

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

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1. Type of Estimate and Analysis

Original    Updated    Corrected

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2. Administrative Rule Chapter, Title and Number

Agency 145 Ch Ins 6.77

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3. Subject

Exemption from mid-term cancellation requirements and from required uninsured motorist, underinsured motorist and medial payment coverages.

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4. Fund Sources Affected

GPR    FED    PRO    PRS    SEG    SEG-S

5. Chapter 20, Stats. Appropriations Affected

None.

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6. Fiscal Effect of Implementing the Rule

No Fiscal Effect    Increase Existing Revenues    Increase Costs  
 Indeterminate    Decrease Existing Revenues    Could Absorb Within Agency's Budget  
 Decrease Cost

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7. The Rule Will Impact the Following (Check All That Apply)

State's Economy    Specific Businesses/Sectors  
 Local Government Units    Public Utility Rate Payers  
 Small Businesses (if checked, complete Attachment A)

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8. Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes    No

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9. Policy Problem Addressed by the Rule

The proposed rule will repeal exemptions and related provisions contained in ss. Ins 6.77 (3)(am), 4(am) and (b), and (6) Wis. Adm. Code, that are identical to exemptions recently added to s. 632.32(4) and (4m), Wis. Stats. The proposed rule will remove redundant provisions and reduce the risk of confusion. The proposed rule does not substantively change the law.

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10. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments.

OCI solicited comments generally through publication requesting comments from the public utilizing the OCI website. Additionally OCI solicited comments from the following business, associations representing businesses, and individuals:

AAA Wisconsin  
American Family Insurance Company  
Independent Insurance Agents of Wisconsin  
Insurance Auto Auctions  
Liberty Mutual  
Professional Insurance Agents of Wisconsin  
Sentry Insurance  
State Farm Insurance  
Wisconsin Insurance Alliance  
Property Casualty Insurers Association of America

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11. Identify the local governmental units that participated in the development of this EIA.

None.

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12. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

The proposed rule does not substantively change the law. Instead, it will lessen confusion and administrative burdens on insurers issuing policies affected by these provisions by removing duplicative and unnecessary code provisions.

This rule change will have no significant effect on the private sector regulated by OCI, local governmental units or the state's economy as a whole. There are no implementation or compliance costs expected to be incurred.

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13. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The proposed rule will remove redundant provisions and reduce the risk of confusion.

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14. Long Range Implications of Implementing the Rule

The proposed rule will reduce the risk of confusion.

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15. Compare With Approaches Being Used by Federal Government

Not applicable.

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16. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

**Illinois:** 215 ILCS 5/143a In *Hartbarger v. Country Mut. Ins. Co.*, 107 Ill. App. 3d 391, it was found that this section was enacted to insure a minimum amount of uninsured motorist protection, but did not give the authority to rewrite unambiguous provisions of an umbrella policy in order to expand the maximum coverage afforded plaintiff.

**Iowa:** Iowa Code sec. 321A.21 Primary insurance is purchased to be the first tier of insurance coverage while an umbrella policy is intended to cover only catastrophic losses that exceed the insured's required primary insurance limit. "Umbrella" policies are not included under Iowa Code sec. 321A.21, the financial responsibility statute. *Jalas v. State Farm Fire & Cas. Co.*, 505 N.W.2d 811, 1993 Iowa Sup. LEXIS 211 (Iowa 1993).

**Michigan:** Sec. 257.520(a) Michigan is a no-fault state and thus is not comparable to Wisconsin. Michigan defines a "motor vehicle liability policy" as an owner's or an operator's policy of liability insurance which would appear to not include an umbrella policy.

**Minnesota:** 65B.49 Minnesota is a no-fault state and thus is not comparable to Wisconsin. Uninsured and underinsured coverage is required in auto policies.

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17. Contact Name

Inger Williams, OCI Services Section

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18. Contact Phone Number

(608) 264-8110

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**ADMINISTRATIVE RULES**  
**Fiscal Estimate & Economic Impact Analysis**

**ATTACHMENT A**

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1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

This rule change will have no effect on small businesses. There are no implementation or compliance costs expected to be incurred.

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2. Summary of the data sources used to measure the Rule's impact on Small Businesses

The proposed rule does not substantively change the law. Instead, it will lessen confusion and administrative burdens on insurers issuing policies affected by these provisions by removing duplicative and unnecessary code provisions. As such, it will have no impact on small businesses.

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3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

Not applicable. This rule change will have no effect on small businesses.

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4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

Not applicable. This rule change will have no effect on small businesses.

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5. Describe the Rule's Enforcement Provisions

None.

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6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes  No
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