



Wisconsin Compensation Rating Bureau

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

CIRCULAR LETTER 2996—DECEMBER 15, 2006

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Rating Committee meeting called to convene in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Tuesday, December 5, 2006. The meeting was called to order at 9:30 AM with the following members present:

ORGANIZATION

General Casualty Insurance Company, Chair
American Home Assurance Company
Employers Insurance Company of Wausau
Employers Mutual Casualty Company
Sentry Insurance A Mutual Company

Travelers Insurance Company
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Mike Schimke
Jerry Korbel
Steve Ginsburg
Jim Pousha
Ellen Altenburg-Wadel
Christine Kienbaum
Bruce Kaufenberg
Ralph Herrmann
Richard Colvin
Christine Siekierski
Nancy Kierzek
Tad Cleveland
Donna Knepper

Also Present for Part of Meeting:

Allied Construction Employers Association
United Wisconsin Insurance Company

Ed Hayden
Paul Hingtgen

Members Absent or Excused:

Society Insurance A Mutual Company
John Metcalf - Wisconsin Manufacturers & Commerce

Also Present:

Badger Mutual Insurance Company
Companion Property & Casualty

Terry Falls
Patrick Clavette

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Liberty Mutual Insurance Company
Middlesex Insurance Company
NCCI
Office of the Commissioner of Insurance

Riegel Law, S.C.
Tri State Insurance of MN
West Bend Mutual Insurance

Val Schmelzer
Sandy Knoll
Joe Volman
Ronnie Demergian
Walter Fellows
Paul Riegel
Judy Baldus
Pam Allison
Joel Christ

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

Tad Cleveland provided an update of the Wisconsin Contractor's Premium Adjustment Program. For the latest WCPAP year, beginning July 1, 2006, the WCRB has mailed 16,397 applications, of which 3,637 contractors, or 22%, responded. This number represents all policies containing a contracting classification with an effective date July 2006 through March 2007. The resulting average credit is 4%.

The Committee was furnished with a WCPAP analysis prepared by Milliman and adopted the following recommendations:

- The WCPAP program will be continued as a standing program.
- The wage rate will be adjusted annually based on the average wage inflation rate for the contracting industry group provided in the annual rate revision.
- Re-evaluate program structure in 2007 for possible 2008 adjustment, and review on a biennial basis thereafter.
- Refer analysis to the Actuarial Subcommittee for review.

The continuation of WCPAP as a standing program will be filed with the Office of the Commissioner of Insurance for approval effective July 1, 2007.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

Each member of the Committee was furnished with a copy of a report generated by Milliman projecting the possible impact on the Pool's surplus under several different loss ratio scenarios. The report is available to member carriers upon request.

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The Committee was advised that the Actuarial subcommittee is currently reviewing the Pool Target Fund formula which will ultimately be shared with the Rating Committee for review and comment.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

The Committee was provided with a brief history of activity regarding PEOs. The review included:

- At their December 6, 2005 meeting, the Rating Committee approved a revision to Wisconsin Basic Manual Rule IX to require client level policies to be issued to clients of a PEO. The proposed amendments were filed with the Office of the Commissioner of Insurance (OCI) for approval to be effective July 1, 2006.
- January 15, 2006 the OCI requested an extension of their review to June 1, 2006.
- June 1, 2006, the OCI approved the filing to be effective November 1, 2006.
- A lawsuit was filed against the WCRB and OCI by a Wisconsin-based PEO. In question was the non-governmental status of the WCRB and the absence of a requirement that the WCRB conduct public hearings prior to filing changes to rates and rules with the OCI. Discussions to resolve issues continued.
- The Worker's Compensation Advisory Council (WCAC) formed a workgroup to discuss issues unique to the PEO industry.
- An open hearing with the WCAC to discuss amendments to Chapter 102 was scheduled for the afternoon of December 6, 2006. Changes adopted at the hearing may affect the filing that had been approved by the OCI.
- The Committee voted to withdraw the approved filing and redraft Wisconsin Basic Manual Rule IX to track with changes being proposed to Chapter 102. The proposed redraft will be effective no later than January 1, 2008.

Ralph Herrmann expressed his appreciation to Steve Ginsburg and Stan Hoffert from Employer Insurance Company of Wausau for their work and input with the WCAC.

ITEM NUMBER 3880 MECHANIZED LOGGING

The Committee was updated on the WCAC study committee assembled to discuss issues related to the logging industry.

The WCRB sent a questionnaire to all employers with code 2702 on their policy. The questionnaire asked the employer what percentage of their operations were mechanized and what percentage were non-mechanized. Over 1400 questionnaires were sent and 442 responses were received.

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Class code 2709 was established to report mechanized exposure for policies effective October 1, 2006 and later. The data collected will be evaluated to determine whether a separate rate for mechanized logging will be established. The initial evaluation will be made in conjunction with the October 1, 2009 rate revision.

The study committee is also investigating safety programs and a group self-insurance program for the logging industry.

ITEM NUMBER 3883 SKIL-TECH, INC.

The Commissioner of Insurance upheld the December 6, 2005 decision of the Rating Committee. Skil-Tech, Inc. has not appealed the decision.

As a result of the decision, the WCRB proposed the following clarification to Section II E.b.(2) and (3) of the Wisconsin Unit Statistical Plan Manual.

E. Correction Reports

b. Loss Corrections. A correction of a loss report must also be filed when any of the following occur between valuation dates.

(1) Loss values are found to have included or excluded through a mistake other than error of judgment.

(2) One or more claims, ~~or any part thereof~~, are declared non-compensable as defined in the Experience Rating Plan Manual.

(3) The carrier ~~of the claimant~~ has obtained a subrogation recovery in an action against a third party or has received, or anticipates to receive, reimbursement from the Second Injury Fund.

The Committee adopted the change for filing with the OCI.

ITEM NUMBER 3888 NCCI PROPOSAL ITEM B-1399 REVISIONS TO BASIC
MANUAL CLASSIFICATIONS FOR THE AVIATION INDUSTRY

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

ITEM NUMBER 3889 POLICY PROCESSING FEES

The Committee was provided with a cost analysis of WCRB costs incurred for accepting hard copy policies versus electronic transactions. Emphasis was placed on data quality improvement gained by electronic transmission.

The Committee voted to recommend an initial target fee of \$25.00 per hard-copy submission for Phase One of the implementation program, subject to continued review and amendment. Phase One includes the submission of new policies, renewal policies cancellations, and reinstatements. Sentry Insurance opposed the amount of the fee.

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WCRB was requested to provide a summary report of carriers submitting hard-copy policy document versus electronic transaction, and carriers in test for electronic transaction.

ITEM NUMBER 3890 ACUITY V. OLIVAS

The Committee was advised that the decision on Acuity v. Olivas was still pending before the Supreme Court. This item is continued.

ITEM NUMBER 3891 ITEM B-1403 REVISION TO BASIC MANUAL AND
RETROSPECTIVE RATING PLAN MANUAL 2006 UPDATE TO
HAZARD GROUPS AND RETROSPECTIVE RATING PLAN
PARAMETERS

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

ITEM NUMBER 3892 KEMPER INSURANCE

The Committee was advised that the fining issues have been resolved and that this item can be removed from the agenda.

The WCRB is in the process of reviewing the Bureau By-Laws and that provisions for working with carriers in financial difficulty will be considered. Proposed changes to the Bureau By-Laws will be reported on under a new Item Number.

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

ITEM NUMBER 3893 NCCI PROPOSAL ITEM B-1397 NCCI PROPOSAL
REVISIONS TO BASIC MANUAL CLASSIFICATION AND RULES

Each member of the Committee was furnished with a summary of proposed changes to phraseologies for several class codes. This item was referred to the Operations Subcommittee for their review and recommendation.

The next meeting of the Rating Committee is scheduled for March 6, 2007 at 9:30 A.M. in the WCRB offices.

Donna Knepper
Executive Secretary