



Wisconsin Compensation Rating Bureau

**CIRCULAR LETTER 1124—JUNE 23, 2010
REVISED JUNE 24, 2010**

WISCONSIN GOVERNING BOARD MEETING

Minutes of the Wisconsin Governing Board held in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Thursday, June 10, 2010. The meeting was called to order at 8:30 A.M.

A list of attendees at the June 10, 2010 Rating Committee, WWCIP and Governing Board meetings follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Bruce Kaufenberg from Travelers Insurance Company. The Chair of the Governing Board was Steve Miller from Secura Insurance Company.

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
Employers Mutual Casualty Co.	Jim Pousha	O	X	X
General Casualty Insurance Co.	Mike Schimke	X	X	X
	Scott Lange			
Liberty Mutual Insurance Co.	Val Schmelzer	O	O	X
Middlesex Insurance Co	Bev Biegel	O	O	X
Secura Insurance Co.	Steve Miller	X	O	O
Sentry Insurance A Mutual Co.	Marcia Tepp	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	Todd Johnson	O	O	X
United Wisconsin Insurance Co.	Tom Vanderbusch	X	X	O
	Pat Williams			
West Bend Mutual Insurance Co.	Pam Allison	O	O	X
	Joel Christ			
	Paul Hingtgen			
	Jody Bembenek			
	Kenny Maurer			
	John Murphy			
Wisconsin Manufacturers & Commerce	John Metcalf	X	X	O
Wisconsin Compensation Rating Bureau	Paul Riegel	O	O	O
	Tad Cleveland	O	O	O
	Nancy Kierzek	O	O	O
	Christine Siekierski	O	O	O
	Michael Mann	O	O	O

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

Also Present:

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Badger Mutual Insurance Co.	Terry Falls	O	O	O
Employers Assurance Co.	Debbie Towler	O	O	O
Office of the Commissioner of Insurance	Ronnie Demergian	O	O	O
SFM	Brian Bent	O	O	O

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

Also Present For Part of Meeting:

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Milliman	Gary Josephson	O	O	O
Karademas Enterprises LLC	David Karademas		O	

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 2, 2010 meeting.
2. Bureau Operations – Industry Issues
 - Budget Update. The Board was provided the following reports:
 - 2009 Audited Year-End/2010 Approved Budget.
 - 2009 Approved IT Budget/2009 IT Audited Year-end Summary.
 - 2010 Status Report.
 - An Income Report that included years 2008 through 5-31-10.
 - Notice To Carrier Fine Comparison.
 - Unit Stat Fine Comparison.
 - Hard Copy Fee Comparison.

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The Committee voted to levy an assessment in the amount of \$1,766,396 for the general operating expenses for the WCRB for the third quarter of 2010.

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

Wisconsin Compensation Rating Bureau Audited Financial Statements Years Ended December 31, 2009 and 2008 - The Committee will review the statement for discussion at the September meeting.

- Administrative affairs, occupancy, general expenses, personnel, etc.
 - Investigation into a possible WCRB relocation has been terminated. The tenant that was interested in expansion has reconsidered.
 - The Department of Workforce Development provided WCRB and OCI with an update on statutory changes with regard to the misclassification of employees as independent contractors.
 - WCRB has previously filed a form for carriers to report miscellaneous policy changes. An updated form will be filed with OCI for information only. The electronic equivalent of the data have been adopted and incorporated into the WCIO Data Specifications Manual Record Type 87.
 - Liquidated Carriers – WCRB has recently reviewed procedures in place for liquidated carriers. Obtaining Unit Statistical data may become an issue. WCRB will attempt to get a commitment from the liquidated carrier to submit USR data through the third report.
 - USL&HW Reporting – NCCI has been working with the U.S. Department of Labor (DOL) to provide electronic submission of USL&HW data. It is anticipated that the DOL will request that all state submit the data through NCCI.
 - ACCCT/CDX – Due to changes in technology, PEEP is under review and CDX is contemplating replacing the current product. While decisions have not been finalized, there is a potential that the current PEEP will sunset on 12-31-12.
 - Workers Compensation Research Institute (WCRI) – On May 14, WCRI presented the WCRI Advisory Committee a summary of The CompScope™ Benchmarks for Wisconsin, 10th Edition. While the results are similar to those in the past – low utilization and high medical fees – frequency is beginning to increase.
- Medical Data Call –
 - WCRB has contacted the carriers who participated in the last

Medical Data Call for WI to see if there is interest in continuing. Only two carriers were willing to participate so no Wisconsin data call will be conducted.

- WCRB continues to work with the NCCI on carrier participation requirements for those carriers meeting the 1% premium requirement for WI but not in the NCCI states

- Silver Springs of Mequon – Hearing
 - Silver Springs of Mequon, Inc., appealed the March 2, 2010 decision of the Rating Committee to the Office of the Commissioner of Insurance. The employer indicated that the appeal may be resolved if the WCRB provides a written statement indicating that the Governing Board does not have the authority to suspend the Pool rule prohibiting the backdating of insurance. Outside legal counsel has been retained.

Subsequent to the meeting, the attorney for Silver Springs of Mequon, Inc notified the OCI that the case has been resolved and withdrew their request for a hearing.

3. The following Committees reported to the Board:

RATING COMMITTEE

- NCCI Proposal Item P-1407(A) – Revised Retrospective Rating Plan Endorsements - The committee reviewed the OCI disapproval of the LRARO endorsement. After reviewing several options, the Board concurred with the Rating Committee’s recommendation to request a hearing to dispute the disapproval of the Retrospective Rating Plan Premium Endorsement – Large Risk Alternative Rating Option (LRARO) WC 00 05 16. In the meantime, a “LRARO educational seminar” will be conducted for WCRB and OCI staff to gain a better understanding of LRARO programs.

- NCCI Proposal Item B-1419 Revisions to Basic Manual Classifications and Appendix E – Classification by Hazard Group - WCRB provided a summary of this proposal. Many parts of the proposal were not applicable in WI. The following changes were adopted for filing with the Office of the Commissioner of Insurance to be effective October 1, 2012:

1. Banking and Check Cashing Stores

Proposals

- Create code 8855 Banks and Trust Companies-All Employees, Salespersons, Drivers and Clerical for financial institutions. Besides typical office and administrative staff, the code would contemplate

security personnel, armored car operations, maintenance personnel and other non-administrative staff.

- Create code 8856 Check Cashing Establishments-All Employees, Salespersons, Drivers and Clerical for check cashing businesses.
- Discontinue various cross-reference analogies in codes 7380, 9015, 8833, 7720, 5191 and 8742 for staff such as armored car drivers, maintenance employees, etc. who will now be contemplated under new code 8855.

Considerations: NCCI has indicated in the past that they have an objective to depopulate code 8810 Clerical Office Employees NOC, likely since the code is so large at this time. This proposal is consistent with that objective.

Currently, banks are classified in the following manner: Code 8810 for all office administrative staff; code 9015 Banks and Trust Companies: Building Maintenance, Care or Custody for janitorial, maintenance and night watch guard personnel; code 7380 Banks and Trust Companies: Armored Car Crews; and code 8742 Banks and Trust Companies: Special Officers and Armed and Unarmed Attendants, Ushers, Door Attendants, Appraisers or Field Auditors. Less commonly, codes 8833 Bank and Trust Companies: Dispensaries and 5191 Banks and Trust Companies: Office Machine Repair are also assigned to such risks. Code 7720 Banks and Trust Companies: Guards, Patrols, Messengers or Armored Car Crews & Drivers is assigned to businesses which operate under contract with banks to provide security and armored vehicle services.

Check cashing outlets are classified similarly to banking institutions.

The proposal states that the initial rate for new codes 8855 and 8856 will be that of code 8810 until such time that these classifications establish enough experience to generate their own rate. Thus, the new classifications for banks and check cashing outlets will simplify the classification of such risks, as a single code may be assigned rather than as many as five different codes for the same employer. Further, this proposal would impact the premium paid by individual risks by virtue of the fact that all the codes (9015, 7380, 8742, etc.) that would now be eliminated for such risks and included under the new classes are higher-rated than 8810.

2. Insurance Operations

Proposals

- Create code 8723 Insurance Companies-Including Clerical & Salespersons for office employees, salespersons and premium auditors of insurance companies, brokerages and rating organizations.
- Discontinue the phraseology note contained in code 8803 Auditor,

Accountant or Factory Cost or Office Systematizer-Traveling which references that the class includes insurance company premium auditors. As noted above, this exposure will now be contemplated under new code 8723.

- Reassign outside claims adjusters of insurance companies from code 8742 Claim Adjusters or Special Agents-Insurance Co. to code 8720 Inspection of Risks for Insurance or Valuation Purposes NOC, the current class assigned to loss control personnel employed by insurance companies. A reference to Outside Claims Adjusters would be placed in code 8720.

Considerations: Like the previous industry, these proposals are designed to assist in the depopulation of code 8810, a very large class. Currently, insurance companies are principally assigned 8810 for office staff, 8742 for outside claims employees and outside salespersons, 8803 for field auditors and 8720 for loss control personnel.

It is proposed that the initial rate for code 8723 be equal to that of 8810 until such time that the classification establishes enough experience to generate its own rate. Current rates for the other classes impacted by this proposed change are as follows: 8803 = \$0.14, 8742 = \$0.74 and 8720 = \$2.08. Thus, these proposals would result in a premium impact for individual risks, dependent upon their current distribution of payroll between codes 8810, 8803, 8742 and 8720.

3. Oil or Gas Lease, Well & Drilling

Proposals

- Via the phraseologies, clarify the assignment of the following codes: 1320 Oil or Gas-Lease Operator-All Operations & Drivers; 6216 Oil or Gas-Lease Work NOC-By Contractor & Drivers; 6204 Drilling NOC; 6206 Oil or Gas-Well-Acidizing-All Employees & Drivers and Oil or Gas-Well-Cementing-All Employees & Drivers; 6235 Oil or Gas-Well-Drilling or Redrilling & Drivers; 6237 Oil or Gas-Well-Instrument Logging or Survey Work & Drivers; 6213 Oil or Gas-Well-Specialty Tool Operation NOC-By Contractor-All Employees & Drivers; and 3719 Oil Still Erection or Repair.
- Reassign the analogy Geophysical Exploration-All Employees & Drivers from code 7380 to code 8606, which currently has the principal phraseology of Geophysical Exploration: Seismic-All Employees & Drivers.

Considerations: These proposals are largely language only, clarification changes. Therefore, other than the reassignment of geophysical exploration from 7380 to 8606, there would be no premium impact for individual employers as a result of these changes.

A handful of classifications indicated in the proposal are no longer available in Wisconsin. Effective 10-1-03, the following codes expired and were not reassigned to any existing classes: 1322, 6236 and 6214.

Classification Filing Review Subcommittee recommendation: Understanding that the proposal for this industry has limited application in the state of Wisconsin, and further understanding that three classifications noted (1322, 6236 and 6214) are no longer applicable in the state, the Subcommittee was in agreement that all other portions of the proposal should be adopted.

4. Property and Building Management

Proposals

- Amend the phraseology for code 9012 from “Buildings-Operation by Owner, Lessee or Real Estate Management Firm: Professional Employees, Property Managers and Leasing Agents & Clerical, Salespersons” to “Building or Property Management-Property Managers, and Leasing Agents & Clerical, Salespersons.”
- Clarify, amend and, in one case, add phraseologies involving codes 9012, 9015 Buildings-Operation by Owner, Lessee or Real Estate Management Firm: All Other Employees and 9033 Housing Authority & Clerical, Salespersons, Drivers.

Considerations: These proposals also represent largely language-only changes so there should be no premium impact to the system or for individual employers.

One other portion of the proposal does not apply in Wisconsin. Specifically, it is proposed that swim teams, swim clubs, swim schools, etc. be reassigned from code 9015 to code 9063 YMCA, YWCA, YMHA or YWHA Institution-All Employees & Clerical. These employers are already classified under 9063 in Wisconsin.

Classification Filing Review Subcommittee recommendation: The Subcommittee was in agreement that all components of the proposal should be adopted, with two exceptions.

The first exception is the portion of the proposal noted above which references a change in classification for swim teams, swim clubs, swim schools, etc. from code 9015 to 9063. As indicated, Wisconsin already classifies such risks under 9063.

The second exception relates to the wording contained in a classification phraseology for code 9015, Camp Operation NOC. Specifically, this wording may be found on page 60 of the filing. The additional note under this phraseology states, “Clerical and sales employees to be assigned to code 9012.” Currently, clerical employees of camp operations are assigned to the standard exception classification code 8810 Clerical Office Employees NOC.

Outside sales employees are classified to code 8742 Salespersons and Collectors-Outside. Due to concern regarding the premium impact such a change in classification would have for camp operations, including those conducted by Boy Scouts Councils, the Subcommittee agreed not to adopt this language under the Camp Operation NOC phraseology for code

5. Country Clubs

Proposals

- Amend the phraseology for code 9060 from “Club-Country, Golf, Fishing or Yacht & Clerical” to “Club-Country, Golf, Fishing or Yacht-All Employees & Clerical, Salespersons, Drivers.”

- Clarify in the phraseologies for codes 9060, 9012, 9015 and 9052 Hotel: All Other Employees & Salespersons, Drivers that country club operations run by hotels, resorts, condominiums or other community associations are to be separately rated under 9060.

Considerations: Country clubs are generally classified under code 9060 in their entirety so the main phraseology proposal is basically a language-only change although it seems to further clarify that the class also contemplates salespersons and drivers.

Currently, golf courses operated by hotels are not separately rated. Rather, since the principal business is considered the hotel operation, golf courses run by hotels are considered incidental to the principal business and classified accordingly under code 9052. Thus, separately rating golf courses operated by hotels, condominiums, etc. would represent a change in Wisconsin’s current classification of such operations. Current rates for the classifications that may potentially be affected are as follows: 9060 = \$2.03, 9015 = \$5.47 and 9052 = \$3.63. Thus, a premium impact is possible for some employers although another logical question to ask when evaluating this proposal is how many hotels or resorts in Wisconsin also operate golf courses.

Classification Filing Review Subcommittee recommendation: The Subcommittee was in agreement that all components of the proposal should be adopted. The Subcommittee took the additional step of proposing that the operation of a water park by a hotel, resort, condominium or other community association should be separately rated. It was felt that this exposure went beyond the typical exposure of “all other” employees within such operations.

It was proposed to assign employees engaged in water park functions for such employers to code 9016 Amusement Park or Exhibition Operation & Drivers.

- Lakefront Staffing – Hearing - Lakefront Staffing appealed the March 2, 2010 decision of the Rating Committee to the Office of the Commissioner of Insurance.

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The appeal hearing will tentatively be scheduled late August. Outside legal counsel has been retained.

- NCCI Proposal Item B-1420 – Revisions to Basic Manual Rule 2-E-1-B Executive Officers Premium Determination, 2-E-3 – Partners and Sole Proprietors, and Creation of Appendix F – This filing proposes amendments to the premium determination for sole proprietors, partners and members of LLC as well as corporate officer maximum and minimums. WI calculates the premium basis for sole proprietors, partners and members of LLC to the maximum weekly benefit. The maximum payroll for corporate officers is keyed to the maximum weekly wage. The corporate officer minimum is 20% of the maximum. The Governing Board concurred with the recommendation of the Rating Committee not to adopt this proposal.
- Excess Insurance Policies – WCRB has three Excess Insurance Policy forms filed with and approved by the OCI. The Self Insured Council is reviewing the current policy and form filings for compliance.
- Karademas Enterprises II, LLC - Hearing – Karademas Enterprises II, LLC requested a hearing before the Rating Committee with regard to a classification interpretation of the statistical method for establishing the rate assigned to Class 9012. The appeal also requested a reclassification for property clerical workers and leasing agents to a clerical classification.

The Rating Committee denied the request from Karademas Enterprises II, LLC to create a separate classification for office clerical workers employed by property management firms. The Rating Committee also affirmed that the rate assigned to Class Code 9012 is correct and accurate and is not excessive or unfairly discriminatory. Finally, the Rating Committee instructed the WCRB to prepare a general circular letter on the correct application of Class Codes 9012 and 9015 to property management firms.

Pending Filings/Actions

With all business complete, the following items were removed from the agenda:

- NCCI Proposal Item P-1408 – Revision to Forms Manual of Workers Compensation and Employers Liability
- WCRB Proposal – Elimination of A-rate Class Code 9088

ACTUARIAL COMMITTEE

- Milliman is preparing the 10-1-10 rate revision. The Board approved the filing of an overall rate increase of 3.46%.

WWCIP COMMITTEE

- Survey Update – Servicing carriers were including a policyholder notice with each renewal inviting the policyholder to complete the survey. Minimal response was received. The servicing carriers no longer need to provide the notice.
This item is removed from the agenda.

- Pool Structure –The Request for Proposal (RFP) timeline discussed in previous Governing Board meetings is postponed.

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

Wisconsin Worker's Compensation Insurance Pool Audited Financial Statements Years Ended December 31, 2009 and 2008. - The Committee will review the statements for discussion at the September meeting.

4. The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program
- WWCIP Activity

Donna Knepper
Executive Secretary