



Wisconsin Compensation Rating Bureau

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**CIRCULAR LETTER 1088 – JUNE 27, 2007**

**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 15, 2007. The meeting was called to order at 8:30 AM, with the following members present:

ORGANIZATION

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

Society Insurance A Mutual Co.  
United Wisconsin Insurance Co.  
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Bruce Kaufenberg  
Jerry Korbel  
Steve Ginsburg  
Jim Vandenberg  
Phil Biwan  
Bill Swarthout  
Christine Kienbaum  
Rick Levin  
Emil Pfenninger  
Ralph Herrmann  
Nancy Kierzek  
Christine Siekierski  
Tad Cleveland  
Donna Knepper

Also Present:

Office of the Commissioner of Insurance  
Riegel Law, S.C.  
Tri State Insurance of MN  
West Bend Insurance Co.

Ronnie Demergian  
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 with the following information:

- 2006 Audited Year-End/2007 Approved Budget.
- An Income Report that included years 2003 through 5-31-07.
- A 2006 Approved Budget vs. Final Year-End Summary for the IT Department.
- 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 January 1, 2003 through May 31, 2007. The report summarized that the Unit Statistical fine income decreased by 74.4% from 2003 to 2006, and the number of fines issued decreased by 70.0%. For the same time period, Notice to Carrier fine income decreased by 59.9%, while the number of fines decreased by 47.6%.
- The Committee voted to levy an assessment for the third 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.

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

The Committee was provided the following update:

- Milliman has been retained as the vendor for rate making and other actuarial services for 2008 through 2010.

President Herrmann expressed his appreciation to the adhoc committee for their assistance in the review and selection process.

- A letter was sent to the Home Office of all carriers submitting data hard-copy and not in the process of testing for electronic transactions indicating what their process fee would have been for 2006 had a hard-copy fee

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been in place. WCRB has also conducted two training sessions, updated web site instructions regarding electronic filing and updated the on-line policy reporting process.

WCRB also provided a summary report of carriers submitting hard-copy policy documents versus electronic transactions, and carriers in test for electronic transaction.

- The Wisconsin Worker's Compensation Insurance Pool (WWCIP) Handbook is being revised. Input on revisions from the Governing, Rating and Pool Technical Committees is appreciated.
- The development of an on-line assigned risk application product is moving forward. Testing of the new application is anticipated to begin in late Fall for implementation early in 2008.
- A position for an Inspector was filled mid-May. The new Inspector will service the Milwaukee, Waukesha and Fox Valley areas.
- WCRB is in the process of investigating the purchasing of reinsurance for the WWCIP. An update will be provided in September.

### 3. Outstanding Issues:

#### a. Workers Compensation Research Institute

There was no new activity to report.

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

There was no new activity to report.

#### c. Unit Statistical direct reporting option

319 carriers currently are filing unit statistical reports directly with the WCRB. This represents approximately 75% to 77% of the total unit statistical reports received.

#### d. WCRB Ratemaking – Financial Calls

The initial overall rate level change utilizing the trend selections recommended by the Actuarial Subcommittee results in a decrease of 2.47%. The Office of the Commissioner of Insurance has indicated that there was disagreement with the trend selection used for Defense and Cost Containment Expense (DCCE). The Actuarial Subcommittee recommended the continued use of both the paid and paid plus case method while the Actuary for the OCI recommended using a pure paid methodology. The Rating Committee voted to accept the recommendation of the Actuarial Subcommittee. Discussions are continuing with the OCI.

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 selected loss ratio for calendar year 2006 is 80%. Calendar year 2006 resulted in a surplus of \$9.2 million. The 2006 surplus of \$9.2 million, when combined with the previous two-year deficit of \$5.8 million, produces a three-year surplus of approximately \$3.4 million. The 2006 surplus of \$9.2 million is declared but will not be disbursed according to Pool rules.

The 2006 surplus report includes an approximate \$10 million four-year adjustment which represents the difference between the invoiced and reported premium for one of the servicing carriers. WCRB will contact each of the remaining carriers to verify their reporting methods and will review prior adjustments/true-up to the Pool Fund to determine whether any adjustments are necessary.

f. Acuity v. Olivas

The Supreme Court decision left unanswered coverage questions between sole proprietors and general contractors. The Rating Committee voted to monitor activity with regard to sole proprietors for the next two years. No further action is needed on this item at this time.

g. Employer Group (TEG) v WCRB and OCI

WCRB Legal Counsel, Paul Riegel advised that the lawsuit is on hold pending passage of amended language regarding Employee Leasing Companies in the 2008 "Agreed Bill".

The statutory changes with regard to Employee Leasing Companies have been agreed to by all interested parties. WCRB has incorporated the revised language into Wisconsin Basic Manual Rule IX and is in the process of finalizing the appropriate endorsements. An adhoc committee is being formed to address potential issues and to complete the filing for review at the September Rating Committee meeting.

h. WCRB By-Laws

The Committee was advised of the status of the review of the WCRB By-Laws. A meeting will be scheduled prior to the September meetings to discuss Committee feedback and to finalize the proposed revisions.

i. Municipal Mutual Insurance Companies

This item is continued pending a technical bill regarding municipal insurers' participation in the Wisconsin Worker's Compensation Insurance Pool.

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j. WWCIP Charge-Off Requests

The Committee reviewed the charge-off procedures and voted to retain the current format. Charge-offs may be taken as follows:

- Uncollectible amounts under \$10,000 may be taken by the servicing carrier subject to WCRB review and approval.
- Uncollectible amounts between \$10,000 and \$25,000 must first be approved by WWCIP.
- Uncollectible amounts in excess of \$25,000 must be approved by the Governing Committee. A summary report will be provided to the Committee for review for each request.

k. Other

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

- Accepted the WCRB Audited Financial Statements Years Ended December 31, 2006 and 2005, prepared by Reilly, Penner & Benton.
- Accepted the WWCIP Audited Financial Statements Years Ended December 31, 2006 and 2005, prepared by Reilly, Penner & Benton.

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

4. Travelers Insurance – Reimbursement Request

Travelers Insurance Company submitted a request for reimbursement for legal expenses incurred in defending a suit arising from their declination to pay benefits other than what is provided under Wisconsin law on a Pool policy for a claim occurring outside Wisconsin. The Committee agreed that the expense should be reimbursable. The Committee took no action at this time pending submission and review of the final bill. Travelers Insurance Company abstained from voting.

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

The next Governing Committee meeting is scheduled for Wednesday, September 12, 2007, 8:30 A.M., at the offices of Sentry Insurance in Stevens Point, WI.

Donna Knepper  
Executive Secretary