



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

August 26, 2010

Legal Unit
125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 267-9586 • Fax: (608) 264-6228
Web Address: oci.wi.gov

REPORT ON Section Ins 51.01, Wis. Adm. Code, relating to
the risk-based capital of health insurers, property and
casualty insurers and fraternal insurers

Clearinghouse Rule No. 10-077

Submitted Under s. 227.19 (3), Stats.

(The proposed rule-making order is attached.)

(a) A detailed statement of basis for the proposed rule and how the rule advances relevant statutory goals or purposes:

The commissioner may establish by rule minimum ratios for determination of the amount of compulsory surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41, Stats., as an amount that will provide reasonable security against contingencies affecting the insurer's financial position, in relation to any relevant variables as set forth in s. 623.11 (2), Stats. The proposed rule will modify the risk-based capital (RBC) requirements for insurers to include under the definition of a company action level event a trend test for property and casualty insurers and health insurers, in accordance with NAIC amended instructions. Under the current rule, fraternal insurers are exempt from the RBC filing requirements, unless the commissioner finds that inclusion would improve solvency monitoring. The commissioner has determined that solvency monitoring of fraternal insurers will be enhanced by including fraternal insurers in the RBC reporting requirements under the proposed rule, and fraternal insurers will be subject to the same RBC reporting requirements as life insurers.

(b) Summary of the public comments and the agency's responses to those comments:

Comment: The National Fraternal Congress of America by letter dated July 28, 2010 states "Fraternal benefit societies have traditionally been exempt from state RBC regulation. However, NFCA believes that the application of RBC standards to fraternal benefit societies is a fair and effective way for regulators to assess their financial strength and prevent potential insolvencies."

Response: Agree.

Comment: The Wisconsin Fraternal Congress by letter submitted August 3, 2010 states "Although fraternal societies have traditionally been exempt from the application of RBC standards, we support the changes outlined in the proposed rule, which would apply life insurance RBC standards to fraternal benefit societies. We believe the application of these standards to fraternal

will enhance the Commissioner's ability to recognize when steps may need to be taken to prevent potential financial difficulties, and protect both fraternal members and non-members alike."

Response: Agree.

(c) An explanation of any modifications made in proposed rule as a result of public comments or testimony received at a public hearing:

None.

(d) Persons who appeared or registered regarding the proposed rule:

Appearances for:

None

Appearances against:

None

Appearances for information:

None

Registrations for:

Monica Groves Barza on behalf of American Family Insurance Company;
Misha Lee on behalf of Sentry Insurance;
Sharon Brosnan on behalf of Thrivent Financial For Lutherans.

Registrations against:

None

Registrations neither for nor against:

None

Letters received:

National Fraternal Congress of America dated July 28, 2010.
Wisconsin Fraternal Congress submitted August 3, 2010.

(e) An explanation of any changes made to the plain language analysis of the rule under s. 227.14 (2), Stats., or to any fiscal estimate prepared under s. 227.14 (4), Stats.

None.

(f) The response to the Legislative Council staff recommendations indicating acceptance of the recommendations and a specific reason for rejecting any recommendation:

All comments were complied with and corrected.

(g) The response to the report prepared by the small business regulatory review board:

The small business regulatory review board did not prepare a report.

(h) Final Regulatory Flexibility Analysis

A Final Regulatory Flexibility Analysis is Not Required because the rule will not have a significant economic impact on a substantial number of small businesses.

(i) Fiscal Effect

See fiscal estimate attached to proposed rule.

Attachment: Legislative Council Staff Recommendations

August 26, 2010