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Wisconsin Compensation Rating Bureau

GENERAL CIRCULAR LETTER 659 – NOVEMBER 12, 2021

TO: Members of the Bureau

FROM: Nancy Kierzek

RE: Wisconsin Workers' Compensation Insurance Pool Fund

Attached is the eleven-year summary for the Wisconsin Workers' Compensation Insurance Pool Fund on a calendar/accident year basis as of 12-31-20. This exhibit reflects an actuarial evaluation of Pool losses including IBNR. This review is intended to present a more complete picture of the Wisconsin Pool so that member carriers can better understand their obligations. Exhibits 5, 6 and 9 are also attached for your reference.

The last report to member companies showed a surplus of \$46,240,523 at year-end 2019.

Year-end 2020 shows a surplus of \$56,821,029. The adjusted value of the fund of \$309,793,391 was 122% of the target fund value of \$252,972,362. If the adjusted value of net assets is less than 90% or greater than 110% of the aggregate amount of the estimated values of outstanding loss claims, the Pool rules require that an assessment be levied and collected or a distribution be declared and distributed, respectively, in an amount sufficient to bring the value of the net assets up or down to the aggregate estimated values of such claims. The amount declared and to be distributed for 2020 to bring the net assets down to the aggregate estimated values of such claims is \$56,821,029. The Pool distributes or assesses excesses and deficits on the basis of insurance activities of current member companies reported over the prior ten years. Each member carrier will be receiving a Pool statement showing its share of the 2020 surplus, allocated to the prior 10 accident years, based on the carrier's market share of written premiums in each respective year.

As of December 31, 2020, the total assets of the Pool Fund were \$388,428,993 with liabilities of \$47,134,045, resulting in a Fund Balance of \$341,294,948.

**Wisconsin Workers' Compensation Insurance Pool
Redetermination of the Pool Net Assets
As of December 31, 2020**

(1) Net Assets at December 31, 2020 ¹		\$341,294,948
(2) Unearned Premium Reserve at December 31, 2020 ¹		<u>31,501,557</u>
(3) Adjusted Value of Net Assets at December 31, 2020; [(1) - (2)]		\$309,793,391
(4) Outstanding Losses Reported by Servicing Carriers at December 31, 2020 ¹	\$155,197,768	
(5) Actuarial Adjustment; [63.0% x (4)] ²	<u>97,774,594</u>	
(6) Actuarially Adjusted Outstanding Losses	\$252,972,362	
(7) Net Assets Surplus at December 31, 2020; [(3) - (6)]		<u>\$56,821,029</u>

¹ Provided by Reilly, Penner & Benton.

² 63.0% based on selection from Exhibit 1

Wisconsin Workers' Compensation Insurance Pool
Calculation of Assessment by Accident Year
As of December 31, 2020

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Accident Year	Estimated Assets @12/31/19	CY 2020 Payments	[(2)+(2)-(3)] / 2 Average Assets 2020	0.0386 x (4) Estimated Investment Income	Cumulative Assessment Levied in 2020	(2)-(3)+(5)+(6) Estimated Assets 12/31/20	Balanced Reserves 12/31/20	(8) - (7) 1-Year Estimated Assessment
Prior	104,857,465	3,320,967	103,196,981	3,983,403	(14,196,005)	91,323,895	79,009,318	(12,314,577)
2006	5,174,354	112,196	5,118,256	197,565	(1,111,305)	4,148,417	3,505,795	(642,622)
2007	5,250,044	30,670	5,234,709	202,060	(912,058)	4,509,376	3,779,840	(729,536)
2008	4,883,867	140,443	4,813,646	185,807	(949,307)	3,979,923	3,510,447	(469,477)
2009	4,232,795	169,738	4,147,926	160,110	(432,168)	3,790,999	3,072,962	(718,037)
2010	3,727,292	98,062	3,678,261	141,981	(665,874)	3,105,337	2,560,801	(544,536)
2011	10,523,019	590,012	10,228,013	394,801	179,538	10,507,347	9,808,573	(698,773)
2012	7,463,223	437,480	7,244,483	279,637	(1,426,773)	5,878,608	4,773,674	(1,104,933)
2013	12,600,757	260,983	12,470,266	481,352	(1,529,785)	11,291,342	9,404,583	(1,886,758)
2014	14,022,535	803,587	13,620,741	525,761	(4,085,520)	9,659,188	7,608,615	(2,050,573)
2015	12,932,981	1,623,071	12,121,445	467,888	(2,775,699)	9,002,099	7,754,873	(1,247,226)
2016	40,508,697	2,836,739	39,090,328	1,508,887	(5,655,572)	33,525,273	34,283,170	757,897
2017	29,513,692	2,448,837	28,289,274	1,091,966	(10,365,671)	17,791,150	9,602,087	(8,189,063)
2018	35,097,355	3,963,001	33,115,854	1,278,272	(11,418,676)	20,993,950	15,172,734	(5,821,215)
2019	41,876,799	11,371,362	<u>36,191,118</u>	1,396,977	9,104,355	41,006,769	31,308,033	(9,698,735)
2020		<u>13,483,110</u>		<u>1,956,085</u> ¹		<u>39,279,720</u>	<u>27,816,855</u>	<u>(11,462,865)</u> ¹
Total ²	332,664,876	41,690,258	318,561,302	14,252,551 ³	(46,240,523)	309,793,391	252,972,362	(56,821,029) ⁴

0.0386 = Estimated Portfolio Yield Rate

¹ Calculated by subtracting Prior Years from Total.

² Differences due to rounding.

³ Total 2020 Investment Income from the Annual Report Net Investment Income.

⁴ Indicated Total Assessment using a 63.0% IBNR factor.

Wisconsin Workers' Compensation Insurance Pool
Underwriting Results & Computation of Calendar Year Assessments

As of December 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Gross Invoiced Premium Written	71,329,668	83,152,158	90,088,639	95,017,581	103,428,981	117,989,040	111,420,997	98,277,038	72,902,198	58,075,413	49,026,408
2. Gross Invoiced Premium Earned ¹⁾	72,666,428	87,086,276	94,063,847	99,298,614	107,535,836	117,036,563	109,617,659	88,889,053	63,585,371	53,871,474	50,446,321
3. Accident Year Losses Incurred ²⁾	41,299,965	63,950,257	53,915,952	50,217,898	87,570,015	59,942,167	76,168,345	62,311,270	50,973,393	54,393,812	37,511,279
4. Accident Year Loss Ratio =[(3) / (2)]	57%	73%	57%	51%	81%	51%	69%	70%	80%	101%	74%
5. Calendar Year Losses Incurred	8,238,267	28,821,581	41,664,862	69,428,809	70,788,637	76,590,525	86,417,283	58,516,467	58,134,389	50,246,747	47,269,940
6. Servicing Carrier Expense	19,548,481	22,737,106	24,653,808	25,993,574	28,616,329	32,632,297	30,805,420	27,141,723	20,350,527	17,422,624	14,707,923
7. Agents' Commissions	1,906,215	2,106,132	2,285,590	2,366,143	2,579,938	2,468,035	2,551,977	2,193,475	1,790,658	1,588,766	1,374,367
8. Amounts Charged Off	402,697	334,968	105,158	286,123	111,270	524,811	305,080	165,709	869,336	645,287	378,888
9. Other Income and Expenses	(2,290)	(5,528)	(569,850)	(23,225)	(446,617)	(26,452)	(422,498)	(29,152)	(99,990)	(644)	(8,410)
10. Calendar Year U/W Results ³⁾	42,568,478	33,080,961	24,784,579	1,200,739	4,993,044	4,794,443	(10,884,599)	842,527	(17,659,529)	(16,032,594)	(13,293,206)
11. Net Investment Income	14,252,551	13,144,294	8,032,865	8,552,490	9,883,103	8,447,437	8,292,742	10,859,944	14,547,747	12,707,265	15,524,482
12. Miscellaneous Adjustments	0	15,268	0	1,908	7,170	(92,932)	(255,730)	(1,144,028)	(616,770)	(98,971)	(7,834)
13. Calendar Year Assess. (Refund) ⁴⁾											
Based on Calculation	(56,821,029)	(46,240,523)	(32,817,444)	(9,755,137)	(14,883,317)	(13,148,948)	2,847,587	(10,558,443)	3,728,552	3,424,300	(2,223,442)
Based on Examination Report	(56,821,029)	(46,240,523)	(32,817,443)	(9,755,136)	(14,883,318)	(13,148,948)	2,847,590	(10,558,444)	3,728,553	3,424,299	(2,223,442)
14. Cumulative Assess.(Refund)	(56,821,029)	(46,240,523)	(67,757,259)	(34,939,816)	(25,184,678)	(10,301,361)	2,847,587	(3,861,805)	6,696,638	2,968,086	(456,214)

¹⁾ Invoiced Premium Earned is based on the Pool's Invoiced Premium and the Pool's Unearned Premium Reserves which differ from the Financial Call premium data.

²⁾ Discounted Accident year losses incurred evaluated at 12/31/20 including IBNR reserves.

³⁾ Calendar year U/W results = (2) - (5) - (6) - (7) - (8) + (9)

⁴⁾ Calendar Year Assessment = [(10) + (11) + (12)] x -1

Box indicates when disbursements were made