



Wisconsin Compensation Rating Bureau

**CIRCULAR LETTER 1077—JUNE 27, 2006**

**PROCEEDINGS OF THE WISCONSIN GOVERNING COMMITTEE**

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Governing Committee meeting held in the premises of Lake Lawn Resort, 2400 East Geneva Street, Highway 50 East, Delavan, WI 53115 on Friday, June 16, 2006. The meeting was called to order at 8:30 AM, with the following members present:

ORGANIZATION

REPRESENTATIVE

Sentry Insurance A Mutual Co., Chair  
  
American Home Assurance Company  
Employers Insurance Company of Wausau  
Fireman’s Fund Insurance Company  
General Casualty Insurance Co. of WI  
Secura Insurance Co.  
Society Insurance A Mutual Co.  
Travelers Insurance Co.  
Wisconsin Compensation Rating Bureau

Janet Fagan  
Bill Swarthout  
Ellen Altenburg-Wadel  
Ira Feuerlicht  
Steve Ginsburg  
Ken Blake  
Jim Vandenberg  
Phil Biwan  
Rick Levin  
Bruce Kaufenberg  
Ralph Herrmann  
Richard Colvin  
Christine Siekierski  
Nancy Kierzek  
Tad Cleveland  
Donna Knepper

Also Present:

Integrity Insurance  
Liberty Mutual Insurance Company  
Riegel Law, S.C.  
Tri State Insurance of MN  
West Bend Mutual Insurance Company

Gary Anderson  
Val Schmelzer  
Paul Riegel  
Al Utzig  
Joel Christ

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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.”

1. The Committee was presented the following information:

- The 2005 Audited Year-End/2006 Approved Budget Report.
- An Income Report that included years 2002 through 5-31-06.
- An Approved Quarterly Budget Reference Chart outlining the approved quarterly assessments for the past year.
- A report comparing the number of fines issued and the total income for NTCs and USRs for 2002 through May, 2006. The report summarized that the Unit Statistical fine income decreased by 57.2% from 2002 to May, 2006, and the number of fines increased by 78%. For the same time period, Notice to Carrier fine income decreased by 45%, while the number of fines decreased by approximately 63%.
- The Committee voted to levy an assessment for the third quarter of 2006 in the amount of \$1,699,702.

NOTE: Since the direct premium writings of the current calendar year do not become available until the following calendar year, the net direct premium writings of the preceding calendar year shall be used as a temporary basis for the apportionment of this assessment.

2. The usual discussion centering on administrative affairs, occupancy, general expenses, personnel, etc.

The Committee was provided the following update:

- Announcement that WCRB will be implementing processing charges for hard-copy submissions no sooner than July 1, 2007.
- WCRB will begin a Request For Proposal process for actuarial services during 2007. WCRB will also investigate alternative actuarial models such as shared services with other Independent Bureaus and in-house services.

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- An industry training session will be hosted in the WCRB offices in October. The session will include policy related issues and a Web focus review.
- A Joint Finance Subcommittee meeting will be scheduled to review the shared expenses between the WCRB and the Wisconsin Automobile Insurance Plan.

### 3. Outstanding Issues:

#### a. Workers Compensation Research Institute

No new developments.

#### b. Carriers placed in rehabilitation/liquidation

WCRB reported that no new carriers were placed in liquidation.

#### c. Unit Statistical direct reporting option

294 carriers are filing unit statistical reports directly with the WCRB, representing over 70% of all submissions.

#### d. WCRB Ratemaking—Financial Calls

All financial calls but four from two carriers have been received.

As a result of the inclusion of a few carriers who had submitted their financial calls subsequent to the due date(s), as well as an alteration in the methodology used to calculate the AOE (Adjusting and Other Expense) recommended by the Actuarial Subcommittee, the overall rate change is currently targeted at +1.24%.

WCRB is anticipating feedback from the OCI on some of the trend selections.

#### e. Pool Surplus Report

The Committee was furnished with a copy of the Actuarial Analysis of Wisconsin Worker's Compensation Insurance Pool prepared by Milliman, Inc. The report showed an increase in the estimated loss ratio from 74% to 83%. Calendar year 2005 resulted in a deficit of \$73,000. When added to the \$5.7 million deficit in 2004, a deficit of approximately \$5.8 million will be declared but not levied.

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- f. The following additional items were discussed and/or acted upon:
- The committee was advised of an ongoing case, Acuity v Olivas, and the application of the 9-point independent contractor test for the collection of premium. The lower courts ruled that the 9-point test applies to coverage determination rather than the basis of premium. The case is in appeal in the Supreme Court.
  - Accepted the WCRB Audited Financial Statements Years Ended December 31, 2005 and 2004, prepared by Reilly, Penner & Benton.
  - Accepted the WWCIP Audited Financial Statements Years Ended December 31, 2005 and 2004, prepared by Reilly, Penner & Benton.
  - Accepted the Actuarial Analysis of the WWCIP, prepared by Milliman Inc.

The financial reports will be filed with the Office of the Commissioner of Insurance on an informational basis only.

4. The Committee was provided an Executive Summary on ACCCT activities.

The next Governing Committee meeting is scheduled for Wednesday, September 13, 2006, 8:30 AM at the offices of Sentry Insurance in Stevens Point, WI.

Donna Knepper  
Executive Secretary