

# WCRA Self-Insurer Hybrid Annual Exposure Adjustment Overview and Instructions

## What is the WCRA?

The Workers' Compensation Reinsurance Association was established by Minnesota statute in 1979 to respond to a need for reliable, low-cost reinsurance protection for serious workers' compensation claims. The Association's membership consists of companies, groups, and governmental subdivisions authorized to insure their own workers' compensation exposure (self-insurers) and insurance companies authorized to write workers' compensation insurance (insurers).

## Is the WCRA a state agency?

No. The WCRA is an independent, nonprofit organization established by the Minnesota State Legislature, is governed by its own board of directors, and is regulated by the Minnesota Department of Labor and Industry.

## What is the WCRA Self-Insurer Hybrid Annual Exposure Reporting Process?

When the WCRA initially calculates the estimated premium for a self-insured member, it uses the most recent audited payroll and the classification code rates for the year being estimated. For example, estimated exposure for 2026, calculated in December 2025, used audited payroll from 2024 and classification code rates from 2026 to estimate 2026 premium.

The annual collection of self-insurer hybrid payroll data by workers' compensation classification code allows the WCRA to calculate and adjust the billed estimated premium with the actual premium due, based on actual payroll figures. The difference is billed or credited to the member.

## What is the Self-Insurer Hybrid Member Reporting Exception?

Members who are classified as hybrid reporting members are allowed a one-year lag in reporting to allow for the completion of their own policy audits. As hybrid member data is audited and collected, please keep in mind the definitions provided below are applicable to all self-insurer data reported to the WCRA. Hybrid members report two years of data vs. the one year of data reported by standard self-insurers due to the streamlined reporting process. The data being collected and reported to the WCRA will be used to calculate your year-end 2024 and 2025 premium. Your organization will either receive an invoice or a refund depending on the reconciliation of your exposure and the premium based on the updated data reported.

**All hybrid members must include a listing of all policyholders and their respective Minnesota gross and chargeable payroll for the audited calendar year. This is a requirement of the Hybrid Agreement signed by all hybrid members in order to report on an aggregate payroll basis.**

## What are Member's Responsibilities?

Self-insured employers are required to electronically submit accurate and complete exposure adjustment data to the WCRA by the due date noted on the reporting portal. A member that fails to report complete and accurate data by the due date will be subject to a late reporting fee of \$100 per calendar day.

## Why is it important how payroll or remuneration is classified?

Classification of payroll or other remuneration can significantly impact the premium a member pays for WCRA coverage. Please contact the WCRA if you have questions regarding properly classifying payroll.

## Requested Data and Definitions

### Employee

For Minnesota Workers' Compensation purposes, an employee is defined in accordance with [Minn. Stat. §176.011 Subd. 9](#).

Certain classifications of workers require additional analysis to determine if their wages should be included in a member's reportable payroll.

- **Independent Contractor in Construction**

For Minnesota Workers' Compensation purposes, an individual is an independent contractor and not an employee of the person for whom the individual is performing services in the course of the person's trade, business, profession, or occupation only if the individual meets the requirements of [Minn. Stat. §181.723 subd. 4](#). If they are determined to be employees, their payroll is reportable as Workers' Compensation wages.

- **Independent Contractor in the Trucking and Messenger/Courier Industries**

An operator of a car, van, truck, tractor or truck-tractor that is licensed and registered by a governmental motor-vehicle agency is an employee – not an independent contractor – unless the seven factors specified in [Minn. Stat. §176.043](#) are present. If operators are determined to be employees, their payroll is reportable as Workers' Compensation wages.

- **College and Universities Work-Study Programs**

A work-study program is a student aid program that provides jobs for college students as a way for them to pay for their education expenses. The compensation earned by the student is reportable as Workers' Compensation wages.

- **Officials of Political Subdivisions**

Elected or appointed officials of political subdivisions who become statutory employees under the provisions of the Workers' Compensation Law through the adoption by its governing body of an ordinance or resolution to that effect shall be included in the premium computation based on their actual wage received from the town ([Minn. Stat. 79.211 subd. 3](#)). The entire payroll for each official shall be assigned to *Code 9410—Municipal, township, county, or state employees NOC*; provided, however, the entire payroll of each official who regularly and frequently performs such duties as are ordinarily undertaken by a superintendent, foreman, or workman shall be assigned to the classification applicable to the work being performed. The payroll of any official whose duties satisfy the definition for clerical office employees as set forth under [Rule 1-B-2-a](#) of the [Minnesota Workers' Compensation Insurers Association \(MWCIA\) Basic Manual](https://www.mwcia.org/Media/Default/PDF/Navigation/MNManuals/Minnesota_Basic_Manual.pdf) ([https://www.mwcia.org/Media/Default/PDF/Navigation/MNManuals/Minnesota\\_Basic\\_Manual.pdf](https://www.mwcia.org/Media/Default/PDF/Navigation/MNManuals/Minnesota_Basic_Manual.pdf)) shall be assigned to *Code 8810—Clerical Office Employees NOC*.

- **Cities, towns, and villages having volunteer fire departments**

The municipality will be charged a flat premium for volunteer firefighters, including those who also perform emergency medical services, based upon multiplying the rate for *Code 7708* by the nearest hundreds of populations for the area served according to the latest national census. In cases where the fire department includes both paid and volunteer firefighters, the population figure for the municipality shall be reduced by fifteen hundred for each full-time paid firefighter employed.

Paid firefighters' premium will be rated per *Code 7706*, subject to an applicable minimum premium. If the fire department includes both paid and volunteer firefighters, the premium for the risk shall be the sum of the premiums computed separately for the volunteer and paid firefighters as indicated above. This includes volunteer firefighters who also perform emergency medical services. Employees who perform only emergency medical service duties should be separately rated under *Code 7705* with none of their wages allocated to firefighting.

### **Job Class Code and Description**

Your payroll should be classified in accordance with the *MWCIA Basic Manual exceptions*.

### **Gross Payroll Inclusions**

Gross payroll is the total amount of remuneration before taxes and other deductions. For reporting purposes, “gross payroll” and “remuneration” mean money or substitutes for money.

**Please note that Minnesota payroll should be reported for all Minnesota employees that received pay at any time during the current year being reported.** Items to include in gross payroll for this reporting process are provided below. Payroll should be entered by classification code.

1. Current wages or salaries paid during the current policy period in payroll.
2. Total pay received by an employee for commissions and draws against commissions.
3. Bonuses paid and earned during the policy period.
4. Extra pay for overtime work.
5. Pay for holidays, vacations, or periods of sickness.
6. Payments by an employer of amounts that would have been withheld from employees to meet statutory obligations for insurance or pension plans such as the Federal Social Security Act or Medicare.
7. Payment to employees on any basis other than time worked, such as piecework, profit sharing, or incentive plans.
8. The rental value of an apartment or house provided to an employee based on comparable accommodations.
9. The value of lodging, other than an apartment or house, received by an employee as part of their pay to the extent shown in the insured's records.
10. The value of meals received by employees as part of their pay to the extent shown in the insured's records.
11. The value of store certificates, merchandise, credits, gift cards, or any other substitute for money received by employees. This would also include cash payments or monthly stipends for auto and cell phone allowances not tied to an actual business expense and health insurance opt-out payments.

12. Payments for **employee-authorized reductions** from gross pay include salary reductions for employee savings plans, retirement plans, cafeteria plans (including IRC 125 plans), health savings accounts (HSA), and flexible savings accounts (FSA).
13. Annuity plans.
14. Expense reimbursements and flat expense allowances paid to employees in payroll when the employer's verifiable records do not confirm that the employee expense or allowance was incurred as a valid business expense.
15. Payment for filming of commercials, excluding subsequent residuals that are earned by the commercial's participant(s) each time the commercial appears in any type of media.
16. Adjustments made by the employer to raise employees' wages to federal, state, or local minimum wage, whichever is applicable.
17. Service charges and automatic gratuities received by employees in payroll. Only the amount of the service charge or automatic gratuity received by employees is included in payroll. Service charges and automatic gratuities are set percentages or fees added to a bill or contract where the customer does not
  - determine the amount of the percentage or fee
  - determine who receives the percentage or fee, and
  - have the ability to reduce the payment amount below the set percentage or fee.
18. Employee-authorized reductions from an employee's gross pay for purchasing stock options or qualified or nonqualified employee stock purchase plans (ESPP) in payroll. The salary reduction amounts are included in payroll for the policy year in effect when the salary reduction was made, even when the plan is a portion of a cafeteria plan.
19. Employer contributions to an employee's cashless exercise of stock options in payroll.  
**Exception:** Exclude from payroll employer contributions to the exercise of stock options except for employer contributions to an employee's cashless exercise of stock options.
20. The value of equity-based compensation plans, other than stock options and stock purchase plans, at the time of vesting in payroll. This applies when vesting is on a scheduled or annual basis, such as
  - graded vesting
  - scheduled cliff vesting
  - performance goals vesting, and
  - milestone anniversaries vesting.Equity-based compensation plans, other than stock options and stock purchase plans, include:
  - stock transfers
  - stock warrants
  - restricted stock
  - restricted stock units
  - phantom stock plans, and
  - stock appreciation rights.
21. Deferred compensation distribution payments made to current employees from an employer's contributions to previously deferred wages in payroll. This applies to amounts paid during the policy period.
22. The amount by which an employee's salary is reduced from gross pay to fund an employee-authorized deferred compensation plan in payroll. The salary reduction amounts are included in payroll for the policy year in effect when the salary reduction was made, even when the plan is a portion of a cafeteria plan.

Employee-authorized deferred compensation plans include:

- pension plans
  - equity-based compensation plans, and
  - other deferral plans.
23. Retroactive wages or salaries paid to a current employee when:
- the employee was actively employed by the employer
    - at the time wages or salaries were paid, or
    - during any portion of the current policy period.
24. Davis-Bacon wages or wages from a similar prevailing wage law.

### **Gross Payroll Exclusions**

**If included in the gross payroll reported for employees**, the following items may qualify and be taken as exclusions during the reporting process.

1. Dismissal or severance payments except for time worked or accrued vacation.
2. Certain employer-provided perks such as:
  - Use of company provided automobiles
  - Airline flights
  - Incentive vacations (ex. Contest winners)
  - Discounts on property or services
  - Club memberships
  - Tickets to entertainment events
  - Educational assistance
  - Relocation and moving expenses
3. Payroll expense reimbursements and flat expenses allowances paid to employees are **ONLY excludible if all the following conditions apply**.
  - The employer's verifiable records confirm that the expenses or allowances are incurred as a valid business expense.
  - The amount of each employee's expense or allowance is shown separately in the employer's records.
  - The amount of each employee's expense or allowance approximates the actual expense incurred by the employee in the conduct of their work.
  - The expense reimbursements and/or flat expense allowances paid to the employee must be in addition to, not in lieu of, the wages earned by the employee.

**Exclude from payroll a maximum expense allowance of up to \$75 per day when:**

  - it can be verified that the employee was away from home overnight on business for the employer
  - the employer did not maintain verifiable records for the employee's daily incurred business expenses, and
  - the daily expense allowance paid to the employee is in addition to, not in lieu of, the wages earned by the employee.
  - Include the remaining nonverified daily business expenses in excess of \$75 per day in payroll.
4. Employer contributions to qualified or nonqualified employee stock purchase plans other than officers.

- a. Employer contributions to the exercise of stock options except for employer contributions to an employee's cashless exercise of stock options.  
**Payment Exceptions:** Include employer contributions to the cashless exercise of stock options in payroll.
- b. Difference between the market price of stock and any discounted price paid by the employee to purchase the stock.
- c. Market value of equity-based compensation plans. This applies when accelerated cliff vesting is triggered by:
- d. an Initial Public Offering (IPO) of stock, or
- e. a change in majority ownership where the owner or owners before the change own less than one-half interest after the change.
5. Payments for active military duty.
6. **Employer** contributions/payments/imputed income to group insurance, group pension, and/or benefit plans for employees such as:
  - Employee savings plans
  - Retirement plans
  - Cafeteria plans (IRC 125)
  - Health savings account (HSA)
  - Flexible spending accounts (FSA)
  - Group term life imputed benefit value
7. Sick pay paid to an employee by a third party, such as an employer's group insurance carrier that is paying disability income benefits to a disabled employee.
8. Work uniform allowances.
9. Meal money for late work. Payments to employees for meals provided outside their normal work schedule would qualify for this exclusion.
10. The value of special rewards for individual invention or discovery.
11. Tips and other gratuities received by employees. Tips or other gratuities are optional payments added to a bill or contract where the customer:
  - determines the amount of payment
  - determines that the employees receive the payment for services provided, and
  - has the option to not add a payment to the bill or contract.
12. Statutory payments
  - Payments by an employer into third-party trusts for the Davis-Bacon Act or similar prevailing wage law qualified trust.
  - Workers' compensation payments (If these payments are included in gross payroll, please contact the WCRA for further instructions.)
13. Retroactive wages or salaries paid to a retired or terminated employee when:
  - the payment is within the three-year audit period of the policy
  - the employee was retired or terminated at the time wages or salaries were paid, and
  - the employer maintains records that separate such payments.

14. Deferred compensation payments to retired or terminated employees during the current policy period, when
  - the employee is not employed at the time of the distribution, and
  - records are maintained to separate these payments.
15. Employer contributions to deferred compensation plans regardless of whether the employee contributes to the plans or not.
16. Employee discounts on goods purchased from the employee's employer.

### **Exclusion of Overtime Payroll**

The increased wages are paid to an employee for work beyond their normal weekly work hours and paid at an increased rate of pay.

1. For work in any day or in any week in excess of the number of hours normally worked.
2. For hours worked in excess of 8 hours in any day or 40 hours in any week.
3. For work on Saturdays, Sundays, or holidays.

In the case of a guaranteed wage agreement, overtime means only those hours worked in excess of the number specified in that agreement.

**Note:** Forms of incentive pay commonly referred to as "shift differential" or "premium pay" associated with working other than normal day shift hours during the standard work week are not considered overtime. For more information contact the WCRA.

### **Officer Payroll Adjustments**

The portion of wages paid to each corporate officer\* below or in excess of the minimum and maximum remuneration, as determined by the *MWCIA Basic Manual*. The minimum and maximum are computed on a per-week basis, and partial weeks are considered full weeks for determining the average weekly payroll. For 2025, the minimum weekly rate was \$1,372 (\$71,344 annually), and the maximum was \$5,488 (\$285,376 annually). If an officer earns less than the minimum, reportable wages are increased to meet the minimum. This additional amount is added to officers' reportable wages.

Officers are considered inactive, and payroll excluded when:

The executive officer is elected for the value of his/her name or because of stock holdings, has no duties and does not visit the premises, except perhaps to attend directors' meetings, or the executive officer ceases to perform any duties and does not visit the premises, except perhaps to attend directors' meetings. (*MWCIA Basic Manual Rule 2-E.1.b.5*).

\*Note: The definition of "officer" for this reporting purpose is defined as those employees named by the board of directors or in the corporate charter or bylaws as "officers." Simply having a title such as VP or Associate VP does not qualify an employee as a corporate officer.

**Employees' social security numbers should not be included in any documentation submitted to the WCRA.**