

**Wisconsin Compensation Rating Bureau****CIRCULAR LETTER 1109—JUNE 24, 2009****WISCONSIN GOVERNING BOARD MEETING**

Minutes of the Wisconsin Governing Board held in the premises of Heidel House Resort, 643 Illinois Avenue, Green Lake, WI 54941 on Thursday, June 11, 2009. The meeting was called to order at 8:30 A.M.

A list of attendees at the June 10-11, 2009 Rating Committee, WWCIP and Governing Board meetings follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Jim Pousha from Employers Mutual Casualty Company. The Chair of the Governing Board was Ira Feuerlicht from American Home Assurance.

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
American Home Assurance	Ira Feuerlicht	X	X	O
Employers Insurance of Wausau	Steve Ginsburg	X	X	O
Employers Mutual Casualty Co.	Jim Pousha		X	X
	Mike Lester		X	X
General Casualty Insurance Co.	Jim Vandenberg	X	X	X
Liberty Mutual Insurance Co.	Val Schmelzer		O	X
Middlesex Insurance Co.	Bev Beigel		O	X
Secura Insurance Co.	Steve Miller	X	O	O
Sentry Insurance A Mutual Co.	Christine Kienbaum	X	X	O
Society Insurance Co.	Rick Levin	X	X	X
Travelers Insurance Co.	Bruce Kaufenberg	X	X	X
Tri State Insurance Co. of MN	Al Utzig		O	X
United Wisconsin Insurance Co.	Paul Hingtgen	X	X	O
	Jo Anne Kline	X	X	O
West Bend Mutual Insurance Co.	Joel Christ	O	O	X
	Pam Allison	O	O	X
Wisconsin Manufacturers & Commerce	John Metcalf		X	O
Associated General Contractors of Greater Milwaukee	Dan Burazin	X	X	O
Wisconsin Compensation Rating Bureau	Ralph Herrmann	O	O	O
	Tad Cleveland	O	O	O
	Nancy Kierzek	O	O	O
	Christine Siekierski	O	O	O
	Michael Mann	O	O	O
	Donna Knepper	O	O	O

X = Committee member

O= Present (non-committee member)

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Also Present:

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Milliman, Inc.	Gary Josephson		O	O
NCCI	Joe Volman		O	O
Office of the Commissioner of Insurance	Ronnie Demergian	O	O	O
Riegel Law, S.C.	Paul Riegel	O	O	O
SFM	Brian Bent	O	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. Approval of Minutes for the March 3, 2009 meeting.
2. Bureau Operations – Industry Issues
 - Budget Update. The Board was provided the following reports:
 - 2008 Audited Year-End/2009 Adjusted Approved Budget.
 - 2009 Status Report.
 - 2008 Adjusted Approved IT Budget/2008 IT Audited Year-end Summary.
 - 2009 Preliminary IT Budget vs. 2009 Proposed IT Budget.
 - An Income Report that included years 2007 through 5-31-09.
 - Approved Quarterly Budget Reference Chart.
 - Notice To Carrier Fine Comparison.
 - Unit Stat Fine Comparison.
 - Hard Copy Fee Comparison
 - Hard Copy Fees – Volume Summary.

The Committee voted to levy an assessment for the third quarter of 2009 in the amount of \$1,711,118.

- Administrative affairs, occupancy, general expenses, personnel, etc.
 - The WCRB contracted with Plynt, which is a Web application security testing company. Plynt conducted a security test of all WCRB Web applications and associated hardware (servers, firewalls, etc.). After minor adjustments, WCRB's Web site and applications have been certified as secure. Plynt will conduct an annual security review.
 - Update on Online Assigned Risk (OAR) – The percentage of applications submitted through OAR continues to increase.
 - Update on migrating WCPAP applications to the Web – WCRB continues to monitor the effect of the application processing migration to the Web.
- Medical Data Call – There are two Medical Data Calls the WCRB is involved with. One is sponsored by the Wisconsin Insurance Alliance (WIA) and is being partially funded by the WCRB. The data is being analyzed by True Course Medical Data Analysis and Claim Services and will be presented to the WI Advisory Council. The second call will be collected by the NCCI beginning in 2010.

The Board directed that the WCRB budget be amended to include future obligations for the WIA sponsored Medical Data Call.

- Request to increase the member carrier participants on the Rating Committee and Governing Board from eight to ten. WCRB will identify changes needed to WCRB Bylaws, Wisconsin Statutes, etc. to increase representation on the Board and Rating Committee for presentation at the September meeting.

By unanimous consent, this item was added to the agenda:

Wisconsin Compensation Rating Bureau Audited Financial Statements Years Ended December 31, 2008 and 2007 - The Committee will review the statement for discussion at the September meeting.

3. The following Committees will report to the Board:

RATING COMMITTEE – The Rating Committee made the following recommendations:

- Rate Structure Evaluation – No further business was introduced and this item was removed from the agenda.
- NCCI Proposal Item B-1410 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group.

1. Carpentry Shop

Rating Committee recommendation: Adopt the proposal to eliminate code 2812 and combine the exposure with code 2883. Also, make all appropriate changes to cross-reference phraseologies as noted in the filing.

Rather than adopt a two-year transition program to develop the rate for the newly defined code 2883, though, the committee agreed to combine the experience for both codes 2812 and 2883 to produce the effective rate for 2883.

2. Manufactured, Modular Homes Manufacturing

Rating Committee recommendation: Adopt the proposal to create code 2797 for the manufacture of both mobile homes and modular homes. The initial rate for 2797 will be that of code 3824 until 2797 establishes sufficient experience to develop its own rate.

3. Manufactured Homes Setup

Rating Committee recommendation: Adopt the proposal to create code 2799 for the setup and installation of mobile homes, modular homes and prefabricated homes. The rate for 2799 would be developed by initially applying a weighting of the experience for codes 8391 and 5403 until such time that 2799 establishes sufficient experience to develop its own rate. Specifically, the weight applied to the experience for 8391 will be 75% while the weight applied to the experience of 5403 will be 25%.

Also, it was agreed to expand the scope of code 6400 to include the construction of fences produced from materials other than metal, including wood and vinyl.

The Governing Board adopted the recommendations for filing with the Office of the Commissioner of Insurance. These changes are proposed to be effective October 1, 2011.

- NCCI Proposal Item B-1412 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group.

The Committee reviewed a summary of this classification filing which involved three industries. This item was continued pending further review of the impact of the proposed changes.

- NCCI Proposal Item B-1413 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group - The Classification Collaboration Group formed to research the NCCI classification filings will meet to discuss this item at the end of June.

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- NCCI Proposal Item B-1414 – Revisions to Basic Manual Rules –The Rating Committee voted not to adopt this proposal. However, the impact of the anniversary rating date on expense constant, premium discount and minimum premium will be researched.
- NCCI Proposal Item R-1399 – 2009 Edition – Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance - The Committee adopted this proposal, but deferred filing pending further review of Item P-1407A. The proposed endorsements contained in Item P-1407A are directly related to the proposed amendments to the Retrospective Rating Plan Manual.
- NCCI Proposal Item P-1407 – Revised Retrospective Rating Plan Endorsements – The NCCI has amended this proposal and the item number is amended to P-1407A. The Rating Committee requested additional review of this item.
- Proposed Assumption of Liability Endorsement – This item has been approved by the Office of the Commissioner of Insurance and is removed from the agenda.
- Phraseology review for Code 9012 – Buildings – Operation by Owner, Lessee, or Real Estate Management Firm: Professional Employees, Property Managers and Leasing Agents & Clerical, Salespersons - The Committee reviewed input regarding the inclusion of clerical persons within the scope of Code 9012. After discussion, the Committee concluded that the current application is appropriate. No recommendation was made to the Governing Board.
- NCCI Proposal Item B-1415 – Revision to Basic Manual Classification, Rules and Appendix E – Classifications by Hazard Group – The Classification Collaboration Group formed to research the NCCI classification filings will meet to discuss this item at the end of July.
- NCCI Proposal Item B-1416 – Revisions to Basic Manual Rule 3-A-3-b – Cancellation Provisions Table 4 - WCRB will research to determine if certain aspects of the filing would be acceptable for adoption in WI.

Pending Filings/Actions

The following items have been removed from the Rating Committee's agenda:

- NCCI Proposal Item B-1408 – Revisions to Basic Manual Classifications and Rules.
- NCCI Proposal Item B-1409 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group

ACTUARIAL COMMITTEE

October 1, 2009 Rate Revision – The Governing Board accepted the Rating Committee's recommendation to file an overall rate revision increase of 0.4%.

WWCIP COMMITTEE

- WWCIP Surplus Report - The Board was furnished with a copy of the Actuarial Analysis of the Wisconsin Workers' Compensation Insurance Pool as prepared by Milliman, Inc. The Pool net surplus as of December 31, 2008 is \$9,927,274.

The five-year aggregate surplus is \$26,460,346, driven by outstanding investment returns which exceeded the benchmark. This surplus will be distributed in December 2009.

- Non-renewal options for non-compliance – At the last Pool Technical Meeting the servicing carriers identified problems they were encountering obtaining underwriting information. To ensure that the Pool complies with all Wisconsin statutes, WCRB will develop guidelines which will clarify when non-renewal of Pool policies are allowed.
- Quarterly Servicing Carrier Reports – The first quarter servicing carrier reports have been successfully submitted under the new electronic format.
- Survey update – The WWCIP Producer and Policyholder surveys are available on WCRB Web site. WCRB will provide the servicing carriers with a policyholder notice to be sent with each renewal for the next year.
- Pool Commissions – The Committee reviewed an issue raised by a servicing carrier regarding the problems occasionally encountered with regard to return commissions due from producers. After discussion, the Committee voted not to adopt any changes to the WWCIP commission rules. Issues will be resolved on a case by case basis.

By unanimous consent, these items were added to the agenda.

- A servicing carrier submitted a request for reimbursement of unusual legal expenses. The carrier defended the application of the WI Limited Other States Endorsement. A reimbursement of \$44,112.17 was approved.
- Wisconsin Worker's Compensation Insurance Pool Audited Financial Statements Years Ended December 31, 2008 and 2007. - The Committee will review the statements for discussion at the September meeting.

INVESTMENT COMMITTEE

A Request for Proposal for WCRB custodial services has been drafted. It will be forwarded to members of the Investment Committee for their review.

The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program
- WWCIP Activity

Donna Knepper
Executive Secretary