



Wisconsin Compensation Rating Bureau

CIRCULAR LETTER 1111—OCTOBER 5, 2009

WISCONSIN GOVERNING BOARD MEETING

Minutes of the Wisconsin Governing Board held in the premises of Sentry Insurance A Mutual Company, 1800 North Point Drive, Stevens Point, WI 54481 on Thursday, September 10, 2009. The meeting was called to order at 8:30 A.M.

A list of attendees at the September 9-10, 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
Associated General Contractors of Greater Milwaukee	Dan Burazin	X	X	O
Employers Insurance of Wausau	Steve Ginsburg	X	X	O
	Phil Heinecke	X	X	O
Employers Mutual Casualty Co.	Jim Pousha	O	X	X
	Mike Lester	O	X	X
General Casualty Insurance Co.	Mike Schimke	X	X	X
Liberty Mutual Insurance Co.	Val Schmelzer	O	O	X
Middlesex Insurance Co.	Bev Beigel	O	O	X
	Gail Brown	O	O	X
Secura Insurance Co.	Steve Miller	X	O	O
Sentry Insurance A Mutual Co.	Christine Kienbaum	X	X	O
	Janet Fagan	X		
Society Insurance Co.	Rick Levin	X	X	X
Travelers Insurance Co.	Bruce Kaufenberg	X	X	X
United Wisconsin Insurance Co.	Pat Williams	X	X	O
West Bend Mutual Insurance Co.	Joel Christ	O	O	X
Wisconsin Manufacturers & Commerce	John Metcalf		X	
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
	Melanie Lindseth	O	O	O

X = Committee member

O = Present (non-committee member)

Member Absent or Excused

Tri State Insurance Co. of MN

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
SFM	Brian Bent	O	O	O

X = Committee member

O= Present (non-committee member)

Also Present for Part of Meeting:

Festival Foods

Risk Planners, Inc.

Brian Witt, Human Resource Director

William C. Bohrer, CIC, Senior Account Executive

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 June 11, 2009 meeting.
2. Bureau Operations – Industry Issues
 - Budget Update. The Board was provided the following reports:
 - 2009 Estimated Year-End/2010 Preliminary Budget.
 - 2009 Approved IT Budget/2009 IT Estimated Year-end Summary.
 - 2010 Proposed IT Budget.
 - An Income Report that included years 2007 through estimated year-end 2009.
 - Approved Quarterly Budget Reference Chart.
 - Notice To Carrier Fine Comparison.

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- Unit Stat Fine Comparison.
- Hard Copy Fee Comparison.

The Committee voted to levy an assessment for the fourth quarter of 2009 in the amount of \$1,771,119.

- Administrative affairs, occupancy, general expenses, personnel, etc.
 - A recent retirement created a vacancy in the Policy Processing Department. The vacancy will not be filled at this time. WCRB currently has 49 employees.
 - At the end of September, WCRB staff will be conducting two one-day seminars sponsored by the Independent Insurance Agents of WI.
 - Several ACCCT & CDX members are allowing carriers to amend policy/USR information on-line. WCRB is investigating the impact of these changes.
- Medical Data Call – The Medical Data Call sponsored by the Wisconsin Insurance Alliance is complete. The next step is for the report to be presented to the WI Advisory Council. WCRB will inquire if the report is proprietary or if it can be shared with the Board.
- Request to increase the number of member companies on the Rating Committee and Governing Board from eight to ten – WCRB Legal Counsel, Paul Riegel, provided an opinion on expanding the member representation on the Rating Committee and Governing Board. WCRB will propose changes to the WCRB By-Laws at the December meeting.
- Wisconsin Compensation Rating Bureau Audited Financial Statements Years Ended December 31, 2008 and 2007 - The Board accepted the financial statements for filing with the Office of the Commissioner of Insurance.
- This item is removed from the agenda.

3. The following Committees will report to the Board:

RATING COMMITTEE

- NCCI Proposal Item B-1412 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group - This item proposed changes to three industries. The Board concurred with the Rating Committee and voted to adopt the following:

1. Film Exchange

- Discontinue code 4362 Motion Picture-Film Exchange & Projection Rooms, Clerical and assign this exposure to code 4360 Motion Picture-Development of Negatives, Printing and All Subsequent Operations.
- Amend the note under code 4360 to clarify the inclusion of digital media processing and editing, as well as marketing through film exchanges, whether performed by a contractor or the production company.

2. Lacquer or Spirit Varnish Manufacturing, Oleoresinous Varnish Manufacturing and Paint Manufacturing

- Discontinue code 4561 Varnish Mfg – Oleo-Resinous and assign this exposure to code 4439 Lacquer or Spirit Varnish Mfg.
- Amend or delete various analogies for code 4439 to clarify the scope of the classification.

Given circumstances involving classification size and the two classifications' current rates, the Board further recommended developing code 4439's rate using the combined experience of both 4439 and 4561 and waiving the application of swing limits to the newly calculated rate.

The following proposal was **NOT** adopted:

3. Superstores and Warehouse Clubs

- Create a new code, 8037 Store-Superstores and Warehouse Clubs.
- Amend the current department store class, 8039 Store-Department-Retail, to raise the minimum annual payroll threshold from \$400,000 to \$650,000 to qualify for its use.

This proposal will be filed with the Office of the Commissioner of Insurance for approval to be effective 10-1-11, applicable to new and renewal business only.

- NCCI Proposal Item B-1413 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group - This item proposed changes to two industries. The Board concurred with the Rating Committee and voted to adopt the following:

1. Fiber Optics and Semiconductors

- Discontinue code 4112 Incandescent Lamp Mfg and reassign the exposure to a newly created code, 4110 Electric Bulb Mfg.
- Create a cross-reference analogy under code 4110 for Fiber Optic Cable Mfg.

The following components were **NOT** adopted:

- Discontinue code 4150 Optical Goods Mfg NOC and split the exposure for this class into two separate newly created codes. Code 4149 Optical Goods Mfg NOC would be created for optical goods manufacturing as well as lens mfg-ground while code 4109 Integrated Circuit Mfg would be created for computer chip manufacturing.
- Amend the language under code 8013 Optical Stores to change the reference to separately rating lens grinding to code 4150 to separately rating this exposure to the new code 4149.

2. Telecommunications, Burglar and Fire Alarm and Electronics Installation, Service and Repair

- Revise the language under codes 7600 and 8901 to replace the phrase “Telephone or Telegraph Co.” with “Telecommunications Co.”

The following components were **NOT** adopted:

- Discontinue code 7601 Telephone, Telegraph or Fire Alarm Line Construction & Drivers and assign the exposure to a newly defined code 7600 Telecommunications Co.-Cable TV, or Satellite-All Other Employees & Drivers.
- Amend the main phraseology for code 7605 Burglar Alarm Installation or Repair & Drivers to include fire alarm installation or repair and delete the current separate analogy for fire alarm installation or repair.

This proposal will be filed with the Office of the Commissioner of Insurance for approval to be effective 10-1-11, applicable to new and renewal business only.

- NCCI Proposal Item B-1414 – Revisions to Basic Manual Rules – This submission proposes several changes to the Basic Manual. Some of the proposed changes would not be appropriate for WI. The Governing Board accepted the recommendation of the Rating Committee to adopt changes that reference Anniversary Rating Date rules. WCRB will

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make the appropriate changes to the WI Basic Manual for filing with the Office of the Commissioner of Insurance. The changes are proposed to be effective 1-1-10.

- NCCI Proposal Item R-1399 – 2009 Edition – Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance – This filing proposes a rewrite of the current Retrospective Rating Plan Manual with no substantive changes. The Board adopted this item for filing with the Office of the Commissioner of Insurance to be effective 1-1-10.
- NCCI Proposal Item P-1407(A) – Revised Retrospective Rating Plan Endorsements – This filing proposes amendments to Retrospective Rating Plan Endorsements to track with the recent changes to the Retrospective Rating Plan Manual. The Board adopted the endorsements for filing with one exception. The Retrospective Rating Plan Premium Endorsement – Large Risk Alternative Rating Option (LRARO) WC 00 05 16 was not adopted as the endorsement would be in violation of Wisconsin Statutes.
- NCCI Proposal Item B-1415 – Revision to Basic Manual Classification, Rules and Appendix E – Classifications by Hazard Group - This item proposed changes to three industries. The Board concurred with the Rating Committee and voted to adopt the following:

1. Door, Window, Cabinets, and Trim Installation

- Revise the phraseology of code 5102 Door, Door Frame or Sash Erection-Metal or Metal-Covered to include the installation of all types (aluminum, wood, vinyl, etc.) of interior and exterior windows and doors, residential and commercial.
- Revise various analogies for codes 5102, 2501 Awning or Tent Mfg-Shop, 5437 Carpentry-Installation of Cabinet Work or Interior Trim and 5348 Ceramic Tile, Indoor Stone, Marble, or Mosaic Work to provide clarification and discontinue other analogies due to redundancy.

2. Punch-Out Employees

- Revise and discontinue various phraseologies for code 5610 Cleaner-Debris Removal to provide clarity.

WI carpentry industry generally maintains a natural split between the employees of residential, multi-family and commercial construction. Therefore, the following proposal was **NOT** adopted:

3. Carpentry

- Discontinue code 5651 Carpentry-Dwellings-Three Stories or Less and reassign the exposure to either code 5645 Carpentry-Detached One- or Two-Family Dwellings or a newly defined code 5403 Carpentry-Construction of Residential Dwellings Exceeding Three Stories in Height or Commercial Buildings and Structures.
 - Discontinue all other cross-reference phraseologies for code 5651.
 - Redefine code 5645 to contemplate the construction of dwellings that do not exceed three stories in height.
 - Discontinue various phraseologies for codes 5645 and 5403. Discontinued phraseologies which address the installation of doors, screens, sash, etc. are to be reassigned to code 5102 Door, Door Frame or Sash Erection-Metal or Metal-Covered (see also Industry #2).
 - Redefine code 5403 Carpentry NOC to contemplate the construction of residential dwellings exceeding three stories in height, in addition to the construction of commercial structures.
 - Include within both codes 5645 and 5403 the installation of siding of all types (aluminum, vinyl, wood, etc.).
 - Revise the phraseology of code 5551 Roofing-All Kinds & Drivers to provide clarification on the types of roofs which are assigned to the class.
 - Revise the Basic Manual rule involving classification wording to replace the reference to code 5651 with codes 5645 and 5403.
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- NCCI Proposal Item B-1416 – Revisions to Basic Manual Rule 3-A-3-b – Cancellation Provisions Table 4 - The Governing Board did not adopt the proposed changes to the cancellation rules. This item is removed from the agenda with no action taken.
 - NCCI Proposal Item B-1417 - Revisions to Basic Manual Classifications and Rules – The Classification Collaboration Group formed to research the NCCI classification filings will meet to discuss this item in October.
 - NCCI Proposed Item B-1418-Revisions to the Basic Manual Classifications for Air Traffic Controllers – This filing proposes the

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establishment of a new classification code for Air Traffic Controllers under contract with the FAA.

The Governing Board concurred with the recommendation of the Rating Committee to establish Code 7402 – Aviation – Air Traffic Controllers Under Contract with the FAA. The rate will equal code 8810 until code 7402 develops its own credible data.

This proposal will be filed with the Office of the Commissioner of Insurance for approval to be effective 1-1-10, applicable to new and renewal business only.

The following item was added to the agenda:

Skogen's Foodliner, Inc. requested a hearing before the Rating Committee to address the calculation of the experience modification factor after the merger of TS Fest, Inc. into MDS Fest, Inc. Both entities are now under the same ownership as Skogen's Foodliner, Inc. The Committee concluded that the experience modification factor calculated by the WCRB was accurate and its application is appropriate under the rules of the Experience Rating Plan.

Pending Filings/Actions

- NCCI Proposal Item B-1410 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group.

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

ACTUARIAL COMMITTEE

- 10-1-09 rate change update

The Actuarial Subcommittee met in May and recommended a 0.4% overall rate level increase with no change previously established methodology. The increase was approved by the Office of the Commissioner of Insurance.

The Actuarial Subcommittee will meeting on November 10, 2009 to discuss the methodology used in the previous rate revision and to determine if new reports need to be developed.

WWCIP COMMITTEE

- Non-renewal options for non-compliance.

The Board accepted the recommendation of the WWCIP Committee to adopt the following amendment to the Pool Handbook. This amendment will be filed with the Office of the Commissioner of Insurance to be effective upon approval.

Operation of Pool – Overview

Although specific procedures are given in Section II of this Handbook, the following overview may help you understand how the Pool functions.

In general, whenever any employer is unable to obtain coverage in the voluntary market, they can complete and submit an application for coverage to the Pool with the appropriate deposit premium. This is usually done through a licensed producer. The current rates and classification codes can be accessed on the Bureau's Web site (www.wcrb.org). If the application is submitted correctly with the appropriate deposit premium, coverage will be bound and assigned to a servicing carrier. The Pool will, if assignment quotas allow, permit the selection of the assigned carrier by the producer, employer or servicing carrier. A copy of the binder will be sent to the applicant and the producer.

The servicing carrier will provide insurance to the employer until the coverage is canceled or non-renewed. In most cases, the carrier may terminate coverage only for non-payment of premium. To terminate coverage for any other reason, specific permission from the Governing Board must be obtained. To ensure that the Pool complies with all Wisconsin statutes, effective immediately, servicing carriers should issue a non-renewal notice if any of the following occur:

- Failure to provide client information on a policy issued to an employee leasing company.
- Failure to provide premium audit information when requested.
- Failure to provide ownership information, including the completion of an ERM-14 form, if requested.

Furthermore, it is suggested that all servicing carriers carefully document their files to support issuance of the non-renewal notice. The servicing carrier must also notify WCRB separately of the non-renewal and provide a short explanation of the issue.

Please refer to the WCRB for any other circumstance which may warrant the issuance of the non-renewal notice.

- Quarterly Servicing Carrier Reports.

The new electronic reports are being filed by all servicing carriers with no issues.

This item is removed and will be added for future updates as needed.

- Survey update.

The WCRB received a limited number of surveys. WCRB has been encouraging agents and employers to complete the surveys.

This item is continued.

- Wisconsin Worker's Compensation Insurance Pool Audited Financial Statements Years Ended December 31, 2008 and 2007. - The Board accepted the financial statements for filing with the Office of the Commissioner of Insurance.

This item is removed from the agenda.

INVESTMENT COMMITTEE

- Custodial RFP – The WCRB has sent out a RFP for financial services to four financial institutions.

The Investment Subcommittee will conduct the annual review of the Investment Advisors on October 26, 2009. The Committee will also hear from RFP respondents.

4. The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program
- WWCIP Activity

Donna Knepper
Executive Secretary