



RON TUSLER

STATE REPRESENTATIVE • 3rd ASSEMBLY DISTRICT

**Testimony Before the
Assembly Committee on Insurance
on
Assembly Bill 744
January 10, 2018**

Mr. Chairman and members of the committee, thank you for the opportunity to comment on Assembly Bill 744. This bill seeks to eliminate confusion and bolsters consumer protections. Its companion bill, SB 618, passed out of the Senate Committee on Insurance, Housing and Trade unanimously.

Under current law a policy holder has a right to renew their insurance policy.¹ If an insurer chooses not to renew a policy, it must give at least 60 days' notice to the policyholder.² This notice is not required if the policyholder "has insured elsewhere, has accepted replacement coverage or has requested or agreed to nonrenewal, or if the policy is expressly designated as nonrenewable."³ Occasionally insurers will renew a policy with an affiliate company on substantially the same terms as a current policy. To do so though, the insurer must give notice to the policyholder that it is *not* renewing the policy, even though for all intents and purposes they will renew the policy without making a substantive change to the "new" policy with its affiliate. This non-renewal-renewal process can lead to consumer confusion and alarm thinking that their policy, often one having been held for some time, is not being renewed when it actually *is* being renewed.

To lessen this confusion, this bill creates an exception to the required non-renewal notice. An insurer may renew a policy with an affiliate without notice if:

- The affiliate is controlled by the same person or persons in the same insurance holding company that includes the insurer;
- The affiliate may validly operate and issue the policy in Wisconsin; and
- The insurer notifies the policyholder that the policy will be renewed with an affiliate with at least 60 days' notice.

If a plan being renewed with an affiliate contains terms less favorable than the original policy the insurer still must give notice to the policyholder according to current law.⁴

This bill also strengthens protections against insurance fraud. Current law enumerates

¹ See Wis. Stat. 631.36(4)(a).

² *Id.*

³ Wis. Stat. 631.36(4)(b).

⁴ Wis. Stat. 631.36(5).

various prohibited practices in the insurance industry.⁵ This bill adds to the list of prohibited practices ways to fraudulently use or furnish a certificate of insurance. Under the bill, a document used for evidence of insurance cannot be used to mislead someone about, or alter the terms of, a policy or be used to fulfil the insurance or indemnification requirements of a specific contract. Further, the bill prohibits the alteration of a certificate of insurance.

Thank you for your time. I ask for your support of this bill to protect consumers from fraud and lessen confusion when renewing a policy with an affiliate.

⁵ See Wis. Stat. 628.34.

Professional Insurance Agents of Wisconsin, Inc.



6401 Odana Rd • Madison, WI 53719
Phone: (608) 274-8188 • (800) 261-7429
Fax: (608) 274-8195 • (866) 203-7461
www.piaaw.org

MEMORANDUM

TO: Members of the Assembly Insurance Committee

FROM: Ron Von Haden, Executive Vice President
Professional Insurance Agents of Wisconsin

DATE: January 10, 2018

RE: **Support of 2017 Assembly Bill 774**

Testimony of Ron Von Haden Executive Vice President Professional Insurance Agents of Wisconsin

My name is Ron Von Haden. I am the Executive Vice President of the Professional Insurance Agents of Wisconsin (PIAW). Ours association is a membership organization consisting of licensed intermediaries, otherwise known as insurance agents, doing business in the State of Wisconsin. Our agent and agency members are primarily property and casualty insurance agents. However, we also market and service life, health, workers compensation and unemployment compensation insurance.

The PIA of Wisconsin supports Assembly Bill 744. PIAW is strongly supportive of this legislation. We thank Representative Tusler for being the lead author of the bill and thank the co-authors, both in the Senate and the Assembly. It is gratifying to see that the legislation has received strong bi-partisan co-sponsorship.

There are two primary reasons why the PIA is supportive of this legislation:

The 60-day notice. AB 744 preserves the 60-day notice given to the insured customer when a policy is not going to be renewed by the insuring company, but is going to be continued by an affiliate of that company. The retention of the 60-day notice in this instance is exceptionally important to agents and to their insurance customers.

The 60-day notice of nonrenewal is needed to enable the agent to better serve the customer. It allows the agent to evaluate whether the agent believes it is in the best interest of the customer to have the affiliate be the new insurer. For example, the affiliate might not have a well-known track record in providing service that's going to be important to the customer and the agent in servicing the policy. The affiliate might prove to be a more expensive insurer for the customer than was the parent insurance company. The agent might determine that it feels it would be in the best interest of the policy holder to be insured with an entirely different insurer. The 60 days provided is just barely enough time to evaluate the offerings of other insurers, as to price, terms and quality of service and place the business with a company other than the affiliate.

The retention of the 60 days to act on the proposed non-renewal continues to be exceptionally important to the insureds in the State of Wisconsin.

Certificate of Insurance. AB 744 also supplements the existing obligation to be truthful in a certificate of insurance by expanding those obligations to the insurance customers. Currently, those obligations only apply to agents and insurance companies.

A certificate of insurance is, very simply, a summary of the policy. Insurance policies are complex. It is not always easy to summarize a complex policy, but, nonetheless, certificates of insurance serve a very useful purpose. They provide the opportunity to have evidence that insurance is in place and some details regarding that insurance policy, even though the policy itself is not available for review. Certificates are useful, but the potential for abuse of the use of a certificate is real.

Current law recognizes the potential for abuse by making it a Class A misdemeanor for our agents, or the insurance company, to misrepresent the terms of the insurance policy in a certificate of insurance. However, current law **does not** discourage our customers who, on very rare occasions, demand that we do that very thing. Let me emphasize that *this is not a common practice by our customers*. It happens rarely, but when it happens it is very unnerving for the agent to be asked by the client to violate the law.

The agent does not want to violate the law, but the agent also wants to keep the customer. This bill addresses this problem. As you will note on page 2 of the analysis, "under the bill, **no person** may issue or **require** a certificate of insurance that contains false, misleading, deceptive..." information. Existing law extends

that obligation only to a person who *prepares* the false certificate. That's us. This bill extends that obligation to include the insurance customer.

After this bill is law, in the rare case that a customer asks us to misrepresent the policy, we will be able to forward a copy of section 628.34(14) to our customer with a note that says, "This statute, recently passed by the Wisconsin Legislature, has made it unlawful and a Class A misdemeanor for the agent or the insurance customer to make this request." We are, therefore, telling the customer, for his or her own good, that he or she should withdraw the request that we misrepresent the policy in the certificate of insurance. We believe this provision of law is going to be helpful and provide us with a diplomatic way of addressing this very rare, but extremely unnerving problem.

For these reasons we encourage you to recommend this bill for passage. If you have any questions about our testimony, please contact me directly at (608) 274-8188.