



Wisconsin Compensation Rating Bureau

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## CIRCULAR LETTER 1101—SEPTEMBER 30, 2008

### WISCONSIN GOVERNING BOARD MEETING

Minutes of the Wisconsin Governing Board held in the premises of Sentry Insurance A Mutual Company, 1800 North Point Drive, Stevens Point, WI 54481 on Wednesday, September 10, 2008. The meeting was called to order at 8:30 AM, with the following members present:

A list of attendees at the September 9, 2008 Rating Committee and WWCIP meetings and the September 10, 2008 Governing Board follows. The Chair of the Rating and acting Chair of the WWCIP Committees was Ken Stryczek from American Home Assurance Company. The Chair of the Governing Board was Rick Levin from Society Insurance Company.

ORGANIZATION	REPRESENTATIVE	GOVERNING BOARD	RATING COMMITTEE	WWCIP
American Home Assurance	Ken Stryczek	X	X	O
Employers Insurance of Wausau	Steve Ginsburg		X	O
	Steve Bandy	X	X	O
Employers Mutual Casualty Co.	Jim Pousha		X	X
General Casualty Insurance Co.	Jim Vandenberg	X	X	X
	Mike Schimke		X	X
Middlesex Insurance Co.	Sandy Knoll		O	X
Secura Insurance Co.	Steve Miller	X	O	O
Sentry Insurance A Mutual Co.	Janet Fagan	X		
	Christine Kienbaum		X	O
	Tom Timm		X	O
Society Insurance Co.	Rick Levin	X	X	X
Travelers Insurance Co.	Bruce Kaufenberg	X	X	X
Tri State Insurance Co. of MN	Al Utzig		O	X
United Wisconsin Insurance Co.	Paul Hingtgen	X	X	O
West Bend Mutual Insurance Co.	Joel Christ	O	O	X
Wisconsin Manufacturers & Commerce	John Metcalf		X	
Wisconsin Compensation Rating Bureau	Ralph Herrmann	O	O	O
	Tad Cleveland	O	O	O
	Christine Siekierski	O	O	O
	Nancy Kierzek	O	O	O
	Donna Knepper	O	O	O

X = Committee member

O= Present (non-committee member)

Member Absent or Excused

<b>ORGANIZATION</b>
Associated General Contractors of Greater Milwaukee
Liberty Mutual Insurance Co.

Also Present

<b>ORGANIZATION</b>	<b>REPRESENTATIVE</b>	<b>GOVERNING BOARD</b>	<b>RATING COMMITTEE</b>	<b>WWCIP</b>
Acuity	Mike Moegenburg		O	
Office of the Commissioner of Insurance	Ronnie Demergian	O	O	O
Riegel Law, S.C.	Paul Riegel	O	O	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. The Committee approved the revised minutes for the June 12, 2008 Board meeting.
2. Bureau Operations – Industry Issues
  - Budget Update. The Board was provided the following reports:
    - The 2008 Estimated Year-End/2009 Preliminary Budget.
    - 2008 Approved IT Budget/2008 IT Estimated Year-end Summary.
    - 2009 Proposed IT Budget.
    - An Income Report that included years 2006 through 8-31-08.
    - Approved Quarterly Budget Reference Chart.

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- Notice To Carrier Fine Comparison.
- Unit Stat Fine Comparison.
- Hard Copy Fees – Volume Summary.

The Committee voted to levy an assessment for the fourth quarter of 2008 in the amount of \$1,552,749.

- Administrative affairs, occupancy, general expenses, personnel, etc. The Board was advised of the following:

- Update on Hard Copy Processing Fee. - Through product development and hard copy processing fees, the number of electronic submissions has risen significantly. The next recommendation of the WCRB is to discontinue accepting hard copy submissions. WCRB data entry system, Spectrum, is in the process of being rewritten. Three states involved in Spectrum Partners, LLC have announced that they will no longer accept hard copy transactions. The Board was asked to discuss this proposal with their staff and provide feedback by October 1<sup>st</sup>.

Included at the end of these minutes is a copy of a memo entitled “Hard Copy vs Electronic Filings and Communications” that was discussed at the meeting.

- WWCIIP Servicing Carrier Reports – WCRB has developed a standard electronic reporting form for servicing carriers to use for reporting their quarterly servicing carrier data. Implementation of the new reporting format is scheduled to begin with the first quarter report of 2009 due in May, 2009.
- The Online Assigned Risk (OAR) application process, implemented in May, has generated positive feedback from producers. The following table illustrates the OAR activity.

	JUNE	JULY	AUGUST
OAR	20	31	36
% TO TOTAL	5.2%	8.0%	10.8%

- Voluntary Payroll Reporting – Special Categories – Temporary Labor Contractors and Employee Leasing Companies (ELCs) in the Pool will begin to receive requests to complete a quarterly payroll reporting form. Completed form will be forwarded to the servicing

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carriers along with a request to adjust the current policy accordingly. Employers failing to complete the audit form will be subject to an interim audit and increased payroll estimates.

- WCPAP - WCRB currently spends about \$28,000 in mailing costs to send WCPAP applications to every employer with a contracting classification on their workers compensation policy. WCRB is investigating the possibility of migrating to a Web-based credit application.
- Workers Compensation Research Institute – The CompScope™ Benchmarks for Wisconsin, 9<sup>th</sup> Edition has been completed and contains results similar to those in the past – low utilization and high medical fees.

WCRI has been asked to provide support on medical fee schedules.

- There has been no further discussion with the landlord on the possible relocation of the WCRB.
- WCRB has not received confirmation from the Governor's office on the employer representatives' appointment to the Governing Board.

Subsequent to the meeting, WCRB has received notification that Governor's office has appointed John Metcalf and Dan Burazin as Employer Representatives on the WCRB Governing Board.

- Pool Surplus Report – The Actuarial Analysis of the Wisconsin Workers' Compensation Insurance Pool will be available at the December, 2008 meeting. A true-up of the Pool Fund will occur in 2009, based on the 2008 balance.
- Medical Data Call – WCRB released Circular Letter 524 surveying the carriers on the voluntary participation in the Medical Data Call. The timeline for data collection is October 31<sup>st</sup> for 2006 data and November 30<sup>st</sup> for 2007 data.
- WWCIP Charge-offs
  - Swanson's Heavy Moving, Inc.- \$34,628.72 – Middlesex Insurance Company
  - Ready Fixtures - \$28,362.32 – Middlesex Insurance Company

The Board approved the charge-offs recommended by the WCRB.

- The Board accepted the Wisconsin Compensation Rating Bureau Audited Financial Statements Years Ended December 31, 2007 and 2006 for filing

with the OCI for information only.

- The Board accepted the Wisconsin Worker's Compensation Insurance Pool Audited Financial Statements Years Ended December 31, 2007 and 2006 for filing with the OCI for information only.

3. The following Committees reported to the Board:

**RATING COMMITTEE**

- Mechanized Logging - No progress has been made toward the development of the loggers' certification program. WCRB has continued contact with the Great Lakes Timber Producers Association.

This item is removed from the agenda.

- NCCI Proposal Item B-1406 – Revisions to Basic Manual Classifications and Rules. The Board accepted the recommendation of the Rating Committee to adopt this proposal, with amendments, for filing with the Office of the Commissioner of Insurance. This proposal provides clarifying language for four classifications and is proposed to be effective October 1, 2010.
- TRIPRA - NCCI Proposal Item P-1406 NCCI Proposal - Revisions to Endorsements WC 00 01 13 A, WC 00 04 21 B, and WC 00 04 22. This item was approved by the Office of the Commissioner of Insurance effective 9-1-08, applicable to new and renewal business only. With all business complete, this item was removed from the agenda.
- NCCI Proposal Item B-1407 Catastrophe Provisions Miscellaneous Values, Rules and Statistical Codes. This item was approved by the Office of the Commissioner of Insurance effective 9-1-08, applicable to new and renewal business only. With all business complete, this item was removed from the agenda.
- Rate Structure Evaluation - At the June Rating/Governing meetings, WCRB discussed the current rate structure and pricing tools. Several questions/issues raised at the June meetings were forwarded to the New Jersey Bureau for input as New Jersey had introduced schedule rating into their system in 2006. The responses to the questions were shared with the Board.

The Board was provided a copy of the NCCI Schedule Rating Plan adopted in other states along with New Jersey's plan. This is a safety driven program with a range of credits/debits that can be applied to a policy.

After lengthy discussion at the Rating Committee meeting and at the Board meeting, WCRB staff was asked to create a subcommittee to further investigate a schedule rating plan. The study should include, but not be limited to:

- Pros/Cons
- Minimum premium requirements
- Range of credits/debits to consider
- Membership notification

The subcommittee should also prepare a prototype filing for the December meeting.

- Wisconsin Retirement System (WRS) - At the June meeting and at the request of the City of Cornell, the Rating Committee informally discussed the inclusion of payments made by the City of Cornell to the WI Retirement System on behalf of their employees. The Rating Committee concluded that the current premium calculation is proper and in conjunction with national procedures.

Subsequent to the Rating Committee meeting, the League of Municipalities, DWD, OCI, WCRB, a representative from the Employee Trust Fund, and a representative from Senator Kreitlow's office was joined by teleconference by Dave DeJongh of the City of Cornell. Mr. DeJongh was advised that his next course of action was to apply for a formal hearing before the Rating Committee. OCI was contacted by Senator Kreitlow's office and OCI provided the Senator's office with tentative Rating Committee meeting dates. No formal hearing request was submitted.

This item is removed from the agenda.

- Venture Electrical Contractors, Inc. – Hearing Follow-up. With all business complete, this item is removed from the agenda.
- NCCI Proposal Item R-1398 – 2008 Update to Retrospective Rating Plan Parameters – State Hazard Group Relativities. The Board accepted the Rating Committee's recommendation to file this annual update with the Office of the Commissioner of Insurance. This filing is proposed to be effective January 1, 2009 applicable to new and renewal business.
- NCCI Proposal Item B-1408 – Revisions to Basic Manual Classifications and Rules. The Rating Committee will review the proposed class code changes and provide feedback to WCRB for the December meeting.
- NCCI Proposal Item B-1409 – Revisions to Basic Manual Classifications and Appendix E- Classifications by Hazard Group. The Rating Committee will

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review the proposed class code changes and provide feedback to WCRB for the December meeting.

WCRB advised the Board that questions have been raised with regard to employers paying wages to employees off of work due to a workers compensation injury. These wages should be paid/reimbursed by the insurance carrier and the loss be reported as an indemnity claim on the unit statistical report. The Department of Workforce Development, Office of the Commissioner of Insurance and WCRB are investigating.

### **ACTUARIAL COMMITTEE**

- October 1, 2008 Rate Revision – The Board was advised that the actuary for the Office of the Commissioner of Insurance has provided a summary of the 2008 revision. The Actuarial Subcommittee meeting to discuss outstanding issues is scheduled for November 4, 2008.

This item is removed from the agenda.

### **WWCIP COMMITTEE**

- Revisions to Pool Handbook – The revisions to the Pool Handbook have been approved by the Office of the Commissioner of Insurance and the WCRB Web site has been updated.

This item is removed from the agenda.

### **INVESTMENT COMMITTEE**

- The transfer of WWCIP funds from Campbell Newman Asset Management to JB Investment Management, LLC is complete.
- The Investment Subcommittee has recommended that WCRB maintain three investment advisors.

4. The following reports were provided:

- WCPAP – Contractor Premium Adjustment Program
- WWCIP Activity



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## MEMO

**TO:** Governing Board  
**FROM:** Christine Siekierski  
**SUBJECT:** Hard Copy vs. Electronic Filings and Communications  
**DATE:** September 4, 2008

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### Background

Over the years, the WCRB has developed systems to accept and process electronic unit statistical and policy filings. We have also provided electronic access to correspondence released to our carriers. Approximately 98% of unit statistical reports are submitted electronically, while the percentage of policy filings is much lower. In an effort to increase the number of electronic policy filings, hard copy charges were imposed starting January 1, 2008. As anticipated, we have since seen a significant increase in electronic submissions and carrier testing.

WCRB provides various applications to assist our members in the timely and accurate filing of unit statistical and policy data. Some of the notable products are outlined at the end of this memorandum.

The WCRB and our Spectrum Partners are in the process of rewriting the Policy Spectrum system and are questioning the need to build and support data entry functions. Three of our Spectrum Partners (MA, NC, and NY) have announced that they will stop accepting hard copy policy documents, which will eliminate the need to support the data entry functions for their operations.

As we are outlining the policy requirements for the updated system, we must weigh the costs associated with the development and ongoing support of an entry system, keeping in mind that three of the partners will not use the function. In addition, we have to consider all related costs, specifically in the policy arena. Should hard copy reporting continue to be permitted, efficiencies in the mailroom, administrative, and policy entry staffing areas would not be fully realized based on the amount of paper which would continue to be received.

### Recommendation

Electronic data reporting has proven to be a far more efficient and effective means of data reporting. With the increase in data now being submitted electronically, and the availability of PEEP (Policy Entry & Edit Package) and BEEP (Bureau Edit and Entry Package), we recommend that WCRB discontinue accepting hard copy data in accordance with the proposed timeline outlined below.

Furthermore, we suggest that we stop sending hard copy criticisms or requests for information to carriers. Delinquent, reject USR letters, and policy correspondence are available to member carriers to view online.



The suggested timeline is as follows:

July 1, 2009—Discontinue accepting hard copy unit statistical reports. Very few unit reports are submitted hard copy and BEEP is available for carriers who have system problems, which is why they are normally sent hard copy.

July 1, 2009—Discontinue sending hard copy delinquent letters and reject letters. Require that carriers use the Manage USR application to track missing or invalid reports.

January 1, 2010—Discontinue accepting hard copy policy documents. By that date, our hard copy policy fees will have been in effect for two full years.

January 1, 2010—Discontinue sending hard copy Notice to Carriers. Note: There are some policy letters that would continue to be sent hard copy as they also are sent to employers. We are looking at options when employers are included with correspondence.

### Conclusion

Member carriers have invested in the products and systems and should be able to take advantage of the work by insisting on electronic communications.

### Products Inventory

WCRB developed applications:

- **Manage USR**—The purpose of this tool is to provide members the ability to search for, track, and view unit statistical report information for their carrier group, from 'pre-delinquent' through 'accepted' status, as well as the ability to print USRs that WCRB has received. Users can also view and respond to reject letters for USRs in rejected status and choose a method to receive notification of reject letters.
- **Policy View**—The purpose of Policy View is to allow carriers access to policy related data received by WCRB. This product also links to several other Web products, including the NTC Lookup and Experience Rating Worksheet. This enables carriers to determine actions needed to be in compliance with WCRB requirements in a timely manner.
- **NTC Lookup**—The purpose of this tool is to provide members with the ability to search, view, track, and respond to Notice to Carrier (NTC) letters for their carrier group.

In addition to WCRB products, the industry has access to data reporting products that are available free of charge. They include:

- **Bureau Edit and Entry Product (BEEP)**—BEEP is an application designed to give insurers and Data Collection Organizations (DCOs) the ability to enter, edit, and electronically submit unit statistical information.
- **Policy Edit and Entry Package (PEEP)**—PEEP is an application designed to give insurers and Data Collection Organizations (DCOs) the ability to enter, edit, and electronically submit policy information.