

## Report From Agency

### PROPOSED ORDER OF THE COMMISSIONER OF INSURANCE AMENDING AND CREATING A RULE

**To amend** Ins 6.59(2) & (4)(a), 26.04(2)(a) & 28.04(2)(a);

**To create** Ins 6.50(2)(b)5

**Relating to** creating a limited line of authority for travel insurance, exempting an applicant for a managing general agent's license from examination and clarifying the procedure for applying for a resident intermediary agent license.

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ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE (OCI)

**1. Statutes interpreted:**

s. 628.04(3), Stats.

**2. Statutory authority:**

ss. 601.41(3) and 628.04(3), Stats.

**3. Explanation of OCI's authority to promulgate the proposed rule under these statutes:**

The proposed rule is promulgated under the commissioner's authority to prescribe classifications of intermediaries by kind of authority, or kind of insurance, or in other ways and authority to prescribe different standards of competence, including examinations and educational prerequisites for each class.

**4. Related statutes or rules:**

None

**5. The plain language analysis and summary of the proposed rule:**

A new limited line license is created for travel insurance. Wisconsin currently has four limited lines of insurance authority: credit, title, legal expense and miscellaneous limited lines insurance. Each limited line has requirements set by the commissioner for testing, prelicensing education and continuing education.

In order to simplify multi-state licensing of insurance producers, Wisconsin and other states, through the National Association of Insurance Commissioners ("NAIC") have committed to make licensing standards more uniform. The NAIC has adopted Uniform Resident Licensing Standards. Included in these standards is a definition for limited line travel insurance. This rule creates a new limited line for travel insurance, adopting the uniform definition approved by the NAIC.

The rule exempts persons holding a travel insurance license from prelicensing education, examination and continuing education requirements. These exemptions are consistent with the NAIC uniform standards.

In addition, the rule revises 2 sections to clearly state the current requirements regarding prelicensing education for Managing General Agents and when prelicensing must be taken.

**6. Summary of, 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 are no federal regulations which address licensing of travel insurance agents.

**7. Comparison of similar rules in adjacent states as found by OCI:**

According to the NAIC, 44 states accept license applications for the limited line of travel insurance.

An independent fifty state review of insurance laws and regulations found that a majority of states have some form of limited line travel license available for resident producers. A number of these states do not provide express authority to issue limited lines travel insurance licenses; however, there are other references to these licenses in the statutes or regulations.

The only states in which express or implied authority to issue limited line travel licenses were not found are as follows: Alabama, District of Columbia, Nebraska, Rhode Island and Wisconsin. The following states do not provide express authority for these licenses but reference the licenses in statutes or regulations which may imply availability: Arkansas, Connecticut (although there is no statutory authority, a bulletin issued by the Connecticut Department of Insurance states that a Travel Limited Line license is available), Iowa (only express authority is for vehicle rental companies), Kansas, Michigan, Montana, North Dakota, Pennsylvania, Texas (offers a specialty license) and West Virginia.

Illinois – Illinois offers limited lines licenses for travel insurance under 215 ILCS 5/500-100.

Iowa – Iowa provides an exception to licensing for travel agents under s. 522B.3(i).

Michigan – Michigan provides a limited Property & Casualty license that covers a variety of products including travel accident and baggage. An exam is required. Chapter 12 Michigan Insurance Code.

Minnesota – An insurance producer may receive qualification for a license in the limited line of “travel baggage insurance.” Minn. Ins. Code § 60K.38(1)(c)(4).

**8. A summary of the factual data and analytical methodologies that OCI used in support of the proposed rule and how any related findings support the regulatory approach chosen for the proposed rule:**

A majority of states have adopted a limited line travel insurance license. The definition used in this rule is consistent with the recommended uniform

definition. Without a limited line license in Wisconsin, Wisconsin residents who sell travel insurance in other states cannot obtain nonresident licenses in the other states. Therefore, these individuals are subjected to an additional regulatory burden in order to obtain these licenses in other states. Adoption of this rule will facilitate regulatory compliance in other states for Wisconsin residents.

**9. Any analysis and supporting documentation that OCI used in support of OCI's determination of the rule's effect on small businesses under s. 227.114:**

Promulgation of this rule will facilitate Wisconsin-based businesses that offer travel insurance in obtaining non-resident insurance licenses in other states that provide limited line travel insurance licenses. The most efficient method of obtaining a nonresident insurance producer license is to hold a license with the same authority in the producer's state of residence. This allows the producer to apply for nonresident licenses in other states and comply with the licensing requirements of the producer's state of residence.

**10. See the attached Private Sector Fiscal Analysis.**

**11. A description of the Effect on Small Business:**

This rule would have a positive effect on small businesses that offer travel insurance in Wisconsin and other states.

**12. Agency contact person:**

A copy of the full text of the proposed rule changes, analysis and fiscal estimate may be obtained from the OCI WEB sites at: <http://oci.wi.gov/ocirules.htm> or by contacting Inger Williams, OCI Services Section, at:

Phone: (608) 264-8110  
Email: [Inger.Williams@wiconsin.gov](mailto:Inger.Williams@wiconsin.gov)  
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Mail: PO Box 7873, Madison WI 53707-7873

**13. Place where comments are to be submitted:**

Mailing address:

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WEB Site: <http://oci.wi.gov/ocirules.htm>

**The proposed rule changes are:**

**SECTION 1. Section Ins 6.50(2)(b)5 is created to read:**

Ins 6.50(2)(b)5. Travel insurance - insurance coverage for trip cancellation, trip interruption, baggage, life, sickness and accident, disability and personal effects when limited to a specific trip and sold in connection with transportation provided by a common carrier.

**SECTION 2. Section Ins 6.59(2) is amended to read:**

Ins 6.59(2) EXAMINATION. An examination is required of each resident applicant for each kind of license authority listed in s. Ins 6.50, except a reinsurance intermediary license, managing general agent and a limited line travel insurance license. Each examination will test the applicant's basic knowledge of the kinds of insurance to be solicited or function to be performed and the applicant's basic understanding of the applicable laws and regulations.

**SECTION 3. Section Ins 6.59(4)(a) is amended to read:**

Ins 6.59(4) PROCEDURE. (a) *Application for resident intermediary agents.* Application for a permanent resident agent license or an enlargement of authority requiring an examination shall be made on-line prior to the time of following successful completion of any required prelicensing education and the examination. A completed application consists of the agent's name, the current address for the residence of the applicant; an original exemption form as required under ch. Ins 26, if required by s. Ins 26.04 (3); an electronic confirmation of prelicensing education completion for the specific lines of authority or a paper "Certificate of Prelicensing Education"; an electronic confirmation of criminal history provided from the Wisconsin department of justice, crime information bureau, completed not more than 180 days prior to the test date; payment of the fees to the testing vendor, an electronic photograph of the applicant taken by the test service at the time of testing; confirmation of previous license in another state, if applicable; and any documentation required in answer to questions on the application.

**SECTION 4. Section Ins 26.04(2)(a) is amended to read:**

Ins 26.04(2)(a) Any applicant applying for a limited line insurance license for credit insurance, legal expense insurance, miscellaneous limited line, ~~or~~ title insurance, or travel insurance.

**SECTION 5. Section Ins 28.04(2)(a) is amended to read:**

Ins 28.04(2)(a) Any intermediary exclusively holding a limited line insurance license in the following lines: credit insurance, legal expense insurance, miscellaneous limited line, managing general agent, ~~and~~ title insurance, or travel insurance.

**SECTION 6. Effective date.** This rule will take effect on the first day of the month after publication, as provided in s. 227.22 (2) (intro.), Stats.

**SECTION 7. Initial Applicability.** This rule will apply to Managing General Agents applications submitted on or after the effective date of the rule.

Dated at Madison, Wisconsin, this 28<sup>th</sup> day of December, 2007.

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Kimberly Shaul  
Deputy Commissioner of Insurance

**Office of the Commissioner of Insurance  
Private Sector Fiscal Analysis**

for Section Ins 6.50, 6.59, 26 and 28 relating to licensing  
for travel insurance

This rule change will have no significant effect on the private sector regulated by OCI.

### FISCAL ESTIMATE WORKSHEET

#### Detailed Estimate of Annual Fiscal Effect

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS 6</b>

**Subject**  
licensing for travel insurance

**One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**  
**Programming costs of \$2,000. An initial surge of perhaps 250 applications would result in one time revenues of \$12,500. No Local government costs or revenues.**

Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$ 0	\$ -0
(FTE Position Changes)	(0 FTE)	(-0 FTE)
State Operations - Other Costs	0	-0
Local Assistance	0	-0
Aids to Individuals or Organizations	0	-0
TOTAL State Costs by Category	\$ 0	\$ -0
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 0	\$ -0
FED	0	-0
PRO/PRS	0	-0
SEG/SEG-S	0	-0
C. State Revenues	Increased Rev.	Decreased Rev.
<small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>		
GPR Taxes	\$ 0	\$ -0
GPR Earned	0	-0
FED	0	-0
PRO/PRS	\$2500	-0
SEG/SEG-S	0	-0
TOTAL State Revenues	\$ 2,500	\$ -0 None

#### NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ <u>None 0</u>	\$ <u>None 0</u>
NET CHANGE IN REVENUES	\$ <u>\$2,500.00</u>	\$ <u>None 0</u>

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Authorized Signature:	Telephone No. 608-267-1233	Date (mm/dd/ccyy) 12/28/07

### FISCAL ESTIMATE

- ORIGINAL                       UPDATED  
  
 CORRECTED                       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS 6</b>

**Subject**  
licensing for travel insurance

**Fiscal Effect**  
**State:**  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.  
 Increase Existing Appropriation                       Increase Existing Revenues  
 Decrease Existing Appropriation                       Decrease Existing Revenues  
 Create New Appropriation  
 Increase Costs - May be possible to Absorb Within Agency's Budget  Yes     No  
 Decrease Costs

**Local:**  No local government costs  
 1.  Increase Costs  
      Permissive     Mandatory  
 2.  Decrease Costs  
      Permissive     Mandatory  
 3.  Increase Revenues  
      Permissive     Mandatory  
 4.  Decrease Revenues  
      Permissive     Mandatory  
 5. Types of Local Governmental Units Affected:  
      Towns             Villages             Cities  
      Counties           Others \_\_\_\_\_  
      School Districts     WTCS Districts

**Fund Sources Affected**                      **Affected Chapter 20 Appropriations**  
 GPR     FED     PRO     PRS     SEG     SEG-S

**Assumptions Used in Arriving at Fiscal Estimate**

It is unknown how many agents will seek this authority. The fee for each agent seeking only this line is \$50 under Ins 6.59(3), Wisc. Admin. Code. OCI is making the assumption that there will be about 250 applications initially. One large insurer in this line of business estimates that about 60 employees would be initially licensed for travel insurance. After the initial surge, there might be about 50 total new applications per year resulting in annual revenues of \$2,500.

To implement a new line of insurance, OCI will incur one time programming expenses both for OCI employees and OCI's licensing vendor. It is unknown precisely the cost but probably around \$2,000 in one time costs.

**Long-Range Fiscal Implications**  
  
**None**

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