



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 1086—MAY 30, 2007

PROCEEDINGS OF THE WISCONSIN GOVERNING COMMITTEE

TO: Members of the Bureau

FROM: Donna Knepper

RE: Rules Governing the Insuring of Risks as Required by Section 619;01(c), Wis. Stats.

Pursuant to ch 626, Wis. Stats., the State of the Wisconsin, Office of the Commissioner of Insurance has advised that the action taken by the Rating Committee has been approved.

The Wisconsin Worker's Compensation Insurance Pool Fund value definitions found in Section VII.C. of the Appendix of the Wisconsin Basic Manual have been amended as follows:

C. WISCONSIN WORKER'S COMPENSATION INSURANCE FUND—ANNUAL EVALUATION AND ADJUSTMENT

1. DEFINITIONS

- a. *The value of the Wisconsin Worker's Compensation Insurance Fund* (fund value) means the total of (1) cash on hand and in the bank; (2) holdings of bonds as specified in the Portfolio Investment Guidelines approved by the governing committee; and (3) previously declared but unlevied assessments upon member companies less previously declared but undistributed disbursements to member companies, minus a proper reserve for unearned premiums.
- b. *Member company* means all insurers who are members of the WCRB.
- c. *Member company share* means the net direct worker's compensation insurance premium written in Wisconsin by the company during the preceding calendar year related to the total net direct worker's compensation insurance premiums written in Wisconsin by all companies during the preceding calendar year.
- d. *Net direct worker's compensation insurance premiums written* means gross direct worker's compensation premiums less return premiums, return premiums due to cancellation, and premium on policies not taken—without including reinsurance assumed and without deducting reinsurance ceded.
- e. *Target fund value* means a fund value equal to the actuarial best estimate of the total outstanding losses (reported plus Incurred But Not Reported) of all servicing carriers.
- f. *Minimum fund value* means a fund value equal to 90% of the Target Fund Value.
- g. *Maximum fund value* means a fund value equal to 110% of the Target Fund Value.

2. MEMBER COMPANY ACCOUNTS

The WCRB shall establish and maintain a separate account for each member company so that the member company's share in the Wisconsin Worker's Compensation Insurance Fund can be annually recorded. The WCRB shall furnish a statement of such account to each member company as of the end of each calendar year.

3. ANNUAL EVALUATION AND ADJUSTMENT—ALTERNATIVES

At the end of each calendar year, the WCRB shall calculate the fund value and relate it to the estimated values of all claims outstanding against the servicing carriers as reported in the annual reports (see Subsection VII.B.4.), and further adjusted by a factor determined by an independent actuarial review of losses to reflect anticipated changes in outstanding losses prior to payment. Based on the results of this calculation, the WCRB shall act in accordance with the following alternative that applies:

- a. If the calculation shows that the fund value is between the minimum fund value ~~(110%)~~ and the maximum fund value ~~(140%)~~, an assessment or disbursement (adjustment) shall be declared in an aggregate amount sufficient to bring the fund to the target fund value ~~(125%)~~ but such amount shall not be collected from or paid to member companies. The adjustment shall be actuarially allocated to each of the ten most recent accident years. Any adjustments allocated to accident years older than the ten most recent years shall be aggregated together in an "all prior" category. The adjustment for each accident year shall be allocated to members based on a member company's share for the calendar year corresponding to the accident year. The all prior category shall be allocated to members based on a member company's share for the tenth prior year. The sum total of each member company's allocated accident year adjustments shall be recorded in each member company's account.
- b. If the calculation shows the fund value is less than the minimum fund value ~~(110%)~~ or greater than the maximum fund value ~~(140%)~~ an assessment or disbursement (adjustment) shall be declared in an aggregate amount sufficient to bring the fund value to the target fund value ~~(125%)~~ and shall be collected from or paid to member companies. The adjustment shall be actuarially allocated to each of the most recent ten accident years. Any adjustments allocated to accident years older than the most recent ten years shall be aggregated together in an "all prior" category. The adjustment for each accident year shall be allocated to the members based on a member company's share for the calendar year corresponding to the accident year. The all prior category shall be allocated to the members based on a member company's share for the tenth prior year. The actual collection or payment provided for in this subsection shall take into account any declared adjustments not collected or paid pursuant to Subsection 3.a. for prior years as shown in each member company's account.
- c. If the WCRB has not collected or paid a declared assessment or disbursement made pursuant to Subsection 3.a. during a continuous five-year period, the WCRB shall collect or distribute the aggregated amount shown in each member company's account notwithstanding any other alternatives set forth in these rules.
- d. In the event any member company discontinues business or withdraws from the state, a final collection or distribution shall be made of the aggregated amount shown as collectible or payable in the member company's account as of the end of the calendar year in which the discontinuance or withdrawal occurs. Following such final collection or disbursement, the member company's account shall be closed, and the company and its market share of premiums in any prior year shall be excluded from the participation in and the calculation of any future adjustments to the Pool fund under this rule.