



Wisconsin Compensation Rating Bureau

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**CIRCULAR LETTER 3025—MARCH 14, 2008**

**PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE**

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee meeting held the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Tuesday, March 4, 2008. The meeting was called to order at 9:00 AM, with the following members present:

ORGANIZATION

Sentry Insurance A Mutual Company, Chair  
American Home Assurance Company  
Employers Insurance Company of Wausau  
General Casualty Insurance Company  
Society Insurance A Mutual Company  
Travelers Insurance Company  
United Wisconsin Insurance Company  
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Christine Kienbaum  
Ira Feuerlicht  
Steve Ginsburg  
Mike Schimke  
Rick Levin  
Bruce Kaufenberg  
Jo Anne Kline  
Ralph Herrmann  
Nancy Kierzek  
Tad Cleveland  
Michael Mann  
Kay Higgins  
Donna Knepper

Present for Part of Meeting:

Wisconsin Manufacturers & Commerce

John Metcalf

Member Absent or Excused:

Employers Mutual Casualty Company

Also Present:

Associated General Contractors of Greater Milwaukee  
Badger Mutual Insurance Company  
Integrity Mutual Insurance Company  
Liberty Mutual Insurance Company  
Middlesex Insurance Company  
Office of the Commissioner of Insurance  
Riegel Law, S.C.  
Secura Insurance Company  
Tri State Insurance of MN  
West Bend Mutual Insurance Company

Dan Burazin  
Terry Falls  
Paul Enterline  
Val Schmelzer  
Sandy Knoll  
Ronnie Demergian  
Paul Riegel  
Phil Biwan  
Judy Baldus  
Pam Allison  
Joel Christ

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.”

The first order of business was the approval of the minutes of the December 4, 2007 Rating Committee meeting.

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 24,291 applications. This number represents all policies containing a contracting classification with an effective date July through June. The resulting average credit of 5% comes from 5,506 applications processed with effective dates July through June.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

This item is continued as a reminder to provide an update in June.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

In anticipation of the passing of the Agreed Bill, the proposed amendments to WI Basic Manual Rule IX and applicable endorsements have been filed with the Office of the Commissioner of Insurance. The filing is proposed to be effective in accordance with the passage of the 2008 Agreed Bill which could be April 1, 2008.

ITEM NUMBER 3880 MECHANIZED LOGGING

Progress on the certified safety program sponsored by the Great Lakes Timber Professional Association (GLTPA) has been delayed as a result of personnel changes within that organization. As a result, the Certified Loggers Safety (CLS) program is being held in abeyance. WCRB will continue to monitor the development of the safety program by GLTPA.

ITEM NUMBER 3889 POLICY PROCESSING FEES

The Committee was updated on Stage One of the Hard Copy Keying Charge that was implemented on January 1, 2008. Stage One included new, renewal and replacement policies, cancellations, terminations and reinstatements. Stage Two will implement a hard copy filing charge for endorsements.

To date, 2,139 fees have been assessed to 59 carriers for a total charge of \$53,475.

ITEM NUMBER 3894 REVISION TO WCRB BY-LAWS

The final draft of the revised By-Laws will be presented to the Governing Committee. If adopted, the draft will be sent to the entire membership and a final vote on the revisions will be taken at the Annual Meeting on May 15, 2008.

ITEM NUMBER 3897 WISCONSIN LIMITED OTHER STATES ENDORSEMENT

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

ITEM NUMBER 3898 WAIVER OF SUBROGATION ENDORSEMENT

At the December 4, 2007 meeting, the Committee was asked to obtain input from their respective audit departments on the outstanding issues centering around the waiver of subrogation charges. Based on the feedback, the Committee adopted the recommendation to allow two options for the premium charge. The following amendment to the WI Basic Manual was adopted:

Amend Rule VII G. as follows:

**G. Waiver of Right to Recover From Others**

An additional premium charge for such waiver will be applied. The carrier may elect one of the following options:

1. Charge \$50 per signed contract per policy year\*, not subject to experience rating.
2. Charge 2% of total premium for a blanket waiver, 5% of the total premium applicable for each person or organization requesting a specific waiver, subject to experience rating. Premium not to be less than \$50.

The carrier must file the election with the WCRB. The above elections are effective for at least one year and must be applied uniformly to all worker's compensation policies issued by the above named company. Any change to the above election must be filed with the WCRB prior to implementation. If a carrier does not file an election with the WCRB, option 1 must be applied.

\* Blanket waivers not available under this option.

This recommendation is proposed to be effective October 1, 2008, applicable to new and renewal business. Premium for option 1 will be reported under statistical code 9115; option 2 will be reported under statistical code 0930. Option 2 is not available in the Wisconsin Worker's Compensation Insurance Pool.

ITEM NUMBER 3900 RIDGWAY LLC - HEARING

The November 26, 2007 hearing before the Office of the Commissioner of Insurance resulted in a judgment in favor of the September 11, 2007 decision of the Rating Committee. As of this date, no further appeal has been filed.

ITEM NUMBER 3901 SCHMIDT CUSTOM FLOORS – HEARING

Schmidt Custom Floors appealed the September 11, 2007 decision of the Rating Committee to the Office of the Commissioner of Insurance. The appeal hearing was held on January 7, 2008 and a decision is pending.

ITEM NUMBER 3902 OCTOBER 1, 2008 RATE REVISION

The Committee was advised of the February 7, 2008 Actuarial Subcommittee meeting. The discussion included:

- A vote to retain the current rating methodology utilizing 50% weight to the indication based on paid losses with two year loss development factors and 50% weight to the indication based on paid plus case with three year loss development factors.
- Defense & Cost Containment Expense (DCCE) indications. The Actuarial Subcommittee originally recommended a 50% paid/50% paid plus case methodology. The OCI's actuary has expressed some concern with the 50/50 weighting and had recommended a 75% paid/25% paid plus case methodology. After additional discussion, the subcommittee recommended that both methods be included in the rate filing and that the indication for the 75/25 methodology be selected for the overall rate revision.
- DCCE is not a mandatory data element. Discussion will continue with regard to determining whether or not this should become mandatory.
- A brief discussion on the small risk analysis. The current "minimum minimum" premium rule is being reviewed.

By the unanimous consent of all members present, the following items were added to the agenda:

ITEM NUMBER 3903 TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION  
ACT OF 2007 (TRIPRA)

The Committee reaffirmed the January 23, 2008 e-mail vote to adopt the following:

- Adopt the Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13A). This endorsement replaces the current Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) and includes the following revisions:
  - Changes the reference of TRIEA to TRIPRA
  - Updates the definition of "act of terrorism" to include domestic terrorism
  - Updates insurer deductible provisions
  - Defines "Program Year"

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- Disclosure of the \$100,000,000,000 cap as required by Section 4 of TRIPRA
- Updates existing disclosures

The revised endorsement must be attached to all policies with effective dates of January 1, 2008 or later.

- Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21B) is revised to reflect the changes to TRIPRA.
- Foreign Terrorism Premium Endorsement (WC 00 04 22) is not affected by TRIPRA and should continue to be attached to all policies.

The filing was approved for use effective January 1, 2008.

The Committee also discussed the terrorism premium disclosure requirements for the Wisconsin Worker’s Compensation Insurance Pool (WWCIP). The Committee voted to recommend to the Governing Committee that policies issued through the WWCIP must display the terrorism premium under Item 4 of the Information Page. An example of the disclosure is:

Item 4. on the Information Page

Classifications	Code No.	Premium Basis Total Estimated Annual Remuneration	Rate Per \$100 of Remuneration	Estimated Annual Premium
Nursing Home	8829	\$1,000,000	\$3.06	\$30,600
		Subject Premium		\$30,600
		Experience Modification		1.00
		Standard Premium		\$30,600
		Premium Discount	9.1%	\$ 1,875
		Expense Constant		\$ 220
		Terrorism	\$0.03	\$ 300
		DTEC* Terrorism	\$0.003	\$ 30
		Earthquakes and Catastrophic Industrial Accidents	\$0.007	\$ 70
		<b>Estimated Annual</b>		<b>\$29,345</b>

\*Domestic terrorism as a percent of DTEC is estimated to be 30% of the total charge. The remaining 70% is estimated for earthquakes and catastrophic industrial accidents.

ITEM NUMBER 3904 CATASTROPHE CODE 28

The Committee was advised that the Imperial Sugar Company, located in Georgia, experienced an explosion and fire. The accident qualified as an extraordinary loss event and the NCCI has established catastrophe code 28 to identify all claims involved. The code is to be assigned to claims filed February 7 through February 8, 2008.

The Committee adopted the proposal for filing with the Office of the Commissioner of Insurance.

ITEM NUMBER 3905 RATE STRUCTURE EVALUATION

A committee member suggested that the Committee investigate pricing mechanisms other than the current administered pricing method. WCRB will begin researching alternate rating plans.

The next Committee meeting is scheduled for Thursday, May 15, 2008 at which time the ratemaking methodology will be finalized and overall rate revision indications will be provided.

Donna Knepper  
Executive Secretary