



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 3001—MARCH 16, 2007

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, March 6, 2007. The meeting was called to order at 9:30 AM with the following members present:

ORGANIZATION

General Casualty Insurance Company, Chair
Allied Construction Employers Association
American Home Assurance Company
Employers Insurance Company of Wausau
Employers Mutual Casualty Company
Sentry Insurance A Mutual Company
Society Insurance A Mutual Company
Travelers Insurance Company
United Wisconsin Insurance Company

Wisconsin Manufacturers & Commerce
Wisconsin Compensation Rating Bureau

REPRESENTATIVE

Mike Schimke
Ed Hayden
Jerry Korbel
Steve Ginsburg
Jim Pousha
Christine Kienbaum
Chad Thurn
Bruce Kaufenberg
Paul Hingtgen
Erin Kearns
Jason Lanza
John Metcalf
Ralph Herrmann
Tad Cleveland
Nancy Kierzek
Kay Higgins
Donna Knepper

Also Present:

Acuity Insurance

AmComp
Companion Property & Casualty
Liberty Mutual Insurance Company
Michigan Construction Industry Mutual
Middlesex Insurance Company

Craig Snyder
Scott VanNorwick
Debbie Towler
Patrick Clavette
Val Schmelzer
Bob Schneider
Sandy Knoll

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Office of the Commissioner of Insurance

Riegel Law, S.C.

Tri State Insurance of MN
West Bend Mutual Insurance

Ronnie Demergian
Walter Fellows
Paul Riegel
Doug Selky
Judy Baldus
Pam Allison
Joel Christ

Also Present For Part of Meeting:

Frankenmuth Mutual Insurance Company
Department of Workforce Development

Great Lakes Timber Professionals Association
State of WI Department of Natural Resources
Northwoods League
LaCrosse Loggers
Madison Mallards
Green Bay Bullfrogs

Gerry Brock
John Conway
Brian Krueger
Joe Moreth
Gene Francisco
Terry Mace
Dick Radatz
Senator Dan Kapanke
Vern Stenman
Chad Bauer

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 24,035 applications, of which 5,483 contractors, or 23%, responded. This number represents all policies containing a contracting classification with an effective date July 2006 through June, 2007. The resulting average credit is 4%.

The continuation of WCPAP as a standing program has been approved by with the Office of the Commissioner of Insurance. The program structure will be re-evaluated in 2007 for possible 2008 adjustment, and reviewed on a biennial basis thereafter.

ITEM NUMBER 3852 WWCIP SURPLUS REPORT

The Actuarial subcommittee recommended changes to the Wisconsin Worker's Compensation Insurance Pool Fund value definitions found in the Appendix of the Wisconsin Basic Manual. The proposed amendments tighten up current fund

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parameters. The Committee adopted the recommendations and will submit the proposal to the Governing Committee for approval.

ITEM NUMBER 3875 PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

The Committee was furnished with proposed statutory language relating to Employee Leasing Companies (ELCs).* The proposed amendatory language will be included in the upcoming “Agreed Bill”. The anticipated effective date is January 1, 2008.

Amendments to Wisconsin Basic Manual IX would include, in part, the following components:

	REQUIREMENTS
Master Policy	A single policy may be issued to the ELC covering all non-rated clients. The policy must name each client and provide payroll information for each. Eligibility for inclusion under the master policy is determined by the combining of all exposure (leased and non-leased employees, all commonly owned or controlled entities or organizations) of the client and applying the experience rating eligibility rules. Once a client meets the experience rating threshold, a MCP must be issued.
Multiple Coordinated Policy (MCP)	Separate policies are issued to the ELC and each client by the same insurer. These clients are eligible for experience rating. The policy will name both the ELC and the client under Item 1 of the policy. If the ELC is named first, Item 1 must be issued as “ABC Leasing Company L/C/F XYZ Machine Shop”. (L/C/F means Labor Contractor For). If the client is named first, Item 1 must be issued as “XYZ Machine Shop client of ABC Leasing Company”.
WWCIP	All policies issued through the WWCIP will be client level policies where the client is named first under Item 1. Both the leased and non-leased exposure for an individual client must be placed in the Pool.
Divided Coverage	Separate policies may be issued to a client that obtains part of its workforce through a contract with an ELC. One policy provides coverage for the client’s leased employees and one policy provides coverage for the client’s non-leased employees. If a client’s leased policy is issued in the voluntary market, the client’s non-leased exposure may not be insured through the WWCIP.
Cancellation	Basic Manual Rule X applies for all cancellations. An insurer may cancel coverage if the contract between the ELC and the client has been terminated in its entirety. The insurer does have the ability to continue coverage for the client even though the contract with the ELC has been terminated.
Sole Proprietor	A sole proprietor, a partner or a member of a limited liability company (LLC) is not covered under the policy unless the policy is endorsement naming the sole proprietor, a partner or a member the LLC that has elected coverage.
Executive Officer	A corporate officer is a covered employee for worker’s compensation benefits unless an officer of a qualified corporation non-elects coverage.

Ralph Herrmann advised that Louise Lippert from Wausau has graciously offered her expertise in assisting in the development of any endorsements that may be needed and recommending changes to the Basic Manual

*The proposed statutory language amended the originally proposed phraseology from Professional Employer Organizations (PEOs) to Employee Leasing Companies (ELCs).

ITEM NUMBER 3880 MECHANIZED LOGGING

Gene Francisco from the Great Lakes Timber Association, Terry Maze from the Department of Natural Resources, and representatives from the Department of Workforce Development updated the Committee on ongoing issues and concerns in the logging industry. A major area of discussion was the possibility of developing a certification program for loggers. The Committee requested WCRB to aid in the development of a certified logger safety program. Included in the program should be curriculum requirements, certification processes and overall management of the certification program.

ITEM NUMBER 3883 SKIL-TECH, INC.

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

ITEM NUMBER 3889 POLICY PROCESSING FEES

The Committee was advised of the ongoing efforts to encourage member carriers to submit data to WCRB via electronic transaction rather than hard-copy submission. A letter to the Home Office of all carriers submitting data hard-copy will be sent within the next couple of weeks. This letter will provide an estimate of the cost that may have been incurred had the processing fee program been in effect in 2006.

WCRB also provided 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 Wisconsin Supreme Court determined that the nine point test for independent contractors applies to both the payment of worker's compensation benefits and premium determination.

The Supreme Court decision left unanswered coverage questions between sole proprietors and general contractors that will need to be researched and addressed.

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

The Operations Subcommittee made the following recommendations to NCCI Proposal Item B-1397:

1. **Ambulance and Emergency Medical Services**

Wisconsin background: Wisconsin currently classifies for-profit ambulance service providers under code 7380 and volunteer ambulance service providers under code 7710. Thus, Wisconsin already is an exception to NCCI's classification of ambulances under code 7370.

Operations subcommittee recommendation: Adopt code 7705 for paid, for-profit ambulance providers while retaining code 7710 for volunteer ambulance services. The rate for code 7705 will be the same as code 7380 until such time that the class develops sufficient experience to determine its own rate. NCCI's description of code 7705 will also be adopted with the exception of striking any language indicating that volunteers are to be included under the code. Finally, in time, if the rates for codes 7705 and 7710 do not indicate large differentials, consideration will be given to combining the two ambulance codes, paid for-profit and volunteer, just as NCCI proposes in this filing.

2. **Athletic Team Sports and Parks**

Wisconsin background: Currently, players, coaches, trainers and officials of sports teams/organizations, both professional and amateur, are classified under either codes 9178 or 9179, depending on whether the activity is a contact sport or a non-contact sport. Furthermore, both classes apply a minimum payroll per employee of \$500.00 for amateur players. The origin of the \$500.00 payroll minimum per employee figure is not readily known but dates back to the 1950's. Effective 10-1-06, the rate for code 9178 is \$53.25, code 9179 is \$4.13 and code 9063 is \$1.47.

Operations subcommittee recommendation: Retain codes 9178 and 9179 for players but classify coaches, trainers, officials and all other similar employees of sports teams/organizations to code 9063. The \$500.00 minimum payroll inclusion per player will be retained under this recommendation.

Northwoods League representative Dick Radatz, LaCrosse Loggers representative Senator Dan Kapanke, Madison Mallards representative Vern Stenman and Green Bay Bullfrogs representative Chad Bauer addressed the Committee on issues relating to rate for Code 9178 - Athletic Team Or Park: Non-Contact Sports.

3. **Cleaning Services and Pet Sitting**

Wisconsin background: Janitorial services are currently classified under code 9014 when the contractor is servicing commercial structures and code 0917 when the contractor is cleaning residences. No differentiation is considered in relation to whether these operations take place from ground level or above ground level.

Operations subcommittee recommendation: The majority of this proposal is not being recommended for adoption. However, two portions of the proposal have merit and should be adopted. First, the phraseology for code 0917 should be amended from “Domestic Service Contractor” to “Residential Cleaning Services by Contractor-Inside.” Second, the phraseology for code 9014 should be amended to include the words “& Drivers” in order to recognize and clarify the exposure of delivering cleaning equipment and supplies to job sites.

4. Domestics

Wisconsin background: Wisconsin classifies domestic workers (inside and outside, full-time and occasional) in the same manner as NCCI. Thus, there are currently four classes for these exposures.

Operations subcommittee recommendation: This proposal should be adopted in full to consolidate the four classes into two. Class code 0908 will recognize all part-time domestic employees, both inside and outside, while class code 0913 will recognize all full-time domestic employees, both inside and outside. NCCI’s review has determined that there is little difference in claims experience between in-servants such as maids, butlers, etc. and out-servants such as gardeners and chauffeurs.

5. Firefighting Including Volunteer Firefighters

Wisconsin background: Wisconsin is already an exception to NCCI’s classification of this industry. While this proposal seeks to separately rate paid firefighters from volunteer firefighters, Wisconsin already does so with the use of code 7704, a payroll-based code for paid firefighting departments, and code 7709, a classification for volunteer firefighting departments whose premium is calculated based on the population of the communities served by the volunteer fire department.

Operations subcommittee recommendation: Due to the fact that separate class codes already exist for paid and volunteer firefighters, this proposal should not be adopted. However, the current class codes 7704 and 7709 should be amended to include clarifying language in NCCI’s new firefighting classifications. Such language spells out how to classify individuals who perform both firefighting and emergency medical services (ambulance) duties as well as which class code to use when separately rating personnel who are solely responsible for providing emergency medical services.

Furthermore, while NCCI proposes collecting head count data related to numbers of paid firefighters and volunteer firefighters, no such data collection will be required in Wisconsin.

6. **Logging**

Wisconsin background: Effective 10-1-06, Wisconsin already adopted the creation of a mechanized logging classification, code 2709. Data for this segment of the industry will be tracked to determine whether a separate rate should be calculated for mechanized logging operators.

Operations subcommittee recommendation: Given the fact that the Worker's Compensation Advisory Council (WCAC) is actively reviewing the logging industry at this time, a review that the WCRB is a participant in, it was decided to allow this study to provide further direction on the classification treatment of the logging industry. Therefore, no further modification to logging classifications is recommended at this time.

7. **Mailing Companies**

Wisconsin background: Wisconsin currently classifies this industry in the same manner as NCCI. That is, clerical personnel are included along with production employees within a single classification for this industry.

Operations subcommittee recommendation: This proposal should be adopted in terms of its intent, which is to separately rate clerical exposure from production exposure. However, rather than establish a new classification for mailing or addressing company clerical employees, as NCCI proposes with code 8799, such payroll will simply be assigned to the existing clerical classification in the class system, that being code 8810.

8. **Sheet Metal**

Wisconsin background: Wisconsin currently classifies this industry in the same manner as NCCI. Code 3066 is utilized largely for job shop type sheet metal shops, while code 3076 is used for fabricating shops which produce a final product such as metal furniture, ovens, refrigerators, etc. Code 5538 is a contracting class used to classify installers and repair personnel who work outside of a shop exposure.

Operations subcommittee recommendation: This proposal is not being recommended for adoption. The filing proposes to combine codes 3066 and 3076 and establish two new sheet metal shop classes. One shop code, 3076, would be used for employers who do not provide installation and repair services while the other shop class, 3069, would be applied to employers who also provide such field services. A new field class, code 5535, would be a companion code to risks classified under code 3069, representing the repair and installation portion of the operation.

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Codes 3066 and 3076 have developed distinct rates (currently \$7.08 for 3066 and \$3.94 for 3076) over time, perceivably due to distinct processes, expertise of labor and other factors. It is felt that this differentiation should continue to be recognized.

One portion of the proposal should be adopted, however. The filing provides a clarification for the heating and air conditioning (HVAC) classification code 5537, to include the assignment of shop operations and yard work to 5537. This clarification addresses current confusion on how to classify shop employees of HVAC contractors.

The Committee adopted these proposed amendments to the WI Basic Manual for filing with the Office of the Commissioner of Insurance effective October 1, 2007 applicable to new and renewal business only.

NEW BUSINESS

ITEM NUMBER 3894 REVISION TO WCRB BY-LAWS

The Committee was furnished with a copy of recommended amendments to the WCRB By-Laws. WCRB requested the Committee review the proposed revisions for discussion at the June 14, 2007 meeting.

ITEM NUMBER 3895 PROPOSED REVISION TO THE WISCONSIN UNIT
STATISTICAL PLAN MANUAL – SUPPLEMENTAL LOSS FORM

The Committee concurred with WCRB recommendation to discontinue the current Supplemental Loss Form found in the Wisconsin Unit Statistical Plan Manual.

ITEM NUMBER 3896 OCTOBER 1, 2007 RATE REVISION

WCRB has released the Request For Proposal (RFP) for Ratemaking Actuarial Services to four entities: Milliman, NCCI, ISO and Tillinghast (Towers Perrin). The following timetable was provided:

RFP Released	February 13, 2007
Proposals Due	March 16, 2007
Vendor Presentations (WCRB office)	April 25 & 26, 2007
Contract to be Awarded	By July 1, 2007
Contract Effective	January 1, 2008
Contract Duration	2008*, 2009, 2010

The Committee was also provided a Small Risk Analysis. The analysis compared loss ratios by the following four types of minimum premium risks:

1. Premium = Expense Constant
2. Premium = 20% of Payroll
3. Premium = Minimum premium < Maximum Minimum Premium
4. Premium = Maximum Minimum Premium

The Committee requested that the Actuarial Subcommittee continue to monitor the loss ratios for small risks.

The next meeting of the Rating Committee is scheduled for May 17, 2007 immediately following the Annual Meeting.

Donna Knepper
Executive Secretary