



Wisconsin Compensation Rating Bureau

262-796-4540 ▲ Fax 262-796-4400 ▲ www.wcrb.org

P.O. Box 3080 ▲ Milwaukee, WI 53201-3080

Located at 20700 Swenson Drive, Suite 100, Waukesha, WI 53186

CIRCULAR LETTER 1188—DECEMBER 22, 2015

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, December 3, 2015. The meeting was called to order immediately following the WWCIP meeting.

A list of attendees at the December 3, 2015 Rating Committee, WWCIP and Governing Board meetings follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Nick Saeger from Sentry Insurance A Mutual Company. The Chair of the Governing Board was Jessica Mayer from Travelers Indemnity Company.

Table with 5 columns: ORGANIZATION, REPRESENTATIVE, GOVERNING BOARD, RATING COMMITTEE, WWCIP. Rows list various insurance and contractor organizations and their representatives' participation in the meeting.

X = Committee member
O= Non-committee member

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Also Present:

<b>ORGANIZATION</b>	<b>REPRESENTATIVE</b>	<b>GOVERNING BOARD</b>	<b>RATING COMMITTEE</b>	<b>WWCIP</b>
Milliman	Lori Julga		O	
Office of the Commissioner of Insurance (OCI)	Jaclyn de Medicci	O	O	O
Riegel Law	Paul Riegel	O	O	O
SFM Mutual Insurance Company	Brian Bent	O	O	O
	Nick Marino		O	O

Also Present Via Teleconference:

<b>ORGANIZATION</b>	<b>REPRESENTATIVE</b>	<b>GOVERNING BOARD</b>	<b>RATING COMMITTEE</b>	<b>WWCIP</b>
American Home Assurance	Wavel Howell		X	O
Office of the Commissioner of Insurance (OCI)	Andrew Stoughton		O	O

Member Absent or Excused:

Middlesex Insurance Co

The Chairperson read the following opening statement before convening the meeting:

“This Board 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.”

- Approved the Minutes for the September 9, 2015 Meeting
- Bureau Operations—Industry Issues
  - Budget Update - The Board members were presented with the following budget reports and were given the opportunity to ask questions on the information presented.
    - 2015 Estimated Year-End/2016 Proposed Budget
    - 2015 Approved IT Budget/2015 IT Estimated Year-End Summary
    - Income Report that included years 2013 through 11-25-15
    - Notice to Carrier Fine Comparison
    - Unit Stat Fine Comparison
    - Hard Copy Fee Comparison
    - 2016 Budget History
    - Information Technology 2016 Proposed Budget

The Board accepted the WCRB 2016 Annual Proposed Budget of \$8,169,803.

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The Board voted to levy an assessment in the amount of \$2,042,450 for the general operating expenses for the WCRB for the first quarter of 2016.

- Administrative affairs, occupancy, general expenses, personnel, etc. This update was presented to the Governing Board in Executive Session.
- Legislative Issues – Paul Riegel updated the Board on the progress being made with the Agreed Bill.
- Charge-off Request – Urban Construction Administration, Inc.- \$59,060 was approved. Middlesex Insurance Company abstained from voting.

The following Committees will report to the Board:

### RATING COMMITTEE

- Code 7709—Fire Department—Volunteer – No changes are being contemplated with regard to the classification or rating methodology for volunteer fire departments. With no further action needed, this item is removed from the agenda.
- Wisconsin Class Code Exceptions Review – The WI class code review subgroup has completed the review of phase 1 which are the WI only codes. The Committee adopted several additional class code changes for filing with the OCI. A detailed Circular will be released upon approval. Approved changes will be effective in conjunction with the October 1, 2016 rate filing.
- Porchlight, Inc.—Hearing – No further appeal has been received. This item is removed from the agenda
- Sartori Company—Hearing - No further appeal has been received. This item is removed from the agenda

### NEW BUSINESS

Eau Claire Sport Motors, LTD – Hearing – Mr. Gary Gotter, President of Eau Claire Sport Motors, submitted an informal hearing request asking that the WCRB consider reclassifying the retail clerks from the governing class of 8391 - Automobile Repair Shop, Parts Department Employees And Drivers to 8748 - Automobile Salespersons or other retail class code. Based on the information provided, the retail sales of apparel is approximately 11% of total receipts.

WCRB verified that including the retail sales under the governing class code 8391 is being applied consistently throughout the state. WCRB has also been advised by

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the National Council on Compensation Insurance (NCCI) that this is also being done on a countrywide basis. Therefore, the reclassification request for retail salespersons to code 8748 has been denied.

### Pending Filings/Actions

- NCCI Item B-1429—Establishment of Audit Noncompliance Charge – Disapproved. This item is referred back to the ANC ad hoc committee to address the concerns raised by the OCI. An amended filing will be prepared.
- NCCI Proposal Item B-1430 – Elimination of Anniversary Rating Date (ARD) – This item has been disapproved by the OCI. The disapproval has been referred to the ANC ad hoc committee to address the concerns raised by the OCI.

### ACTUARIAL SUBCOMMITTEE

- November 12 Subcommittee Meeting Update – Milliman reported on the recent Actuarial Subcommittee meeting. In addition to the usual review of the ratemaking process for the last rate filing, two new issues were discussed in preparation for the February methodology meeting. The items were:
  1. Expense Constant – NCCI has filed for a change in expense constant to \$160 for several states. While no action is proposed at this time, the Actuarial Subcommittee will continue discussion on the expense constant and the minimum premium formula.
  2. The profit and contingency (P&C) provision in the Wisconsin workers' compensation rate filing is 2.5% of premium. The Actuarial Subcommittee has proposed filing a change to the fixed 2.5% P&C provision whereby the provision would vary in proportion to available investment yields (specifically, the average of the current and prior seven-year yield on US Treasury bonds valued as of March 31st).

Since this is a significant change from the current methodology, the Rating Committee recommended that this proposal be filed with the OCI outside of the normal rate filing. The proposed change would be implemented with the October 1, 2016 rate filing.

### WWCIP COMMITTEE

- Reinsurance – The Governing Board accepted the recommendation not to purchase reinsurance for the WWCIP. The decision to purchase reinsurance should be left up to the individual carriers. This item is removed from the agenda.

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- Pool Handbook – The previously approved amendment to the Handbook was held up pending additional changes. No additional changes are proposed at this time. WCRB will file the necessary amendments with OCI. This item is removed from the agenda.
- Servicing Carrier RFP – WCRB outlined changes to the Servicing Carrier RFP and the Servicing Carrier Agreement that will be recommended to the OCI. A Circular announcing the RFP will be released in January 2016.

**REPORTS**

**WWCIP Activity**

Following adjournment of the Governing Board meeting, the Board met in Executive Session.