



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 1139—DECEMBER 28, 2011

WISCONSIN GOVERNING BOARD MEETING

Minutes of the Wisconsin Governing Board meeting held in the premises of the Wisconsin Compensation Rating Bureau, 20700 Swenson Drive, Waukesha, WI 53196 on Tuesday, December 6, 2011. The meeting was called to order at 8:30 A.M.

A list of attendees at the December 2011 Rating Committee, WWCIP and Governing Board meetings follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Rick Levin from Society Insurance Company. The Chair of the Governing Board was Tom Vanderbusch from United Wisconsin Insurance Company.

Table with 5 columns: ORGANIZATION, REPRESENTATIVE, GOVERNING BOARD, RATING COMMITTEE, WWCIP. Rows list various insurance companies and their representatives with attendance status (X for committee member, O for present non-committee member).

X = Committee member
O = Present (non-committee member)

Also Present:

<b>ORGANIZATION</b>	<b>REPRESENTATIVE</b>	<b>GOVERNING BOARD</b>	<b>RATING COMMITTEE</b>	<b>WWCIP</b>
Badger Mutual	Terry Falls	O	O	O
Milliman	Gary Josephson		O	O
Office of the Commissioner of Insurance	Ronnie Demergian	O	O	O
R & R Insurance	Nancy McMurry		O	
Riegel Law	Paul Riegel	O	O	O
SFM	Brian Bent	O	O	O
Tri-State of MN (Part of Meeting)	Judy Baldus	O		

X = Committee member  
 O= Present (non-committee member)

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. Approval of Minutes for the September 8, 2011 meeting.
2. Bureau Operations – Industry Issues

Budget Update. The Board was provided the following reports:

- o 2011 Estimated Year-End/2012 Proposed Budget.
- o 2011 Approved IT Budget/2011 IT Estimated Year-end Summary.
- o 2012 IT Proposed Budget
- o An Income Report that included years 2009 through estimated year-end 2011.
- o Notice to Carrier Fine Comparison.
- o Unit Stat Fine Comparison.
- o Hard Copy Fee Comparison.

The Board was updated on proposed enhancements to the WCRB Disaster Recovery Plan. The proposed 2012 budget was adjusted to incorporate additional expenses anticipated to implement approved changes.

The Board also discussed the budget item for funding for Workers Compensation

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Research Institute (WCRI). WCRI will be invited to address the Board in 2012.

The Board voted to levy an assessment in the amount of \$1,862,017 for the general operating expenses for the WCRB for the first quarter of 2012.

- Administrative affairs, occupancy, general expenses, personnel, etc.
  - An application from an individual interested in filling the employer representative vacancy on the Rating Committee and Governing Board has been submitted to Governor Walker's office. No formal appointment from the Governor's office has been received.
  - The Investment Subcommittee met recently and will review the current investment guidelines for clarification and/or amendment.
  - Beth Nickel was introduced as WCRB's new Associate Vice President. Beth is a tenured WCRB employee.
- WWCIP Request for Reimbursement for Extraordinary Expenses Hearing – Tri-State
  - Hackman v Big Creek Enterprise
  - Alfredo Valle Rivera

A representative from Tri-State Insurance Company of MN presented the requests for reimbursement of extraordinary legal expenses. The Governing Board discussed the request in executive session and denied the reimbursements.

- WCRB Voting Process – The Committee and Board discussed the current voting process and possible alternatives. Non-committee/board members present stated that their opinions and suggestions were listened to and taken into consideration. Society Insurance motioned to make no changes to the current process. Motion passed with unanimous consent of all Governing Board members present. General Casualty Insurance Company was not present for the vote. WCRB will change the timing and content of Circular Letters related to the Annual Meeting. Members will be notified of the names and resumes of all members interested in filling a vacancy on either the Rating Committee and/or the Governing Board.

By unanimous consent, these items were added to the agenda:

- WWCIP Charge-offs

Martin Silva-Padilla – Liberty Mutual Insurance Company - \$82,408. The Governing Board approved the recommendation to charge-off the uncollectible balance.

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Staffing, Inc. – Tri-State Insurance Company of MN - \$107,199. The Governing Board approved the recommendation to charge-off the uncollectible balance.

Liberty Mutual Insurance abstained from voting.

3. The following Committees reported to the Board:

**RATING COMMITTEE**

- NCCI Proposal Item P-1407(A) – Revised Retrospective Rating Plan Endorsements – Approval of one additional endorsement is pending at the OCI. Approved endorsements are posted under the “Forms” link on the WCRB Web site. This item is removed from the agenda.
- Excess Insurance Policies – There has been no new action on this item. Additional research has been delayed until 2012. This item is continued.
- Experience Rating Worksheet Distribution – WCRB will survey a random group of experience rated employers regarding several options for proving rating worksheets to employers.
- USL&HW Reporting – The electronic submission of USL&HW data to the Department of Labor (DOL) issues are close to being resolved. As soon as an agreement is reached regarding the cancellation notice to the DOL, a circular letter will be released to the membership.
- Loss Reimbursement –Independent review of WI Statutes continues with state agencies and government affairs representatives of several member carriers.
- Work Study Program – The current WI Work Study Program outlined in WI Stats applies to school districts or private schools. The Department of Workforce Development (DWD) is exploring a statutory amendment to expand the Work Study Program to include secondary schools. This item is removed from the agenda.
- Reclassification of Lightning Rod Erection and Installation –The Rating Committee read the WCRB inspection of an entity specializing in lightning rod erection and installation. The analogy phraseology for Code 5551 Roofing All Kinds currently includes lightning rod erection. Code 5190 is assigned to entities that perform lightning rod installation in addition to other electrical wiring operations. The Committee recommended that lightning rod installation be assigned to code 5190. The Governing Board concurred with the recommendation.

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- WI Retirement Fund Contribution Changes *NEW* – Two member carriers requested that the impact of Senate Bill 11 be evaluated. The change in the statute provides that employees participating in the WI Retirement Fund pay into the system. The employee portion of the payment that was paid by the employer was included in remuneration. The amounts paid by the employee will not be included as basis of premium which will lead to a decrease in payrolls and ultimately a decrease in overall premium. The Committee discussed the difficulties associated with any adjustment and voted to let the normal rate making process work. This item is removed with no action taken.
- NCCI Proposal Item U-1398 – Revisions to Statistical Plan for Workers Compensation and Employers Liability Insurance – *NEW* – The Committee reviewed the NCCI proposed amendments to the statistical plan. Majority of the proposed changes would have no impact on WI. One significant proposal is a revision to the non-compensable and fraudulent claims reporting rule. WI rules currently take into consideration that non-compensable claims can only be determined by an Administrative Law Judge. ~~The Committee voted to reject this proposal. This item is removed from the agenda.~~ This item is continued.
- WCRB Proposal – Experience Modification Effective Date/Rate Effective Date – *NEW* – WI currently has reporting instructions in the WI Unit Statistical Plan Manual that requires that “The Experience Modification Effective Date for split 0 must always equal the policy effective date on the unit report’s Header Record.” This rule is unique to WI. Other rating organizations allow carriers to report the actual modification and rate effective date. The Governing Board adopted the Rating Committee’s recommendation to eliminate the WI exception. WCRB will file appropriate manual changes with OCI.

By unanimous consent, this item was added to the agenda:

- NCCI Proposal item B-1425 Revisions to Employers Liability and Admiralty or FELA Coverage Increased Limits Percentages and Factors *NEW* - NCCI has submitted a proposal to replace current percentages and factors for increased limits of employers liability insurance. The amendment results in a decrease in the rating factors. The Governing Board concurred with the recommendation of the Rating Committee to file this proposal with the OCI to be effective January 1, 2013 applicable to new and renewal business only.

### Pending Filings/Actions

- NCCI Proposal Item E-1402 – Revisions to the Experience Rating Plan Primary/Excess Split Point Value and Maximum Debit Modification Factor – This item was disapproved by the OCI. WCRB will respond to the items of concern and request reconsideration of the disapproval.

**WWCIP COMMITTEE**

- Pool Structure – The first quarter file transfer of Pool business to the four servicing carriers has begun. WCRB is planning a debriefing to discuss the latest RFP process.
- Servicing Carrier Audit Schedule – The Pool RFP process resulted in the selection of four servicing carriers effective 1-1-12. The term of the appointment is five years. NCCI will be provided with a servicing carriers audit schedule that will call for each carrier to have a physical audit once during the five year period, as well as self-audits every two years.

4. The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program – Milliman provided a summary of the WCPAP Analysis. This analysis is provided on a biennial basis.
- WWCIP Activity

Donna Knepper  
Executive Secretary