



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 2986—JUNE 27, 2006

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee meeting held in the premises of Lake Lawn Resort, 2400 East Geneva Street, Highway 50 East, Delavan, WI 53115 on Thursday, June 15, 2006. The meeting was called to order at 8:30 AM, with the following members present:

ORGANIZATION

General Casualty Insurance Company, Chair
Allied Construction Employers Association
American Home Assurance Company

Employers Insurance Company of Wausau
Employers Mutual Casualty Company
Sentry Insurance A Mutual Company

Society Insurance A Mutual Company

Travelers Insurance Company
United Wisconsin Insurance Company
Wisconsin Manufacturers & Commerce
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Jim Vandenberg
Ed Hayden
Ira Feuerlicht
Jerry Korbel
Steve Ginsburg
Jim Pousha
Bill Swarthout
Ellen Altenburg-Wadel
Rick Levin
Chad Thurn
Bruce Kaufenberg
Emil Pfenninger
John Metcalf (part of meeting)
Ralph Herrmann
Richard Colvin
Christine Siekierski
Nancy Kierzek
Tad Cleveland
Donna Knepper

Also Present:

AmComp
Integrity Mutual Insurance
Liberty Mutual Insurance Company
Middlesex Insurance Company

Debbie Towler
Gary Anderson
Val Schmelzer
Sandy Knoll

CIRCULAR LETTER 2986 – JUNE 27, 2006 – PAGE 2

Milliman, Inc.
Office of the Commissioner of Insurance

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

Gary Josephson
Laura Andreasson
Fred Nepple (part of meeting)
Paul Riegel
Phil Biwan
Al Utzig
Pam Allison
Joel Christ

Also Present for Part of Meeting:

DeWitt, Ross & Stevens, S.C.
NAPEO
QTI Human Resources

Justin Hemsing
Todd Cohn
Susan Haine

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

Tad Cleveland provided an update of the Wisconsin Contractor's Premium Adjustment Credit Program. For the latest WCPAP period, beginning July 1, 2006, the WCRB has mailed 5,541 applications. The resulting average credit of 4% comes from 1,126 applications processed. These numbers represent all policies which qualified for a premium credit with an effective date July through September.

Each member of the Committee was furnished with a copy of the Summary of WCPAP Analysis released November 14, 2003 prepared by Milliman, Inc. The analysis will be updated and available for discussion at the September meeting. Committee members were instructed to notify the WCRB of any additional data elements they would like included in the analysis.

ITEM NUMBER 3852 WWCIP 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.

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

The Committee was furnished with an update of the results of the questionnaire sent out to member companies asking what each carrier is charging for TRIA, DTEC, installment fees, which premium discount table is being used, and if the short-rate cancellation penalty is being applied. WCRB will be sending out a third request to the few member companies that have not responded. The request will identify the importance of completing the questionnaire and that failure to do so may result in additional action.

This item is removed from the agenda.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

The Committee was furnished with a summary timeline of events that have taken place since the December 6, 2005 Rating Committee meeting, and the subsequent filing and approval of Basic Manual Rule IX amendments.

The Office of the Commissioner of Insurance had several discussions with interested parties with the goal to amend the proposed rule filing so that it would be acceptable to all parties. WCRB created endorsement WC 48 06 07 Professional Employer Organizations and Employee Leasing Organizations – Wisconsin Cancellation and Non-renewal Endorsement to address amendments to Basic Manual Rule IX. Amendments to the endorsement made by the Committee will be incorporated and forwarded to the Rating Committee for an e-mail vote to file with the OCI.

Representatives of the PEO industry were present and expressed concerns with the cancellation provisions and the requirement that policies must provide coverage for all employees and leased employees of the client. The representatives were invited to draft proposed amendments which would address their issues without negatively impacting the intent of the filing. Any proposed language changes will be forwarded to the Rating Committee for review.

The amendment to WI Basic Manual Rule IX has been approved effective November 1, 2006 applicable to new and renewal business. Discussions on outstanding and newly identified issues will continue.

ITEM NUMBER 3880 MECHANIZED LOGGING

The Committee was advised that proposed Assembly Bill 686 which would permit two or more logging employers to group together to self-insure their worker's compensation liabilities and establish a separate classification for mechanized operations has been tabled, per the Department of Workforce Development.

CIRCULAR LETTER 2986 – JUNE 27, 2006 – PAGE 4

At the June 6, 2006 WC Work Group meeting, DWD advised that there is a program in Minnesota which provides worker's compensation premium credits to qualified loggers who receive certification for safety. The program is funded by a \$0.30 surcharge per cord charged to the mills/end users (excluding the first 5,000 cords purchased). The first \$125,000 collected is put into the safety education fund. Per DWD, a committee has been established to research whether a similar program should be considered in Wisconsin.

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

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

ITEM NUMBER 3883 SKIL-TECH, INC.

An appeal hearing on the December 6, 2005 Rating Committee decision was held on March 23, 2006. WCRB and Skil Tech, Inc. each had two witnesses testify. Post hearing briefs were completed on May 11, 2006. A final ruling from the Administrative Law Judge is expected in July.

ITEM NUMBER 3885 OCTOBER 1, 2006 RATE REVISION

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.

ITEM NUMBER 3888 NCCI PROPOSAL ITEM B-1399 REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR THE AVIATION INDUSTRY

At the March 14, 2006 meeting, the Committee requested the WCRB to develop a transition program for the proposed aviation classification changes. While developing the transition program several issues arose and a revised filing was received from the NCCI.

This item is continued pending further review and recommendation by the Operations Subcommittee and the WCRB.

NEW BUSINESS

ITEM NUMBER 3889 POLICY PROCESSING FEES

The WCRB proposed implementing policy processing charges for hard-copy submission of policy information. Changes to the current reporting process would not be made prior to July 1, 2007. A Circular Letter providing greater detail will soon be released.

ITEM NUMBER 3890 ACUITY v OLIVAS

By the unanimous consent of all members present, this item was added to the agenda.

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.

The next meeting of the Rating Committee is scheduled for Tuesday, September 12, 2006 at the offices of Sentry Insurance, Stevens Point, WI.

Donna Knepper
Executive Secretary