WCRA Board Chair David Young. "Since 1979, the WCRA has averaged a 9 percent return, exceeding the expected 7 percent return. However, because we did not have surpluses to provide a cushion in today's down markets, we must now recover about 20 percent of the surpluses we distributed to our members to create a fund balance that will be sufficient to meet our future obligations to our members and to injured workers."

The largest portion of the assessments will be made to some approximately 400 WCRA member insurers and self-insured Minnesota employers, and will be calculated based on their historic exposures with the WCRA. These assessments will be spread out in five equal annual installments, with the first payment due on January 15, 2010. Separate assessments to all Minnesota employers will be collected as a small surcharge on workers' compensation premiums

paid from 2010 to 2014. The annual assessment amounts will range from a few dollars for small employers to several million dollars for the WCRA's largest insurer members. Notices to insurers and self-insured companies about their individual assessment amounts will be distributed by July 1 if the Surplus Distribution Recovery Program receives regulatory approval.

The WCRA was created under state law in 1979 to aid Minnesota employers by providing cost-effective reinsurance coverage for their most seriously injured workers. The WCRA receives no state appropriations and is funded entirely by members' annual premiums. For more information go to www.wcra.biz.

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