

# STATEMENT OF SCOPE

## Office of the Commissioner of Insurance

**Rule No.:** Agency 145 - Ins 51.01 (21) and 51.80, Wis. Admin. Code

**Relating to:** Updating cross references, clarifying definition of premium, and modifying compulsory surplus requirements for insurers offering Medicare drug coverage

**Rule Type:** Permanent

### 1. Finding/nature of emergency:

NA

### 2. Detailed description of the objective of the proposed rule:

The proposed rule will modify the compulsory surplus requirement for insurers offering Medicare stand-alone drug coverage and separate account premiums to be reflective of the risk and amount of compulsory surplus required to be maintained. Additionally, the proposed rule will clarify the term "premium" for purposes of Wis. Admin. Code § 51.80 and correct a citation cross reference in Wis. Admin. Code § 51.01.

### 3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:

The commissioner regulates the solvency of insurers doing business in the state or for whom Wisconsin is the domiciliary state. Insurers writing Medicare stand-alone drug coverage and those insurers maintaining separate account premiums will continue to maintain sufficient compulsory and security surplus but will calculate their compulsory surplus using slightly lower percentages in their calculations. Additionally, the term "premium" can be calculated on either an earned or written premium basis, the proposed rule will clarify the term and which term insurers should use when calculating compulsory and security surplus. Finally, the proposed rule will correct a citation that is used in defining a risk based capital plan.

### 4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):

The Commissioner has the general authority to promulgate rules necessary to administer and enforce Wis. Stats. chs. 600 to 655, and as provided in Wis. Stats. § 601.41 (3) (a), grants the Commissioner "rule-making authority" under Wis. Stat. § 227.11 (2) (a). Wisconsin statute § 623.11 (2), requires the Commissioner to establish by rule the minimum ratios for the compulsory surplus in relation to any relevant variables including amounts at risk, premiums written or earned, liabilities and equity investments.

### 5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule:

150 hours.

### 6. List with description of all entities that may be affected by the proposed rule:

Insurers licensed to do an insurance business in this state, either as a domestic or nondomestic insurer.

**7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:**

There is no existing federal regulation that is intended to address the changes that will be proposed in this rule.

**8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):**

The changes will provide clarity to insurers regarding the type of premium each type of insurer is to use for calculating compulsory surplus and is not expected to have any financial implications. The modifications to the compulsory surplus calculation for insurers offering Medicare stand-alone drug plans and insurers using separate account premiums will not cause the insurers to incur any increase in financial impact, and potentially the impact for those insurers will decrease.

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Mark Afable, Commissioner of Insurance

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Date

September 30, 2020

Date Submitted