



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 1103—DECEMBER 22, 2008

WISCONSIN GOVERNING BOARD MEETING

Minutes of the Wisconsin Governing Board held in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Dr., Waukesha, WI 53186 on Tuesday, December 2, 2008. The meeting was called to order at 8:30 AM.

A list of attendees at the December 2, 2008 Rating Committee, WWCIP and Governing Board meetings follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Jim Hennessy from American Home Assurance Company. The Chair of the Governing Board was Rick Levin from Society Insurance Company.

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
American Home Assurance	Jim Hennessy	X	X	O
Employers Insurance of Wausau	Steve Ginsburg	X	X	O
Employers Mutual Casualty Co.	Jim Pousha		X	X
General Casualty Insurance Co.	Jim Vandenberg	X	X	X
	Mike Schimke		X	X
Middlesex Insurance Co.	Sandy Knoll		O	X
Sentry Insurance A Mutual Co.	Mike Williams	X		
	Christine Kienbaum		X	O
Society Insurance Co.	Rick Levin	X	X	X
Travelers Insurance Co.	Bruce Kaufenberg	X	X	X
Tri State Insurance Co. of MN	Judy Baldus		O	X
United Wisconsin Insurance Co.	Paul Hingtgen	X	X	O
West Bend Mutual Insurance Co.	Pam Allison	O	O	X
	Joel Christ	O	O	X
	Joy Carr		O	X
Wisconsin Manufacturers & Commerce	John Metcalf	X	X	X
Associated General Contractors of Greater Milwaukee	Dan Burazin	X	X	X
Wisconsin Compensation Rating Bureau	Ralph Herrmann	O	O	O
	Tad Cleveland	O	O	O
	Christine Siekierski	O	O	O
	Nancy Kierzek	O	O	O

X = Committee member
O = Present (non-committee member)

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Member Absent or Excused

ORGANIZATION
Secura Insurance Co.
Liberty Mutual Insurance Co.

Also Present

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Office of the Commissioner of Insurance	Ronnie Demergian	O	O	O
Riegel Law, S.C.	Paul Riegel	O	O	O
Gary Josephson	Milliman		O	O
Deb Towler	AmComp Insurance		O	O

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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 approved the Minutes for the September 10, 2008 Board meeting.
2. Bureau Operations – Industry Issues
 - Budget Update. This item was moved to Executive Session.
 - Administrative affairs, occupancy, general expenses, personnel, etc. The Board was advised of the following:
 - During the past several months, the WCRB has experienced three staffing vacancies due to resignation or disability. Two positions were in Policy Processing while the third was in the experience rating area. One Policy position was replaced through the hiring of a new employee. The remaining two positions will not be filled at this time. Current staffing stands at 49 employees.
 - Update on Hard Copy Processing Discontinuation – Effective July 1, 2009, the WCRB will no longer accept hard copy unit statistical

reports. Any hard copy unit reports received after this date will be returned to carriers without further processing by WCRB.

Effective January 1, 2010, the WCRB will discontinue accepting hard copy policy data. Any hard copy policy related data received after this date will be returned to carriers without further processing by WCRB.

The Board unanimously approved this measure.

- Update on Online Assigned Risk (OAR) – Approximately 20% of all applications received in the past month were submitted via the new online application process. The number of Pool applications received electronically continues to grow since the product was introduced in May 2008.
- Update on migrating WCPAP applications to the Web – Due to the expense generated from mailing out hard-copy WCPAP applications to every employer with a contracting classification on their workers compensation policy, the WCRB is investigating the migration of this process to a web-based application.

Critical to this process will be notification to employers. A postcard notification system, similar to that done by another independent bureau state, is being considered, which will reduce costs by as much as 40-50%. Currently, the goal is to have the application completed by 3-1-09 and the postcard notification complete by 4-1-09.

- A web product which will enable users to identify the carrier of record and claim contact information is scheduled to be completed before year-end. This application merges WCRB policy coverage information with DWD claim contact information.
- The WCRB Employee Handbook has been completely rewritten to update the content with current policies and procedures. This handbook is available on WCRB's intranet.
- Pool Surplus Report – Gary Josephson from Milliman Inc. provided the Rating Committee with an overview of the Pool surplus estimates for year-end 2008. The report included an analysis depicting the impact on the Pool surplus under various loss ratio scenarios. The report is available to member carriers upon request.
- Medical Data Call – Approximately 17 carriers have provided data for the medical data call. This participation represents approximately 54% of the total data available based on 2007 premium writings. The data has been forwarded to the Wisconsin Insurance Alliance which will have a third-party perform an analysis intended to potentially provide justification for the

creation of a medical fee schedule in Wisconsin. The Board approved the expenditure of up to \$60,000 for WIA to proceed with the analysis.

Discussion also involved NCCI's proposed national medical data call which will be instituted in 2010. The Board approved proceeding with involvement in NCCI's call, pending legal review of the contract with NCCI.

- WWCIP Charge-offs
 - Construction Labor Resources LLC- \$59,033.00 – Tri State Insurance Co. of Minnesota
 - Kadlec Trucking LLC - \$48,348.00 – Middlesex Insurance Company

The Board approved the charge-offs recommended by the WCRB.

3. The following Committees reported to the Board:

RATING COMMITTEE

- NCCI Proposal Item B-1406 – Revisions to Basic Manual Classifications and Rules. This proposal, providing clarifying language for four classifications, was filed and approved effective October 1, 2010.

This item is removed from the agenda.

- Rate Structure Evaluation - WCRB presented a prototype filing encompassing changes required if a schedule rating plan was adopted. Included in the prototype filing were a filing cover letter as well as language changes necessary for the WI Basic Manual and the WI Statistical Plan Manual.

Discussion included questions regarding the level of regulation such a plan would be subject to or require. WCRB will work with the Office of the Commissioner of Insurance and provide feedback at the March 2009 meetings.

Another area of discussion involved New Jersey's schedule rating plan, specifically their recent change to increase the range of credits/debits from 10% to 15% as well as the interaction between that state's managed care credit and the schedule rating plan, and what impact the combined credit limitations may have. WCRB will work with New Jersey and provide feedback on this issue.

- NCCI Proposal Item R-1398 – 2008 Update to Retrospective Rating Plan Parameters – State Hazard Group Relativities. This proposal, involving the annual update to the retrospective rating plan parameters, was filed and approved effective January 1, 2009 for new and renewal business.

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- NCCI Proposal Item B-1408 – Revisions to Basic Manual Classifications and Rules. The Committee reviewed a summary of this classification filing which involved three industries and proposed to combine classifications, add classifications and clarify language in others. Since the proposed effective date for this filing is in 2010, it was agreed that the Committee would review the proposed changes with their own staff and provide feedback as well as vote on the filing at the March 2009 meeting.
- NCCI Proposal Item B-1409 – Revisions to Basic Manual Classifications and Appendix E-Classifications by Hazard Group. The Committee reviewed a summary of this classification filing which involved two industries and proposed to combine classifications, add a classification and clarify language in others. Since the proposed effective date for this filing is in 2011, it was agreed that the Committee would review the proposed changes with their own staff and provide feedback as well as vote on the filing at the March 2009 meeting.
- NCCI Proposal Item B-1410 – Revisions to Basic Manual Classifications and Appendix E-Classifications by Hazard Group. The Committee will review the proposed class code changes and provide feedback to WCRB for the March 2009 meeting.
- NCCI Proposal Item B-1412 – Revisions to Basic Manual Classifications and Appendix E-Classifications by Hazard Group. The Committee will review the proposed class code changes and provide feedback to WCRB for the March 2009 meeting.
- WCRB advised the Board that, in follow-up to the issue raised previously regarding employers paying wages to employees off of work due to a workers compensation injury, various communications will be issued by the Department of Workforce Development, Office of the Commissioner of Insurance and WCRB. These communications will clarify that these amounts must be reported by carriers on unit statistical reports, even if the loss is paid by the employer.

ACTUARIAL COMMITTEE

- October 1, 2009 Rate Revision – The Board was advised that the Actuarial Subcommittee met on November 4, 2008. Discussion included the review of the 2008 rate filing, current methodology and other related issues. Input for new reports which may be helpful for the February 2009 meeting was also solicited. Finally, the meeting provided the opportunity for the Subcommittee to meet representatives of the OCI's new actuarial vendor, Pinnacle Actuarial Resources Inc. This committee will meet next on February 12, 2009 at the Office of the Commissioner of Insurance.

INVESTMENT COMMITTEE

- The Board was advised of the Investment Subcommittee's meeting of September 24, 2008. This annual meeting provides the WWCIP's investment advisors the opportunity to share results for the past year, investment strategies, and to review the current investment guidelines.
- Through the third quarter, investment results have exceeded the benchmark, producing approximately \$14 million in investment income.
- The Board was also informed that an RFP will be created and sent out for custodial services sometime during the middle of 2009. The current custodian of funds is US Bank.

4. The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program
- WWCIP Activity

The next Committee and Board meetings are tentatively scheduled for Tuesday, March 3, 2009 at 8:30 AM at the WCRB office.

Tad Cleveland
Vice President, Technical Services