



Wisconsin Compensation Rating Bureau

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Located at 20700 Swenson Drive, Suite 100, Waukesha, WI 53186

CIRCULAR LETTER 2973 – DECEMBER 15, 2005

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee called to convene in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Tuesday, December 6, 2005. The meeting was called to order at 9:30 A.M. with the following members present:

ORGANIZATION

Employers Insurance of Wausau, Chair
Employers Mutual Casualty Company
General Casualty Insurance Company
Sentry Insurance A Mutual Company
Society Insurance A Mutual Company
Travelers Insurance Company
United Wisconsin Insurance Company

Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Steve Ginsburg
Jim Pousha
Mike Schimke
Ellen Altenburg-Wadel
Chad Thurn
Bruce Kaufenberg
Emil Pfenninger
Paul Hingtgen
Andrew Blaugh
Ralph Herrmann
Richard Colvin
Nancy Kierzek
Christine Siekierski
Tad Cleveland
Donna Knepper
Melanie Lindseth

Members Absent or Excused:

Allied Construction Employers Association
Continental Casualty Insurance Company
Wisconsin Manufacturers & Commerce

Also Present:

AIG
AmComp

Jerry Korbel
Cheryl Sisson

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Milliman
Office of the Commissioner of Insurance

Riegel Law, S.C.
Selective Insurance
Tri State Insurance of MN
West Bend Mutual Insurance

Dennis Lange
Phil Kress
Laura Andreasson
Paul Riegel
Ralph Jeletz
Judy Baldus
Tom Holman
Pam Allison
John Tomey
Kris Theisen

Also Present for part of meeting:

Skil Tech Inc.
Synergetic Solutions, Inc.
Department of Workforce Development

Michael Brozek & Company
NAPEO
QTI Human Resources
Stueber Group
The Employer Group
Waterstone Group

Doug Exum
Angela Carter
John Conway
Brian Krueger
Michael Brozek
Todd Cohn
Michael Gotzler
Laurie Stueber
Thomas Detmer
Scott Rasmussen

The Chairperson read the following opening statement before convening the meeting:

“This Committee meeting has been called to discuss the items of mutual interest and concern to the members of the Wisconsin Compensation Rating Bureau. In accordance with both Federal and Wisconsin State Anti-trust Laws, this Committee is prohibited from any discussion or action which constitutes any form of boycott, coercion, or intimidation.”

UNFINISHED BUSINESS

ITEM NUMBER 3748 CONTRACTOR PREMIUM ADJUSTMENT PROGRAM

Richard Colvin provided an update of the Wisconsin Contractor's Premium Adjustment Credit Program. For the latest WCPAP period, beginning July 1, 2005, the WCRB has mailed 16,117 applications. This number represents all policies containing a contracting classification with an effective date July through December. The resulting average credit of 5% comes from 2,114 applications processed with effective dates July through December.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

Each member of the Committee was furnished with a copy of a report generated by Milliman projecting the possible impact on the Pool's surplus under several

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different loss ratio scenarios. The report will be provided to the Rating Committee annually on an informational basis.

ITEM NUMBER 3870 NCCI PROPOSAL ITEM B-1393 MISCELLANEOUS
VALUES FOR DOMESTIC TERRORISM, EARTHQUAKES, AND
CATASTROPHIC INDUSTRIAL ACCIDENTS

Each member of the Committee was furnished with a copy of the results of the questionnaire sent out to member companies asking what each carrier is charging for TRIA, DTEC, installment fees, what premium discount table is being used and if the short-rate cancellation penalty is being applied. WCRB will be sending out a second notice to the member companies that have not responded.

This item is continued.

ITEM NUMBER 3873 OCTOBER 1, 2005 RATE REVISION

With all business complete, this item is removed from the agenda.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

Several representatives of the PEO industry addressed the Committee and shared their position on coverage issues.

At the September, 2005 meeting, the WCRB submitted a proposed amendment to Rule IX in the Basic Manual. This amendment proposed that client based policies would be required which would eliminate master policies, which is the current method. This proposal was referred to the Operations Subcommittee for review.

The Operations Subcommittee met on October 18, 2005. At this meeting, the Subcommittee requested WCRB to amend the original proposal from client based policies to a policy structure which would name the PEO first under Item One of the policy.

The Committee was furnished with the following:

- A proposed amendment to Temporary Help – Employee Leasing Rule IX(E). in the Basic Manual to require separate policies be issued to name both parties; the PEO as the insured and the client as an additional named insured.
- A December 2, 2005 letter from the OCI outlining several concerns (other than experience rating and proof of coverage) such as cancellation and protection that can be provided to the client employers by the workers compensation system.
- A proposed amendment to Temporary Help – Employee Leasing Rule IX(E). in the Basic Manual to require separate policies be issued to

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name both parties; the client as the insured and the PEO as an additional named insured.

After considerable discussion, the Subcommittee amended their recommendation and the Committee directed that the WCRB prepare a filing for a client based policy. The filing should include:

- Language for a client based policy.
- Language that will allow a PEO to be deleted from the policy, by endorsement, should the relationship between the PEO and the client be terminated.
- Endorsement to clarify the exposure being covered on both the client policy and the policy issued to a PEO's non-leased employees. (WCRB proposes NCCI endorsements WC 00 03 20 A - Labor Contractor Endorsement and WC 00 03 21 – Labor Contractor Exclusion Endorsement. (No fill-in information will be required on endorsement WC 00 03 20, as the fill-in information is already provided on the Information Page and a countersignature is not required.)
- Any additional changes necessary to WCRB manuals and rules.

WCRB prepared the proposed filing. By e-mail vote, the Committee accepted the client based policy proposal for filing with the Office of the Commissioner of Insurance. This filing is proposed to be effective July 1, 2006, applicable to new and renewal business. As with any change, policies cannot be cancelled and rewritten to take advantage of any change, and normal anniversary rating rules apply.

ITEM NUMBER 3878 NCCI PROPOSAL ITEM B – 1394 – REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES, ADDENDUM TO ITEM FILING B-1387, AND ADDENDUM TO ITEM FILING B-3191

With all business complete, this item is removed from the agenda.

ITEM NUMBER 3880 MECHANIZED LOGGING

The Committee reviewed and adopted proposed amended language for Class Code 2702 Logging or Lumbering – Non-mechanized Equipment Operations & Drivers and language to establish Class Code 2709 – Logging or Lumbering – Mechanized Equipment Operations & Drivers. This language was developed in agreement with the Wisconsin Professional Loggers Association.

This proposal establishes Class Code 2709 - Logging or Lumbering – Mechanized Equipment Operations & Drivers. This code will be used to collect data to determine the feasibility of calculating separate rates for codes 2702 and 2709, which will take approximately five years.

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This filing is proposed to be effective October 1, 2006 applicable to new and renewal business only. If approved, on policies with effective dates of October 1, 2006 or later, carriers will begin to separate the payrolls between codes 2702 and 2709. Both codes may be on the policy.

ITEM NUMBER 3881 NCCI PROPOSAL ITEM B-1398 – MISCELLANEOUS VALUES FOR FOREIGN TERRORISM

With all business complete, this item is removed from the agenda.

ITEM NUMBER 3882 INCREASED EMPLOYERS LIABILITY LIMITS – MINIMUM PREMIUM

With all business complete, this item is removed from the agenda.

NEW BUSINESS

ITEM NUMBER 3863 NCCI PROPOSAL ITEM B-1387 – REVISIONS OF BASIC MANUAL CLASSIFICATIONS

The Committee was advised of the potential for drastic increases or decreases in premium for insureds previously “a” rated under Class Code 8837.

After discussion, the Committee adopted a recommendation to eliminate class codes 8864 – Social Service Organization – All Employees & Salespersons, Driver and 8842 – Group Homes – All Employees & Salespersons & Drivers and reassign the exposure under the normal classification rules. The class codes assigned to these insureds will be the same codes used to determine their “a” rates. If approved, WCRB will notify carriers of the transition codes under separate cover.

This item is proposed to be effective October 1, 2005.

ITEM NUMBER 3883 SKIL-TECH, INC.

Mr. Doug Exum from Skil-Tech, Inc. and Ms. Angela Carter from Synergetic Solutions, Inc. appeared before the Committee and requested that the Rating Committee review reserves set on a claim by a member company.

After due consideration of the request for hearing filed by Skil-Tech, Inc. the Committee determined that there was no requirement under the current Experience Rating Plan Manual and the Unit Statistical Plan Manual for West Bend Mutual Insurance Company to file a correction report on the 1997 claim.

ITEM NUMBER 3884 ELIMINATION OF CLASS CODE 7371 – TEMPORARY LABOR SERVICE CONTRACTORS

Under current Manual Rules, payroll reported to the insurer by temporary labor service contactors shall be based on the classifications and rates that would have applied if the temporary employees had been direct employees of the client company. When this rule was adopted, class code 7371 was retained as a place to report unverifiable payroll.

As the rule has been in place several years and is no longer necessary, the Committee accepted the recommendation from the Operations Subcommittee to eliminate class code 7371 – Temporary Labor Service Contractors.

ITEM NUMBER 3885 OCTOBER 1, 2006 RATE REVISION

The Committee was advised that an Actuarial Subcommittee meeting has been scheduled for February 8, 2006 to discuss methodology for the October 1, 2006 rate revision.

By the unanimous consent of all members present, the following items were added to the agenda.

ITEM NUMBER 3886 NCCI PROPOSAL ITEM P-1401 – REVISION OF THE RURAL ELECTRIFICATION ADMINISTRATION ENDORSEMENT

Each member of the Committee was furnished with proposed endorsement WC 00 03 09 B Rural Utilities Service Endorsement. The Rural Electrification Administration is now known as the Rural Utilities Service and the proposed endorsement reflects that change. The Committee adopted the proposal for filing with the Office of the Commissioner of Insurance to be effective January 1, 2006.

ITEM NUMBER 3887 PREMIUM AUDIT RULE

The Office of the Commissioner of Insurance requested that the WCRB adopt language to address premium adjustment upon audit. The Committee voted to adopt the following amendment to Basic Manual Rule V.C, to be effective upon approval.

C. ESTIMATED PAYROLLS

1. Estimated Payrolls by Classification

For each classification shown on the Information Page, the total estimated annual payroll shall be stated in the column headed "Premium Basis Total Estimated Annual Remuneration."

2. Determination of Estimated Payrolls

Estimated payrolls shown on the Information Page shall reflect actual remuneration anticipated by the insured during the policy period. Such estimates shall be subject to substantiation by the carrier through evaluation of records or inspections.

3. Audit of Estimated Payrolls

Upon establishment of actual payrolls, the carrier shall transact the premium audit adjustment within 90 days.

4. Review of Estimated Payrolls

Adequacy of estimated payrolls is subject to review by WCRB.

The next meeting of the Rating Committee is tentatively scheduled for Tuesday, March 14, 2006 at the offices the Wisconsin Compensation Rating Bureau.

Donna Knepper
Executive Secretary