



Wisconsin Compensation Rating Bureau

262-796-4540 • Fax 262-796-4400 • www.wcrb.org

P.O. Box 3080 • Milwaukee, WI 53201-3080

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

CIRCULAR LETTER 1081—DECEMBER 15, 2006

PROCEEDINGS OF THE WISCONSIN GOVERNING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Governing Committee meeting held in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Wednesday, December 6, 2006. The meeting was called to order at 10:00 AM, with the following members present:

ORGANIZATION

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

REPRESENTATIVE

Bill Swarthout
Jerry Korbel
Steve Ginsburg
Jim Vandenberg
Phil Biwan
Rick Levin
Bruce Kaufenberg
Ralph Herrmann
Richard Colvin
Christine Siekierski
Nancy Kierzek
Tad Cleveland
Michael Mann
Donna Knepper

Member Absent or Excused:

Fireman’s Fund Insurance Company

Also Present:

AmComp
Companion Property & Casualty Company
Liberty Mutual Insurance Company
Office of the Commissioner of Insurance
Riegel Law, S.C.
West Bend Mutual Insurance Company
Wisconsin Municipal Mutual Insurance Company

Debbie Towler
Patrick Clavette
Val Schmelzer
Ronnie Demergian
Paul Riegel
Joel Christ
Kevin Murphy

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 reviewed and adopted the proposed WCRB 2007 budget.
2. The Committee was presented with the following information:
 - The 2006 Estimated Year-End/2007 Proposed Budget Report.
 - Detail of the 2007 Estimated Information Technology Budget.
 - An Income Report that included years 2003 through 11-30-06.
 - 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 2006 (January through October of each year). The report summarized that the Unit Statistical fine income decreased by 52.1% from 2002 to 2006, and the number of fines issued decreased by 75.1%. For the same time period, Notice to Carrier fine income decreased by 43.1%, while the number of fines decreased by 62.0%.
 - The Committee voted to levy an assessment for the first quarter of 2007 in the amount of \$1,713,294.

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.

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

The Committee was provided the following update:

- The Committee was given a demonstration of the new Policy View feature on the WCRB Web site. WCRB will investigate providing the ability to download Policy View information in an excel format.
- WCRB will be hosting industry training sessions in Spring 2007.

CIRCULAR LETTER 1081—DECEMBER 15, 2006 –PAGE 3

- The Committee was provided with a cost analysis of WCRB costs incurred for processing policy submissions hard-copy versus electronic transactions. Emphasis was placed on data quality improvement gained by electronic transmittal.
- The Committee voted to adopt the recommendation of the Rating Committee of an initial target fee of \$25.00 per hard-copy document for Phase One of the implementation program, subject to continued review. Phase One includes the submission of new policies, renewal policies, cancellations and reinstatements.

WCRB was requested to provide a summary report of carriers submitting hard-copy versus electronic transaction and carriers in test for electronic transaction.

- The Committee was updated on the WCAC study committee assembled to discuss issues related to the logging industry.

The WCRB sent a survey to all employers with code 2702 on their policy. The survey requested information from the employer on what percentage of their operations were mechanized versus non-mechanized. Over 1400 questionnaires were sent and 442 responses were received.

Class code 2709 was established to report mechanized exposure for policies effective October 1, 2006 and later. The data collected will be evaluated to determine whether a separate rate for mechanized logging will be established. The initial evaluation will be made in conjunction with the October 1, 2009 rate revision.

The study committee is also investigating safety programs and a group self-insurance program for the logging industry

- A position for an Inspector will be posted to be filled in 2007.
- The Committee was updated on the activity of the Permanent Total Disability (PTD) Subgroup created by the Worker's Compensation Advisory Council. The main focus of the Subgroup is to investigate increased benefits and funding mechanisms for PTD recipients, as well as for PTD claims on a go-forward basis. The elimination of death benefits for non-injury related deaths is also being considered.

4. Outstanding Issues:

a. Workers Compensation Research Institute

The Committee acknowledged the WCRI's request for funding of \$195,000.

b. Carriers placed in rehabilitation/liquidation

CIRCULAR LETTER 1081—DECEMBER 15, 2006 –PAGE 4

The Committee was furnished with a rough draft of definitions of various levels of financial difficulty a carrier can be placed in and subsequent action that may be taken by the WCRB. The Committee was asked to provide WCRB staff with any input.

The WCRB is in the process of reviewing the Bureau By-Laws, and that provisions for working with carriers in financial difficulty will be considered.

c. Unit Statistical direct reporting option

308 carriers are filing unit statistical reports directly with the WCRB, representing approximately 75% of all submissions.

d. WCRB Ratemaking - Financial Calls

The Committee was advised that the Actuarial Subcommittee met in November and discussed the following topics:

- Clarification of the Pool Fund guidelines.
- Identification of information needed to be incorporated in the review for the October 1, 2007 rate revision.
- Alternate actuarial structures.
- Request For Proposal (RFP) for actuarial services. The contract is to become effective January 1, 2008.

e. Pool 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 Fund's surplus under several different loss ratio scenarios. The report is available to member carriers upon request.

f. Acuity v. Olivas

The Committee was advised that the decision on Acuity v. Olivas was still pending before the Supreme Court.

g. The Employer Group (TEG) v. WCRB and OCI

The Committee was advised that a resolution has been negotiated. The Worker's Compensation Advisory Council will be proposing amendments to Chapter 102. If adopted, the appropriate amendments will be made to Wisconsin Basic Manual Rule IX and refiled with the Office of the Commissioner of Insurance for approval.

h. Kemper Group

The Committee was advised that the fining issues have been resolved. This item is removed from the agenda.

i. Other

The following additional items were discussed and/or acted upon:

- The Rating Committee has recommended that the Wisconsin Contractors Premium Adjustment Program (WCPAP) become a standing program to be reviewed biennially.
- The Commissioner of Insurance upheld the December 6, 2005 decision of the Rating Committee. Skil-Tech, Inc. has not appealed the decision.
- The Committee accepted an amendment to the Wisconsin Worker's Compensation Insurance Pool investment guidelines as recommended by the Investment Subcommittee.
- In the past, municipal insurers have questioned the requirement to participate in the assigned risk pool. OCI has rendered an opinion requiring participation. There is a pending technical bill to support OCI's position.

WCRB has outstanding assessment due from a couple municipal insurers. The Committee voted to suspend further collection efforts pending the result of the proposed technical bill.

5. Innovative Benefit Concepts, Inc.

The Committee approved the recommendation from Bureau staff to charge-off an uncollectible amount of \$40,995 as owed by Innovative Benefit Concepts, Inc. to Middlesex Insurance Company.

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

Donna Knepper
Executive Secretary