



Wisconsin Compensation Rating Bureau

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

CIRCULAR LETTER 1092—DECEMBER 12, 2007

PROCEEDINGS OF THE WISCONSIN GOVERNING COMMITTEE

TO: MEMBERS OF THE BUREAU

Minutes of the Wisconsin Governing Committee meeting held in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53186 on Wednesday, December 5, 2007. The meeting was called to order at 8:30 AM, with the following members present:

ORGANIZATION

Travelers Insurance Co., Chair
American Home Assurance Company
Employers Insurance Company of Wausau
General Casualty Insurance Co. of WI
Secura Insurance Co.
Sentry Insurance A Mutual Co., Chair

Society Insurance A Mutual Co.
United Wisconsin Insurance Company
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Bruce Kaufenberg
Ken Stryczek
Steve Ginsburg
Jim Vandenberg
Phil Biwan
Janet Fagan
Mike Williams
Rick Levin
Paul Hingtgen
Ralph Herrmann
Christine Siekierski
Nancy Kierzek
Tad Cleveland
Michael Mann
Donna Knepper

Also Present:

Badger Mutual Insurance Company
Companion Property & Casualty
Milliman
Riegel Law, S.C.

Terry Falls
Patrick Clavette
Gary Josephson
Paul Riegel

Also Present For Part of Meeting:

John B. Collins Associates, Inc.

John Daum
Scott Self
Mike Larson

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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.”

1. The Committee was presented the following information:

- The Committee revised and adopted the 2008 Proposed Budget.
- 2008 Preliminary vs. 2008 Proposed Budget Comparison.
- The 2007 Estimated Year-End 2008 Proposed Budget.
- 2007 Approved IT Budget vs. 2007 IT Budget Estimated Year-End Summary.
- 2008 Preliminary IT Budget/2008 Proposed IT Budget.
- An Income Report that included years 2004 through 10-31-07.
- An Approved Quarterly Budget Reference Chart outlining the approved quarterly assessments for the past year and the current proposed quarterly assessment.
- A report comparing the number of fines issued and the total income for NTCs and USRs for January through October, 2003 through 2007. The report summarized that the Unit Statistical fine income decreased by 58.9% from 2003 to 2007, and the number of fines decreased by 52.9%. For the same time period, Notice to Carrier fine income decreased by 34.1%, while the number of fines decreased by 22.7%.
- The Committee voted to levy an assessment for the first quarter of 2008 in the amount of \$1,752,747.

NOTE: Since the direct premium writings of the current calendar year do not become available until the following calendar year, the net direct premium writings of the preceding calendar year shall be used as a temporary basis for the apportionment of this assessment.

2. The usual discussion centering on administrative affairs, occupancy, general expenses, personnel, etc.

The Committee was provided the following update:

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- Online Assigned Risk (OAR) application. OAR is in the testing phase and it is anticipated that implementation will be in early 2008. Web-ex training sessions will be conducted in February and June 2008.

3. Outstanding Issues:

a. Workers Compensation Research Institute

WCRI recently presented the WCRI Advisory Committee with their latest findings. WI continues to show issues with rising medical costs.

b. Carriers placed in rehabilitation/liquidation

WCRB reported that there were no new carriers placed in rehabilitation or liquidation.

c. Unit Statistical direct reporting option

330 carriers are filing unit statistical reports directly with the WCRB, representing 75-80% of all submissions.

d. WCRB Ratemaking—Financial Calls

The Actuarial Subcommittee met on November 15, 2007 to discuss the October 1, 2008 rate revision. The discussion included:

- Methodology
- Wage trend
- Expense constant
- Maximum minimum premium
- Minimum premium multiplier
- DCCE

WCRB sent a ratemaking process survey to the Actuarial Subcommittee, OCI, and Milliman. The survey asked for input on the current ratemaking process. The results of the survey will be discussed at the February 7, 2008 Actuarial Subcommittee meeting.

e. Pool Surplus Report

The Committee was furnished with a copy of a semi-annual 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.

f. The Employer Group (TEG) v. WCRB and OCI

The lawsuit is being held in abeyance until the 2008 Agreed Bill and the WI Basic Manual rule changes have been approved.

The proposed changes to the WI Basic Manual Rule IX and applicable endorsements were adopted and were contingent on the adoption of the 2008 Agreed Bill. The Agreed Bill has not been passed and the filing of the rule changes has been delayed. WCRB will release a separate Circular Letter outlining the chain of events and future expectations.

g. WCRB By-Laws

WCRB obtained outside legal counsel review of proposed changes to the WCRB By-Laws. The recommendations of the review, with some minor adjustments, were adopted. A final draft of the revised By-Laws proposal will be provided to the membership in early 2008. The membership will vote on the amendments at the May 2008 Annual Meeting.

h. Municipal Mutual Insurance Companies

The language requiring Municipal Mutual Insurance Companies to participate in the WWCIP has been removed from the technical bill. A proposal to resolve outstanding issues will be presented to the Committee at the March 2008 meeting.

i. Other

The following additional item was discussed and acted upon:

Collins presented a reinsurance program analysis for the WWCIP. Following considerable discussion, the Committee voted not to purchase reinsurance at this time. WCRB will gather additional information for the March 2008 meeting.

4. Jokipii Demolition LLC

The Committee approved the recommendation from Bureau staff to charge-off an uncollectible amount of \$67,513 as owed by Jokipii Demolition LLC to Tri-State Insurance Company of MN.

5. Lake States Industrial Services, Inc.

The Committee approved the recommendation from Bureau staff to charge-off an uncollectible amount of \$86,053 as owed by Lake States Industrial Services, Inc. to Middlesex Insurance Company.

6. Porfirio Alamilla

The Committee approved the recommendation from Bureau staff to charge-off an uncollectible amount of \$26,383 as owed by Porfirio Alamilla to Middlesex Insurance Company.

7. The Committee was provided an Executive Summary on ACCCT activities.

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The next Governing Committee meeting is scheduled for Wednesday, March 5, 2008, 9:30 AM at the WCRB office.

Donna Knepper
Executive Secretary