



262-796-4540 ▲ Fax 262-796-4400 ▲ www.wcrb.org

P.O. Box 3080 ▲ Milwaukee, WI 53201-3080

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

Wisconsin Compensation Rating Bureau

GENERAL CIRCULAR LETTER 652 - DECEMBER 13, 2019

TO: Members of the Bureau

RE: Wisconsin Worker's Compensation Insurance Pool Fund

Attached is the eleven-year summary for the Wisconsin Worker's Compensation Insurance Pool Fund on a calendar/accident year basis as of 12-31-18. This exhibit reflects an actuarial evaluation of Pool losses including IBNR. This review is intended to present a more complete picture of the Wisconsin Pool so that member carriers can better understand their obligations. Exhibits 5, 6 and 7 are also attached for your reference.

The last report to member companies showed a surplus of \$9,755,137 at year-end 2017.

Year-end 2018 shows a surplus of \$32,817,443. The adjusted value of the fund of \$341,741,301 was 111% of the target fund value of \$308,923,858. If the adjusted value of net assets is less than 90% or greater than 110% of the aggregate amount of the estimated values of outstanding loss claims, the Pool rules require that a distribution be declared and distributed in an amount sufficient to bring the value of the net assets down to the aggregate estimated values of such claims. The Pool distributes or assesses excesses and deficits on the basis of insurance activities of current member companies reported over the prior ten years. Each member carrier will be receiving a Pool statement showing its share of the 2018 surplus, allocated to the prior 10 accident years, based on the carrier's market share of written premiums in each respective year.

Regardless of the previously discussed percentage test, every five years the Pool is required to pay or collect the net balance accumulated in the members' accounts. Since 2018 is the fifth year since the last actual distribution, the net credit balance, (which takes into consideration the charges, credits and write-offs previously recorded), under the five-year rule, is required to be distributed by the Pool. Checks will be distributed within the next several weeks.

As of December 31, 2018, the total assets of the Pool Fund were \$413,855,759 with liabilities of \$35,342,023, resulting in a Fund Balance of \$378,513,736.

Sincerely,
Nancy Kierzek
VP, Administration

Wisconsin Workers' Compensation Insurance Pool

Underwriting Results & Computation of Calendar Year Assessments

As of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
1. Gross Invoiced Premium Written	90,088,639	95,017,581	103,428,981	117,989,040	111,420,997	98,277,038	72,902,198	58,075,413	49,026,408	53,457,773	65,821,732
2. Gross Invoiced Premium Earned ¹⁾	94,063,847	99,298,614	107,535,836	117,036,563	109,617,659	88,889,053	63,585,371	53,871,474	50,446,321	56,338,653	70,533,603
3. Accid. Year Losses Incurred ²⁾	68,353,969	66,967,633	88,887,121	63,107,428	80,905,847	64,649,091	52,942,231	54,104,303	38,346,023	42,951,535	54,178,669
4. Accident Year Loss Ratio = [(3) / (2)]	73%	67%	83%	54%	74%	73%	83%	100%	76%	76%	77%
5. Cal. Year Losses Incurred	41,664,862	69,428,809	70,788,637	76,590,525	86,417,283	58,516,467	58,134,389	50,246,747	47,269,940	58,009,268	53,304,121
6. Servicing Carrier Expense	24,653,808	25,993,574	28,616,329	32,632,297	30,805,420	27,141,723	20,350,527	17,422,624	14,707,923	16,037,332	19,746,519
7. Agents' Commissions	2,285,590	2,366,143	2,579,938	2,468,035	2,551,977	2,193,475	1,790,658	1,588,766	1,374,367	1,486,998	1,702,828
8. Amounts Charged Off	105,158	286,123	111,270	524,811	305,080	165,709	869,336	645,287	378,888	149,418	634,267
9. Other Income and Expenses	(569,850)	(23,225)	(446,617)	(26,452)	(422,498)	(29,152)	(99,990)	(644)	(8,410)	(72,916)	(325,656)
10. Calendar Year Und. Results ³⁾	24,784,579	1,200,739	4,993,044	4,794,443	(10,884,599)	842,527	(17,659,529)	(16,032,594)	(13,293,206)	(19,417,279)	(5,179,789)
11. Net Investment Income	8,032,865	8,552,490	9,883,103	8,447,437	8,292,742	10,859,944	14,547,747	12,707,265	15,524,482	16,981,103	15,534,802
12. Miscellaneous Adjustments	0	1,908	7,170	(92,932)	(255,730)	(1,144,028)	(616,770)	(98,971)	(7,834)	668,948	(427,740)
13. Calendar Year Assess. (Refund) ⁴⁾ Based on Calculation	(32,817,444)	(9,755,137)	(14,883,317)	(13,148,948)	2,847,587	(10,558,443)	3,728,552	3,424,300	(2,223,442)	1,767,228	(9,927,273)
Based on Examination Report	(32,817,443)	(9,755,136)	(14,883,318)	(13,148,948)	2,847,590	(10,558,444)	3,728,553	3,424,299	(2,223,442)	1,767,227	(9,927,274)
14. Cumulative Assess.(Refund)	(67,757,259)	(34,939,816)	(25,184,678)	(10,301,361)	2,847,587	(3,861,805)	6,696,638	2,968,086	(456,214)	1,767,228	(26,460,345)

¹⁾ Invoiced Premium Earned is based on the Pool's Invoiced Premium and the Pool's Unearned Premium Reserves which differ from the Financial Call premium data.

²⁾ Accident Year Losses Incurred evaluated at 12/31/18 and include IBNR reserves.

³⁾ Calendar Year Und. Results = (2 - 5 - 6 - 7 - 8 + 9)

⁴⁾ Cal. Year Assessment = (10+11+12)*(-1)

Box indicates when disbursements were made

Wisconsin Workers' Compensation Insurance Pool

Redetermination of the Pool Net Assets

As of December 31, 2018

1) Net Assets a)			
Deduct:			
2) Unearned premium reserve at December 31, 2018 a)			\$378,513,736
3) Adjusted value of Net Assets, December 31, 2018 a)			<u>36,772,435</u>
4) Outstanding losses reported by servicing carriers at December 31, 2018 a)	\$165,199,924		\$341,741,301
5) Actuarial adjustment [87.0% of 4)]	<u>143,723,934</u>		
6) Actuarially adjusted outstanding losses	\$308,923,858		
7) Net Assets Surplus, December 31, 2018			<u>\$32,817,443</u>

a) Provided by Reilly, Penner & Benton.

**Wisconsin Workers' Compensation Insurance Pool
Calculation of Assessment by Accident Year
As of December 31, 2018**

(1) Accident Year	(2) Estimated Assets @12/31/17	(3) CY 2018 Payments	(4) (2)+(2)-(3))/2 Average Assets 2018	(5) 0.0200 x (4) Estimated Investment Income	(6) (2)-(3)+(5) Estimated Assets @12/31/18	(7) Balanced Reserves @12/31/18	(8) (7)-(6) 5-Year Estimated Assessment
Prior	110,300,028	5,073,540	107,763,258	2,155,265	107,381,753	94,643,028	(12,738,725)
2004	6,702,813	117,956	6,643,835	132,877	6,717,733	4,697,356	(2,020,378)
2005	6,531,410	520,095	6,271,362	125,427	6,136,742	5,110,218	(1,026,524)
2006	8,221,808	481,349	7,981,134	159,623	7,900,082	5,180,480	(2,719,602)
2007	8,020,156	(59,700)	8,050,006	161,000	8,240,856	5,215,041	(3,025,815)
2008	7,960,466	323,476	7,798,728	155,975	7,792,964	4,665,346	(3,127,619)
2009	7,580,714	(104,931)	7,633,179	152,664	7,838,308	4,310,635	(3,527,673)
2010	5,874,860	258,582	5,745,569	114,911	5,731,189	3,656,833	(2,074,356)
2011	12,902,706	1,090,113	12,357,650	247,153	12,059,746	10,905,958	(1,153,789)
2012	14,277,450	960,929	13,796,986	275,940	13,592,461	7,730,150	(5,862,311)
2013	25,767,612	952,280	25,291,472	505,829	25,321,162	12,586,279	(12,734,882)
2014	15,831,807	3,172,528	14,245,543	284,911	12,944,190	14,440,138	1,495,948
2015	39,709,170	3,197,161	38,110,589	762,212	37,274,221	14,143,281	(23,130,940)
2016	36,005,004	4,893,390	33,558,309	671,166	31,782,780	41,239,273	9,456,493
2017	51,546,184	12,937,694	45,077,337	901,547	39,510,037	33,457,820	(6,052,217)
2018		21,411,946		1,226,366	46,456,889	46,942,023	485,134 ¹⁾
TOTAL ²⁾	357,232,187	55,226,408	340,324,956	8,032,865 **	376,681,114	308,923,858	(67,757,256) *

0.0200 = Estimated Portfolio Yield Rate

*Indicated Total Assessment Using a 87.0% IBNR Factor.

**Total 2018 Investment Income from the Annual Report Net Investment Income.

¹⁾ Calculated By Subtracting Prior Years From Total.

²⁾ Differences due to rounding.

**Wisconsin Workers' Compensation Insurance Pool
Calculation of Assessment by Accident Year
As of December 31, 2018**

(1) Accident Year	(2) 5-Year Estimated Assessment @12/31/18	(3) Estimated Assessment Calendar Year 2014	(4) Estimated Assessment Calendar Year 2015	(5) Estimated Assessment Calendar Year 2016	(6) Estimated Assessment Calendar Year 2017	(7) Estimated Assessment Calendar Year 2018
Prior	(12,738,725)	(1,905,304)	2,041,104	(7,325,657)	2,756,210	(8,305,077)
2004	(2,020,378)	(57,056)	(954,132)	(287,446)	(330,617)	(391,125)
2005	(1,026,524)	(92,270)	(400,072)	(244,100)	(67,441)	(222,641)
2006	(2,719,602)	(31,432)	(1,934,836)	(462,295)	(208,631)	(82,409)
2007	(3,025,815)	(799,359)	(1,106,854)	(46,044)	(425,466)	(648,093)
2008	(3,127,619)	(638,946)	(1,350,195)	(183,645)	(550,683)	(404,149)
2009	(3,527,673)	11,482	(1,124,578)	(846,394)	(923,968)	(644,216)
2010	(2,074,356)	(455,269)	663,369	(627,548)	(572,223)	(1,082,685)
2011	(1,153,789)	(579,723)	(519,515)	(773,575)	1,214,211	(495,187)
2012	(5,862,311)	(1,089,329)	(2,570,582)	(251,685)	(444,924)	(1,505,790)
2013	(12,734,882)	(2,396,784)	(4,922,857)	(1,991,775)	(985,944)	(2,437,523)
2014	1,495,948	10,881,580	(6,098,623)	(2,190,741)	1,912,014	(3,008,282)
2015	(23,130,940)	0	5,128,823	(9,829,799)	(12,265,174)	(6,164,790)
2016	9,456,493	0	0	10,177,387	2,274,472	(2,995,366)
2017	(6,052,217)	0	0	0	(1,136,972)	(4,915,245)
2018	485,134	0	0	0	0	485,134
Total	(67,757,256)	2,847,590	(13,148,948)	(14,883,318)	(9,755,136)	(32,817,443)