

**PLAN LETTER 745—JUNE 27, 2012**

TO: Members of the Plan

Minutes of the Wisconsin Automobile Insurance Plan Governing Committee called to convene in the premises of the Wisconsin Automobile Insurance Plan, 20700 Swenson Drive, Waukesha, WI 53186, on Wednesday, June 20, 2012. The meeting was called to order immediately upon adjournment of the Annual Meeting.

ORGANIZATION

National Continental Insurance Company, Chair  
EMC Insurance Companies, Acting Chair  
Hanover Insurance Company  
Liberty Mutual Insurance Company  
Sentry Insurance A Mutual Company, Chair  
State Farm Insurance Company  
Travelers Indemnity Company  
Wisconsin Automobile Insurance Plan

REPRESENTATIVE

Mike Donovan  
Dave Young  
Todd Bavery  
Craig Sanford  
Ethan Mowry  
Mark Gustafson  
Rick Liber  
Bernie Rosauer  
Tad Cleveland  
Cheryl Korth  
Nancy Kierzek  
Donna Knepper

Members Present by Teleconference:

American Family Mutual Insurance Company  
General Casualty Company of WI

Stu Hanson  
Randy Kaminski

Also Present:

AIPSO  
Office of the Commissioner of Insurance

Tom Assad  
Karen Becker  
Ronnie Demergian  
Paul Riegel

Riegel Law

Also Present by Teleconference For Part of Meeting:

AIPSO  
National Continental Insurance Company

Chuck Kwolek  
Brian Courtney

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 740 AIPSO PROPOSAL SEC. 39, ADMINISTRATION RULE CHANGE – COMPANY REPRESENTATION

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

#### ITEM NUMBER 749 2012 COMMERCIAL AUTOMOBILE RATE REVIEW

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

#### ITEM NUMBER 751 OCI MARKET CONDUCT EXAM

There has been no activity under this item. This item is removed from the agenda and will be reintroduced as needed.

### NEW BUSINESS

#### ITEM NUMBER 753 SERVICING CARRIER SUPPLEMENTAL FEE

Countrywide low commercial residual market volume has created financial difficulty for the servicing carrier. National Continental Casualty Company reported that servicing carrier fees are not adequate to cover operating expenses. In 2010, AIPSO's Governing Board authorized an assessment to carriers to supplement the fees and defray costs.

National Continental Casualty Company's presentation to the Governing Committee provided a history of residual market volume and costs. AIPSO also provided a presentation on the residual market issues and proposed plans for the future.

An interim supplemental fee of \$12,000,000 was proposed. This amount includes fees that are collected based on premium writings. The current process will be extended for the September 1, 2013 through August 31, 2014 contract period. The AIPSO plan included an RFP process.

In Executive Session, the Committee discussed the presentations and proposals submitted by WAIP staff.

The Governing Committee voted to ratify participation in the extension of the supplemental fee. The motion also included participation in AIPSO's long term recommendations for servicing carrier selections but reserving the right to withdraw participation at any time. National Continental Casualty company abstained from voting.

ITEM NUMBER 754 AIPSO PROPOSAL – AMENDMENT TO PLAN OF OPERATION –  
APPENDIX – SEC. 44 DETERMINATION AND FULFILLMENT OF  
QUOTAS

The WI LAD program currently provides that “Aggregate premium writings for any designated LAD carrier(s) cannot exceed 50% of Wisconsin overall personal automobile insurance market share.” Members currently participating in the LAD represent 30.6% of the overall personal market. The Committee adopted the following amendment to WAIP Manual Sec. 44 – DETERMINATION AND FULFILLMENT OF QUOTAS:

~~Aggregate premium writings for any designated LAD carrier(s) cannot exceed 50% of Wisconsin overall personal automobile insurance market share.~~

Any subscribing company may apply to serve as a LAD servicing company and receive additional assignments by subscribing to a LAD Agreement with Servicing Companies. In the event the aggregate premium of the excused companies exceeds the buy-out company premium quota subscribed to by the participating servicing company, the servicing company may elect to accept additional quota not to exceed a percentage specified in the LAD Agreement with Servicing Companies.

In the event there is more than one ~~servicing LAD carrier~~ LAD servicing company, assignments will be made on an equitable basis.

This amendment will be filed with the Office of the Commissioner of Insurance to be effective upon approval.

ITEM NUMBER 755 2013 COMMERCIAL AUTOMOBILE RATE REVIEW

The Committee approved a proposed overall commercial rate decrease of 7.1% for filing with the Office of the Commissioner of Insurance. The rate filing is proposed to be effective May 1, 2013 for new business and July 1, 2013 for renewal business.

ITEM NUMBER 756 2013 PRIVATE PASSENGER NON-FLEET AUTOMOBILE RATE  
REVIEW

The Committee reviewed the Private Passenger rate review. The Committee concurred with the recommendation that no filing be made for this item. This item is removed from the agenda.

ITEM NUMBER 757 2011 WISCONSIN SRDP FINANCIAL STATEMENTS

Statutory Financial Statements August 31, 2011 and 2010 and Statements of Cash Receipts and Disbursements Accounted for by the Central Processor Years Ended August 31, 2011 and 2010 as prepared by KPMG. These statements were distributed to the Committee for review and discussion at the next Governing Committee meeting.

ITEM NUMBER 758 WAIP AUDITED FINANCIAL STATEMENTS

WAIP Audited Financial Statements Years Ended December 31, 2011 and 2010 prepared by Reilly, Penner & Benton LLP. These statements were distributed to the Committee for review and discussion at the next Governing Committee meeting.

Donna Knepper  
Executive Secretary