



Wisconsin Compensation Rating Bureau

CIRCULAR LETTER 1191—MARCH 14, 2016

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 Wednesday, March 2, 2016. The meeting was called to order immediately following the WWCIP meeting.

A list of attendees at the March 2, 2016 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. In the physical absence of Jessica Mayer, Nick Saeger presided over the Governing Board meeting.

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

X = Committee member
O = Non-committee member

Also Present:

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Office of the Commissioner of Insurance (OCI)	Jaclyn de Medicci	O	O	O
Riegel Law	Paul Riegel	O	O	O
SFM Mutual Insurance Company	Nick Marino	O	O	O

Also Present Via Teleconference:

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
Office of the Commissioner of Insurance (OCI)	Andrew Stoughton		O	O
Travelers Indemnity Co.	Jessica Mayer	X	X	X

Member Absent or Excused:

Tri State of MN

Also Present for Part of Meeting:

Craig Hillman Agency
 Clearview Window Washing, LLC
 Marsh & McLennan Agency

Craig Hillman
 Russ Rupert
 Bob Pronold
 Jeff Skoug
 Lea Ann White
 Cynthia Zarda
 Dean Kelley

Nicolet Hardwoods Corporation

Ogletree Deakins

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 December 3, 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.

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- 2015 Estimated Year-End/2016 Approved Budget
- 2015 Approved IT Budget/2015 Estimated Year-End Summary
- Income Report that included years 2013 through 12-31-15
- Notice to Carrier Fine Comparison
- Unit Stat Fine Comparison
- Hard Copy Fee Comparison
- Information Technology 2016 Approved Budget
- 2015 Budget Adjustments
- 2016 Budget Adjustments

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

- Administrative affairs, occupancy, general expenses, personnel, etc. – The Board was updated on the following:
 - Internal staff training
 - Audit Committee – report will be given to the Board in June
 - Inspector Training
- Legislative Issues – Paul Riegel provided a plain language summary of the Agreed Bill which became effective March 2, 2016.

The following Committees will report to the Board:

RATING COMMITTEE

UNFINISHED BUSINESS

- Wisconsin Class Code Exceptions Review – The first phase of the WI Class Code review is complete and has been filed with and approved by the Office of the Commissioner of Insurance. A Circular Letter announcing the most recent approval is being prepared.

Discussion of the second phase with the work group will be done before the next Rating Committee meeting.

- Eau Claire Sport Motors, LTD – No appeal of the committee's decision has been received. This item is removed from the agenda.

NEW BUSINESS

- Clearview Window Washing, LLC – Hearing – Clearview Window Washing LLC appeared before the Rating Committee with a request to change the classification code assigned to their operations for ground-level window washing from code 9170 Window Cleaning & Driver to code 9014 Buildings - Operations By Contractors & Drivers.

The owner of Clearview Window Washing, LLC and his insurance agent described how the employees wash windows without ever leaving the ground

level on the outside of buildings. Based on the technology used, referred to as water fed pole systems, the window washers are able to reach up to four stories from the ground floor with high-tech carbon fiber poles that are fed water for purposes of cleaning windows. The employees of Clearview do not have to climb ladders, scaffolding or utilize slings and seats to wash the windows up to four stories high on the buildings they service.

After reviewing the classifications involved, in particular the request made by the aggrieved party to treat their business as it is treated in other states by the NCCI, the Rating Committee agreed the risks associated with window cleaning when performed at ground level were substantially different than the risks involved with window cleaning above ground level. WCRB will file the following change to code 9170 with the OCI for approval effective October 1, 2016 applicable to new and renewal business only.

Code 9170 Window Cleaning & Drivers (Includes inside and outside cleaning of windows above ground level. Window cleaning when performed at ground level to be separately rated as Code 9014)

Employers Mutual Casualty Company opposed the recommendation.

- NCCI Proposal Item E-1404 Establishment of a Methodology to Calculate Experience Rating Premium Eligibility Amounts - The Committee was advised that adjustments to experience rating eligibility threshold is reviewed and adjusted with the annual WI rate filing. The Governing Board concurred with the recommendation of the Committee to not adopt Item E-1404. This item is removed from the agenda.
- NCCI Proposal Item B-1431 Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group – WCRB provided a summary of the proposed class code changes for WI. The Governing Board concurred with the recommendation of the Rating Committee and voted to adopt the following changes for filing with the Office of the Commissioner of Insurance. These changes are proposed to be effective October 1, 2016 applicable to new and renewal business only.

Code 1852 Asbestos Goods Mfg will be eliminated and not reassigned.

Code 2913 will be eliminated, subject to a transition program, beginning with the 10-1-16 rate revision.

CURRENT CODE	REASSIGNED CODE
2913 Rattan, Willow, or Twisted Fiber Products Mfg	2883 Furniture Manufacturing and Cabinet Shop – Wood - NOC

The following codes will be eliminated and reassigned effective 10-01-2016 and not subject to a transition program.

CURRENT CODE	REASSIGNED CODE
2300 Plush or Velvet Mfg	2501 Cloth, Canvas and Related Products Mfg NOC
2942 Pencil Penholder or Crayon Mfg	4432 Pen Mfg
6260 Tunneling Pneumatic – All Operations	6251 Tunneling Not Pneumatic – All Operations
8105 Store Hide or Leather Dealer	8018 Store Wholesale - NOC

Pending Filings/Actions

- NCCI Proposal Item B-1429 – Establishment of Audit Noncompliance Charge – A verbal approval of this item was received from OCI. The Committee will receive a copy of the formal approval when received by WCRB.
- NCCI Proposal Item B-1430 – Elimination of Anniversary Rating Date (ARD) – A verbal disapproval of this item was received from OCI. The Committee will receive a copy of the formal disapproval when received by WCRB.

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

- Nicolet Hardwoods Corporation – Hearing - Nicolet Hardwoods Corporation (hereinafter “Nicolet”) requested the Wisconsin Compensation Rating Bureau (“WCRB”) grant relief for the assignment of Class Code 2710, Sawmills and Drivers. In particular, two requests were made:
 - (1) Establish a new mechanized sawmill classification similar to that used for mechanized logging.

The Committee was provided considerable information regarding the activities at Nicolet, including the mechanized process for operation of the sawmill. Nicolet identified five operators who were protected in enclosed cabs from any contact with the wood products or saw blades involved in the sawmilling operation. Nicolet believes that because of the automation in the industry, a separate classification should be created to allow for the assignment of a portion of the employees of Nicolet into a mechanized sawmill classification.

The Rating Committee discussed how the mechanization of the industry in general should provide savings which would be reflected in the current rate for Class Code 2710. Safer operation of the sawmill would reduce the number of losses reported and therefore decrease the overall rate for the classification. Further, the Rating Committee noted that the process of setting up a separate classification for mechanized sawmills would split payroll within the same employer. This split payroll

would create significant difficulty in determining who was and who was not entitled to the mechanized sawmill classification.

The Rating Committee voted to deny the request from Nicolet Hardwoods Corporation to establish a mechanized sawmill classification.

- (2) Classify the yard workers and green chain workers under Class Code 8232.

The Rating Committee determined that green chain operations in other states were included in Class Code 2710. However, dry kiln operations, or stacking and air drying operations, were handled under Class Code 8232. The NCCI and the Wisconsin Basic Manuals do allow for both Class Code 2710 and Class Code 8232 to be on the policy at the same time. Payroll for the employees engaged in the yard activities could be classified under Class Code 8232, but payroll for the sawmill operations and green chain operations would be classified under Class Code 2710 under NCCI's phraseology.

At the conclusion of the discussions, the Rating Committee voted to adopt the phraseology used by the NCCI to distinguish between yard operations, green chain operations and sawmill operations. WCRB will file the following change to code 2710 with the OCI for approval effective October 1, 2016 applicable to new and renewal business only.

SAWMILL & DRIVERS (Includes the "Green Chain" operations. These operations involve employees engaged in grading, removing and sorting lumber at the conveyor called the "Green Chain" as it comes from the saws or sawmill, and storage of the green lumber in the yard. The subsequent dry kiln operations or stacking and air drying operations or the handling of the processed lumber activities in the yard are assigned to Code 8232 – Lumberyards.

If an insured's business qualifies for Codes 2710 and 8232, individual employee payrolls may be allocated between these codes. Refer to WI Basic Manual Interchange of Labor rules for requirements that must be met for an insured to qualify for this payroll allocation.)

SHINGLE MFG-WOOD
BARK MILLS
BARK PEELING IN CONNECTION WITH SAW MILLS-CHIPS ALSO
LATH MFG-WOOD
PORTABLE SAW MILLS
POST PEELING IN CONNECTION WITH SAW MILLING
SNOW FENCE MFG - CUTTING LATH FROM LOGS
WOOD CHIP MFG

- Wisconsin Employee Leasing Company Client Mailing Address Endorsement – WC 48 03 18 – The Rating Committee and Governing Board reaffirmed their e-mail vote to adopt this endorsement for filing with the OCI. This endorsement was approved effective 3-1-16.

- Wisconsin Real Estate Salespersons Endorsement WC 48 03 04 –Due to statutory changes proposed and adopted in Assembly Bill 456, the Workers Compensation Division requested the Rating Committee prepare and file an endorsement allowing for employers with real estate salespersons to be included in coverage. The new changes to the real estate laws will take effect 7/1/16. The changes will allow for some employees to be categorized as independent contractors. The Rating Committee prepared an endorsement allowing employers to elect coverage for these employees by providing payroll and a list of names to the carrier for inclusion. The Governing Board voted to file the proposed endorsement for use when approved.

ACTUARIAL SUBCOMMITTEE

The Actuarial Subcommittee met on February 16, 2016 to discuss the ratemaking methodology for the October 1, 2016 rate filing. No significant changes to the methodology will be adopted.

The Subcommittee is continuing discussion on:

- Maximum Minimum Premium
- Minimum Premium Multiplier
- Profit and Contingency

WWCIP COMMITTEE

- Servicing Carrier RFP – Tad Cleveland reported that nine member companies have submitted letters of intent to bid. The RFP's have been provided to the companies. WCRB has been fielding questions submitted and providing a copy of the questions and responses to all bidders by e-mail.
- WWCIP Activity