

**WISCONSIN  
AUTOMOBILE  
INSURANCE  
PLAN**

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PLAN LETTER 687 – AUGUST 5, 2005

TO: Members of the Plan

Minutes of the Wisconsin Automobile Insurance Plan Governing Committee meeting held in the premises of Cherry Hills Lodge, 5905 Dunn Road, Sturgeon Bay, WI 54235, on Friday, July 29, 2005. The meeting was called to order immediately upon adjournment of the Annual Meeting with the following members present:

ORGANIZATION

Sentry Insurance A Mutual Company, Chair  
Employers Insurance of Wausau, A Mutual Company  
Employers Mutual Casualty Company  
Federated Insurance  
General Casualty Company  
Granite State Insurance Company  
St. Paul Mutual Insurance Company  
State Farm Insurance Company  
Wisconsin Automobile Insurance Plan

REPRESENTATIVE

Bob Lindstedt  
Greg Loman  
Jim Pousha  
Dan Powers  
John Hagen  
Judy Semancik-Dodds  
Vicki Danahey  
Chris Galvin  
Ralph Herrmann  
Tad Cleveland  
Donna Knepper

Member Absent or Excused:

American Family Insurance Company

Also Present:

Liberty Mutual Insurance Company  
Amex Assurance Company

Charlie Echols  
Keith VanDen Heuvel

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 Automobile Insurance Plan. 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 653 SERVICING CARRIER AUDIT

The Committee reviewed three alternate self-audit proposals submitted by AIPSO and agreed with the Commercial Subcommittee's recommendation to adopt a change to the current program. Wisconsin will be included in the current CAIP audit program and will be conducted on a biennial basis.

This item is removed from the agenda.

ITEM NUMBER 671 AIPSO PROPOSAL – JUNE 1998 PERSONAL AUTOMOBILE POLICY

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

ITEM NUMBER 674 COMMERCIAL MANUAL RULE 25. PREMIUM DEVELOPMENT ZONE RATED AUTOS

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

ITEM NUMBER 679 WAIP ASSIGNMENT PROCEDURES

The Committee accepted the changes to the WAIP Commercial Assignment Procedures. Effective 1-1-06, new commercial assignments will be distributed to the servicing carriers based on premium and volume rather than geographical location. Granite State Insurance Company abstained from the vote.

This item is removed from the agenda.

NEW BUSINESS

ITEM NUMBER 680 AIPSO PROPOSAL – PLAN AMENDMENTS – APPENDIX

The Committee reviewed the proposal to transfer the reporting of miscellaneous type vehicles from the voluntary private passenger base data to the voluntary commercial base data. This information is used to determine private passenger quotas and SRDP participation.

The Committee voted to not adopt the change. AIPSO will be contacted and asked to provide two separate statistical codes for reporting of the miscellaneous type vehicles. Vehicles written on a commercial policy will be reported as commercial exposure and vehicles written on a private passenger policy will be reported as private passenger exposure.

ITEM NUMBER 681 AIPSO PROPOSAL – DATA QUALITY AND ESTIMATION OF DATA BY STATISTICAL AGENTS

The Committee suggested that fining procedures be implemented for carriers not reporting or providing incomplete statistical data. WAIP will look at what other states and ISO have in place and will provide draft language at the next meeting.

ITEM NUMBER 682 AIPSO PROPOSAL – SUNSET OF TERRORISM RISK INSURANCE ACT

The Committee voted to adopt the Conditional Exclusion of Terrorism Endorsement CA 23 76 05 04 for filing with the Office of the Commissioner of Insurance.

AIPSO's legal department is reviewing TRIA issues. WAIP will contact AIPSO for updates.

ITEM NUMBER 683 AIPSO PROPOSAL – REVISIONS TO COMMERCIAL AUTO COVERAGE FORMS AND ENDORSEMENTS AND RULE 90

The Committee adopted the proposed revisions to several Wisconsin Commercial Auto endorsement forms and an editorial change to Rule 90 for filing with the Office of the Commissioner of Insurance. The proposed changes are consistent with ISO changes.

ITEM NUMBER 684 AIPSO PROPOSAL – MOBILE EQUIPMENT REDEFINED

Each member of the Committee adopted the proposed re-write of Rule 81. – Special or Mobile Equipment for filing with the Office of the Commissioner of Insurance. Endorsement CA 00 51 12 04 – Changes in Coverage Forms – Mobile Equipment Subject to Motor Vehicle Insurance Laws will be filed for approval and will only provide liability coverage for mobile equipment that is subject to a compulsory or financial responsibility law.

ITEM NUMBER 685 RULE 24. TRUCKERS

The Committee adopted proposed changes to Rule 24. Truckers. for filing with the Office of the Commissioner of Insurance. This change allows a reduction in premium on a cost of hire basis when a hold-harmless agreement is maintained for the leased vehicles.

The proposed language is as follows:

WISCONSIN AUTOMOBILE INSURANCE PLAN  
COMMERCIAL AUTOMOBILE MANUAL

**TRUCKS, TRACTORS, AND TRAILERS**

**Rule 24. TRUCKERS**

**A. Eligibility**

1. A trucker is a person, firm, or corporation in the business of transporting goods, materials, or commodities for another.

2. Such a risk is still in the truckers classification even if it calls itself or advertises as a contractor, building contractor, building material dealer, sand and gravel hauler, or some other similar name.
3. Autos used in moving operations are also truckers even though they are not subject to the truckers secondary rating factors.
4. For details of coverage refer to the Truckers Coverage Form. Use the Business Auto Coverage Form when coverage is provided for bobtail operations only.

**B. Special Provisions**

Bobtail Operations (Class Code 7489)

1. Liability coverage may be limited to non-trucking use when the autos are not rented, nor used for business purposes to carry property or to haul someone else's trailers.
2. Premium Computation Liability Coverage

Multiply the truck, tractor, and trailer base premium by a rating factor of 1.50 per unit or combined unit. No secondary rating factor applies.

**C. Premium Determination—Other than Zone Rating**

Rate autos transporting exclusively for one concern on the same basis as those owned by such concern for both territory and classification.

1. Specified Auto Basis. Truckers may be written on a specified auto basis according to the Trucks, Tractors, and Trailers Classifications Rule.
2. Cost of Hire Basis (Class Code 6613, Minimum Premium Class Code 6619). Truckers may be written on the cost of hire basis to cover their liability because of a contract involving the hire of trucks, tractors, and trailers.
  - a. Premium Determination Without Hold-Harmless Agreement:
    - 1) Determine the total cost of hiring the autos. If autos are hired without operators, include the actual wages of the operators of such autos.
    - 2) Determine the average specified auto rate by
      - (a) computing the premium of all autos owned and leased by the insured that are used in trucking operations;
      - (b) dividing this by the number of trucks and truck-tractors owned and leased by the insured.

- 3) The cost of hire rate is determined by multiplying the average specified auto rate by .0033.
- 4) Compute the advance premium by multiplying each \$100 of the total amount estimated for the cost of hire during the policy period by cost of hire rate.
- 5). Unless there is a substantial change in exposure during the policy period, the advance premium computed at the beginning of the policy term is the earned premium.
- 6) Compute the earned premium at the rates in force at the inception of the policy in the same manner as the advance premium.
- 7) Minimum Premium.

The minimum premium shall be \$21 for bodily injury and property damage liability at a \$60,000 limit, provided coverage for the hired automobiles of the risk is afforded by the same company that is insuring the owned automobiles of the risk; otherwise the minimum premium shall be the average applicable specified car rate.

b. Premium Determination With Hold-Harmless Agreement:

When an insured lessee's hired car premium is rated on a cost of hire basis, and the lessor has agreed to hold the insured lessee harmless in a written lease agreement, calculate the premium according to rule 2.a. above. Reduce the premium by multiplying the rate by a factor of .85.

The insured must keep and maintain, subject to audit, the following records:

- 1) A copy of the written lease;
- 2) Written hold-harmless agreement to the benefit of the insured;
- 3) A Certificate of Insurance from the other party to the lease or a copy of the other parties' declaration page which verified liability coverage with limits at least equal to those of the insured and;
- 4) A copy of either Truckers-Excess Coverage For The Named Insured and Named Lessors For Leased Autos Endorsement CA 23 08 or Truckers Named Lessee as Insured Endorsement CA 23 12 listing the insured.

**D. Definition of Cost of Hire**

1. Cost of hire means:

- a. the total dollar amount of costs incurred for the hire of autos (including trailers and semitrailers) and if not included therein;
  - b. the total remuneration of all operators' and drivers' helpers of hired autos whether hired with a driver or lessor or an employee of the lessee, or any other third party;
  - c. the total dollar amount of any other costs (i.e., repair, maintenance, fuel, etc.) directly associated with operating the hired autos whether such costs are absorbed by the insured, paid to the lessor or owner, or paid to others including amounts paid to independents via 1099.
2. Cost of hire does not include the total dollar amount of costs incurred by the insured for hire or lease of autos specifically described in the policy as owned autos for which the premium has been established on a specified auto basis.
- E. Gross Receipts Basis. Refer to Plan.
- F. Refer to Rule 112. Experience Rating Plan and Rule 113. Merit Rating Plan for applicability.

ITEM NUMBER 686 WISCONSIN SRDP FINANCIAL STATEMENTS

The Committee requested clarification of some figures found in the Statutory Financial Statements August 31, 2004 and 2003 and Statements of Cash Receipts and Disbursements Accounted for by the Central Processor Years Ended August 31, 2004 and 2003. This item is continued.

By the unanimous consent of all members present, these items were added to the agenda.

ITEM NUMBER 687 WAIP AUDITED FINANCIAL STATEMENTS YEARS ENDED  
DECEMBER 31, 2004 AND 2003

Each member of the Committee was furnished with a copy of the Wisconsin Automobile Insurance Plan Audited Financial Statements Years Ended December 31, 2004 and 2003 as prepared by Reilly, Penner & Benton LLP. The Committee requested clarification of some figures found in the Statements. This item is continued.

ITEM NUMBER 688 PRICE TRUCKING

The Committee reviewed the audit dispute filed by Price Trucking. The insured contends that the audited premium for the cost of hire exposure was excessive. The Committee agreed to adjust the audited premium in accordance with the proposed revision to Rule 24. for the leased truckers that provided proof of coverage. Granite State Insurance Company abstained from the discussion and the vote.

ITEM NUMBER 689 PROPOSED WITHDRAWAL OF ENDORSEMENTS

The Committee reaffirmed April 14, 2005 e-mail vote to withdraw endorsements AIP 10 05 09 86 Split Liability Limits; PP 04 01 04 86 Split Uninsured Motorists Limits and PP 04 02 04 86 Split Underinsured Motorists Limits as they are no longer applicable in WI.

Donna Knepper  
Executive Secretary