



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 2961 – JUNE 23, 2005

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee meeting held in the premises of The Landmark, 7643 Hillside Road, Egg Harbor, WI 54209 on Thursday, June 16, 2005. The meeting was called to order at 8:30 A.M. with the following members present:

ORGANIZATION

Employers Insurance of Wausau, Chair
Allied Construction Employers Association
Continental Casualty Insurance Company
Employers Mutual Casualty Company
General Casualty Insurance Company
Sentry Insurance A Mutual Company
Society Insurance A Mutual Company
Travelers Insurance Company
United Wisconsin Insurance Company
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Steve Ginsburg
Ed Hayden
George Agyen
Jim Pousha
Jim Vandenberg
Ellen Altenburg-Wadel
Chad Thurn
Bruce Kaufenberg
Emil Pfenninger
Ralph Herrmann
Richard Colvin
Nancy Kierzek
Christine Siekierski
Tad Cleveland
Donna Knepper

Member Absent or Excused:

Wisconsin Manufacturers & Commerce

Also Present:

Acuity A Mutual company

American Home Assurance Company

Greg Vanden Langenberg
Craig Snyder
Jerry Korbelt

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AmComp Insurance

Fireman's Fund Insurance Company

Liberty Mutual Insurance Company

Milliman USA

NCCI

Riegel Law, S.C.

Secura Insurance A Mutual Company

West Bend Mutual Insurance

Debbie Towler

Mike Olson

Ken Blake

Val Schmelzer

Dennis Lange

Joe Volman

Paul Riegel

Phil Biwan

Pam Allison

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.”

UNFINISHED BUSINESS

ITEM NUMBER 3748 CONTRACTOR PREMIUM ADJUSTMENT PROGRAM

The Committee was provided with the usual update on WCPAP activity. The average contractor credit is 5%.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

The item is continued as a reminder to provide an update in December.

WCRB will continue to monitor Pool activity and may provide additional information prior to the December meeting

ITEM NUMBER 3860 FREDMAN BAG CO.- HEARING

The Committee was advised that a tentative decision has been reached. Fredman Bag Co. has disputed portions of the findings. This item is continued.

**ITEM NUMBER 3863 NCCI PROPOSAL ITEM B-1387 – REVISIONS OF BASIC
MANUAL CLASSIFICATIONS**

The Adhoc Committee provided an update on the proposed changes to classification code 8837 - Charitable Welfare Organizations.

After discussion, the Committee voted to file the following changes with the Office of the Commissioner of Insurance to be effective October 1, 2005, applicable to new and renewal business only.

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8842 GROUP HOMES – ALL EMPLOYEES & SALESPERSONS, DRIVERS

Includes group homes, group foster homes, halfway houses that provide rehabilitation services, shelters, and independent supportive living homes for mentally, physically, or emotionally challenged individuals. Juvenile detention centers, “boot camps”, and halfway houses for convicts are to be separately rated to Code 7720. Detoxification, treatment, and rehabilitation of alcoholics or narcotic addicts are separately rated to the appropriate hospital classification codes. Refer to Code 8864 for social service organizations.

Rate to equal code 9052 until code 8842 develops its own credible data.

8864 SOCIAL SERVICE ORGANIZATION – ALL EMPLOYEES & SALESPERSON, DRIVERS

Applicable to institutions that provide social services to mentally, physically, or emotionally challenged persons. Social service organizations may offer these individuals sleeping accommodations, meals, on-site counseling, or client assessments, education, training, and employment and offer limited medical services such as first aid. Includes employees who may, among other services, counsel, advise, guide, direct, or instruct clients. Refer to code 8842 for group homes, group foster homes, halfway houses that provide rehabilitation services, shelters, and independent supportive living homes for mentally, physically, or emotionally challenged individuals. Juvenile detention centers, “boot camps”, and halfway houses for convicts are to be separately rated to Code 7720. Detoxification, treatment, and rehabilitation of alcoholics or narcotic addicts are separately rated to the appropriate hospital classification codes. Separately rate business ventures operated by social service organizations. These ventures include, but are not limited to: stores, homemaking services, placement services, contracting and municipal operations.

Transition Program For Risks Subject to Previously A-Rated Code 8837:

This transition program applies to insureds subject to the previously “a” rated and experience rated code 8837. It does not apply to risks newly qualified for experience rating.

For an individual risk, the Expected Loss Rate (ELR) and D-Ratio to apply for the first year after discontinuance of the “a”-rated code will be equal to a 2:1 weighting between the ELR used prior to the discontinuance of the “a”-rated code and the approved manual ELR.

For the second year, a 1:2 weighting scheme will be used between the ELR used prior to the discontinuance of the “a” rated code and the most recently approved manual ELR.

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From the third year on, this transition program no longer applies, and the published ELR and D-Ratio for the appropriate class will be used.

**7720 JUVENILE DETENTION CENTER – ALL EMPLOYEES & SALESPERSONS,
DRIVERS**

Includes halfway houses, juvenile detention centers, “boot camps”, or homes for convicts. Refer to Code 8842 for group homes, group foster homes, halfway houses that provide rehabilitation services, shelters, and independent supportive living homes for mentally, physically, or emotionally challenged individuals.

Code 7720 is an established class code. This just clarifies where the exposure for juvenile detention centers is to be assigned.

President Herrmann expressed his appreciation to Employers Insurance of Wausau, General Casualty Company, Travelers Insurance Company, and United Wisconsin Insurance Company for time and effort.

**ITEM NUMBER 3867 OFFICE OF FOREIGN ASSET CONTROL (OFAC)
ENDORSEMENT**

This item is still being reviewed by NCCI, but it does not appear that a filing addressing this issue will be forthcoming. This item is removed from the agenda with no action taken.

**ITEM NUMBER 3868 NCCI PROPOSAL ITEM B – 1391 – REVISION TO BASIC
MANUAL CLASSIFICATIONS**

WCRB presented a proposal to clarify that shop operations should be included in the phraseology for Classification Code 5537 – Heating, Ventilation, Air-Conditioning and Refrigeration Systems – Installation, Service and Repair & Drivers. WCRB was asked to prepare language for the Committee to review.

**ITEM NUMBER 3870 NCCI PROPOSAL ITEM B-1393 MISCELLANEOUS
VALUES FOR DOMESTIC TERRORISM, EARTHQUAKES, AND
CATASTROPHIC INDUSTRIAL ACCIDENTS**

The Office of the Commissioner of Insurance disapproved NCCI Proposal Item B-1393 Miscellaneous Values for Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC) and recommended that this item be reviewed in conjunction with the annual rate revision.

After discussion, the Committee voted to incorporate a DTEC charge of \$0.00 or \$0.01 per \$100 of payroll in the October 1, 2005 rate revision. The charge will be optional for voluntary carriers but mandatory for Pool accounts. If approved, carriers writing in the voluntary market will be reminded that the charge must be applied uniformly to all accounts.

ITEM NUMBER 3871 WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS
ENDORSEMENT – WC 00 03 13

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

ITEM NUMBER 3873 OCTOBER 1, 2005 RATE REVISION

At their May 19, 2005 meeting, the Rating committee adopted the recommendation for a 7.89% overall rate increase. This recommendation was based on using a weighted average of 50% paid and 50% paid + case indications. This represented a change in the methodology used in prior rate revisions.

On June 2, 2005, the Office of the Commissioner of Insurance released a letter indicating that the proposed filing would not be approved.

After discussion, the Committee recognized that the change recommended by the Actuarial Subcommittee was justified, but agreed to temper the methodology changes by using a weighted average of 75% paid and 25% paid + case indications. This change results in an overall proposed rate increase of 5.33%. This item will be filed with the Office of the Commissioner of Insurance to be effective October 1, 2005, applicable to new and renewal business only.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

WCRB reported on the ongoing discussions with the Office of the Commissioner of Insurance, the Department of Workforce Development, the Worker's Compensation Advisory Council and members of Professional Employer Organizations (PEOs). Several issues were raised such as identification of PEO clients, proof of coverage, and experience rating modification tracking. These issues are also being addressed on a national level by other rating organizations, the NCCI and the National Association of Insurance Commissioners (NAIC).

NEW BUSINESS

ITEM NUMBER 3876 DORNER, INC.

Mr. Daniel Dorner and Mary Denissen, Senior Account Consultant from Aon Risk Services, Inc. of WI appeared before the Committee and requested that the WCRB accept a late application submitted for the Wisconsin Contractors Premium Adjustment Program (WCPAP) credit.

The Committee determined that there was sufficient notice given to Dorner, Inc. outlining the need for the WCRB to receive the WCPAP application by the due date given. The petition was denied. If evidence of timely mailing of the application surfaces, a WCPAP credit will be retroactively applied.

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ITEM NUMBER 3877 NCCI PROPOSAL ITEM R-1395 – 2005 UPDATE TO
RETROSPECTIVE RATING PLAN PARAMETERS

The Committee voted to adopt the proposed update to the Retrospective Rating Plan Parameters for filing with the Office of the Commissioner of Insurance, to be effective October 1, 2005.

ITEM NUMBER 3878 NCCI PROPOSAL ITEM B – 1394 – REVISIONS TO BASIC
MANUAL CLASSIFICATIONS AND RULES, ADDENDUM
TO ITEM FILING B-1387, AND ADDENDUM TO ITEM
FILING B-3191

This item was referred to the Operations Subcommittee for their review and recommendation.

ITEM NUMBER 3879 AUTOMOBILE DEALERS – SERVICE WRITERS

By unanimous consent of all members present, this item was added to the agenda.

The WCRB had been requested to review the issue of classifying Service Writers working within automobile dealerships. The WCRB was advised that inconsistencies existed within the marketplace regarding the proper classification of this particular exposure. WCRB had amended the phraseology for class code 8391 Automobile Repair Shop & Parts Department Employees, Service Writers & Drivers to specifically include Service Writers.

After discussion, the Committee voted 9 to 1 (Sentry Insurance opposed) to file the following proposed amendment to class code 8391:

8391 Automobile Repair Shop & Parts Department Employees & Drivers

Automobile salespersons and service writers to be separately rated as Code 8748.

The next meeting of the Rating Committee is tentatively scheduled for Tuesday, September 13, 2005 at the offices of Sentry Insurance, Stevens Point, WI.

Donna Knepper
Executive Secretary