



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 3007—JUNE 27, 2007

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee called to convene in the premises of Lake Lawn Resort, 2400 East Geneva Street, Highway 50 East, Delavan, WI 53115 on Thursday, June 14, 2007. The meeting was called to order at 8:30 AM with the following members present:

ORGANIZATION

Sentry Insurance A Mutual Company, Chair

- Allied Construction Employers Association
- American Home Assurance Company
- Employers Insurance Company of Wausau
- Employers Mutual Casualty Company
- General Casualty Insurance Company
- Society Insurance A Mutual Company
- Travelers Insurance Company
- United Wisconsin Insurance Company
- Wisconsin Manufacturers & Commerce
- Wisconsin Compensation Rating Bureau

REPRESENTATIVE

- Bill Swarthout
- Christine Kienbaum
- Ed Hayden
- Jerry Korbel
- Steve Ginsburg
- Jim Pousha
- Mike Schimke
- Rick Levin
- Bruce Kaufenberg
- Paul Hingtgen
- John Metcalf
- Ralph Herrmann
- Tad Cleveland
- Nancy Kierzek
- Christine Siekierski
- Donna Knepper

Also Present:

- Integrity Mutual Insurance Company
- Liberty Mutual Insurance Company
- Milliman
- Office of the Commissioner of Insurance
- Riegel Law, S.C.
- Secura Insurance Company

- Gary Anderson
- Val Schmelzer
- Gary Josephson
- Ronnie Demergian
- Paul Riegel
- Phil Biwan

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Tri State Insurance of MN
West Bend Mutual Insurance

Al Utzig
Joel Christ

Also Present For Part of Meeting:

Great Lakes Timber Professionals Association

Gene Francisco

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 Program. For the latest WCPAP year, beginning July 1, 2007, the WCRB has mailed 5,453 applications, of which 1,069 contractors, or 20%, responded. This number represents all policies containing a contracting classification with an effective date July 2007 through September, 2007. The resulting average credit is 4%.

The WCPAP program will be reassessed at the end of 2007 for possible adjustments in 2008.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

The Committee was furnished with a copy of the Actuarial Analysis of the 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.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

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".

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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 Committee meeting.

ITEM NUMBER 3880 MECHANIZED LOGGING

Gene Francisco from the Great Lakes Timber Professionals Association addressed the Committee and outlined proposed parameters of a safety certification program for loggers. The proposal includes application of a policy credit based on each employee successfully completing the safety certification program. The Committee requested the WCRB to develop a credit program similar to what is currently being used for WCPAP.

ITEM NUMBER 3889 POLICY PROCESSING FEES

WCRB provided an update on the activities associated with launching the Policy Processing Hard Copy Fee program. They furnished a handout that identified the number of policies, and related documents, that were received electronically vs. hard copy.

As part of the update, it was noted that the WCRB will be testing an XML policy transmission from a carrier. It was explained that the WCIO and ACORD partnered to develop the XML schema for policy reporting and that all WCIO reporting products have been mapped to XML. Carriers who are planning to rewrite systems would probably be interested in using XML rather than the flat file method of submitting data.

ITEM NUMBER 3890 ACUITY v. OLIVAS

The Wisconsin Supreme Court decision left unanswered coverage questions between sole proprietors and general contractors. The 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.

ITEM NUMBER 3893 NCCI PROPOSAL ITEM B-1397 NCCI PROPOSAL REVISIONS TO BASIC MANUAL CLASSIFICATION AND RULES

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

ITEM NUMBER 3894 REVISION TO WCRB BY-LAWS

WCRB has requested Committee feedback to proposed revisions to the WCRB By-Laws by August 1, 2007. The goal is to have recommended changes finalized for adoption at the May, 2008 Annual Meeting.

ITEM NUMBER 3895 PROPOSED REVISION TO THE WISCONSIN UNIT STATISTICAL PLAN MANUAL – SUPPLEMENTAL LOSS FORM

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

ITEM NUMBER 3896 OCTOBER 1, 2007 RATE REVISION

The initial overall rate level change utilizing the trend selections adopted 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.

NEW BUSINESS

ITEM NUMBER 3897 WISCONSIN LIMITED OTHER STATES ENDORSEMENT

The Wisconsin Limited Other States Endorsement has historically caused confusion with coverage being provided in states other than Wisconsin. This is especially confusing in the Wisconsin Worker's Compensation Insurance Pool and the inability to provide extra-territorial coverage. In an effort to minimize coverage issues, WCRB proposed revisions to the current endorsement. After discussion, the Committee recommended that WCRB further research the issues and draft a proposed endorsement for the Committee's review in September.

The next Rating Committee meeting is scheduled for Tuesday, September 11, 2007, 8:30 A.M., at the offices of Sentry Insurance in Stevens Point, WI.

Donna Knepper
Executive Secretary