

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis

Original Updated Corrected

2. Administrative Rule Chapter, Title and Number

Ins ch. 52

3. Subject

Credit for Reinsurance

4. Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

5. Chapter 20, Stats. Appropriations Affected

None

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

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)

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

Yes No

9. Policy Problem Addressed by the Rule

The proposed rule would modernize Wisconsin's credit for reinsurance provisions by aligning them with the federal Nonadmitted and Reinsurance Reform Act and by adopting the most recent amendments to the National Association of Insurance Commissioners ("NAIC") model act and model regulation on which Wisconsin's rules are based. These revisions are an accreditation requirement of the NAIC for 2018.

Chapter Ins 52, Wis. Adm. Code, has not been amended since 1995. The regulation as currently written requires that, for licensed insurers to take credit for reinsurance, the assuming reinsurer must place in trust collateral in an amount equal to the reinsurer's liability to the ceding insurer. The proposed rule would add the concept of a certified reinsurer. Certified reinsurers must meet certain financial requirements, must have a history of complying with the terms of the contracts and timely meet their obligation to pay claims, and must agree to report certain information to the commissioner. In addition, certified reinsurers must be domiciled in a qualified jurisdiction.

A qualified jurisdiction is a jurisdiction that is found by the commissioner to have an effective regulatory supervisory system, a history of cooperation with U.S. regulators, and is one in which U.S. judgments are recognized and enforced. If a reinsurer from a qualified jurisdiction is certified by the commissioner, they may be allowed to post less than 100% collateral on the risk they assume, as is traditionally required. The amount of collateral that is required to be posted by a certified reinsurer depends on the financial strength rating of the reinsurer. The higher the financial rating of the reinsurer, the less collateral is required potentially all the way down to 0%. Reinsurers certified at lower levels would have the same collateral requirements as current law to be credited. By making these revisions, Wisconsin would modernize its reinsurance provisions and these changes would be consistent with changes made or in the process of being made in other states.

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. In addition, OCI solicited comments from the following businesses and associations:

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

Alliance of Health Insurers;
American Family Insurance;
Benefit Services Group;
Blue Cross Blue Shield of Wisconsin/Wellpoint;
Capitol Consultants;
Capitol Navigators;
Catholic Financial Life;
Hamilton Consulting;
Humana;
Independent Insurance Agents of Wisconsin
Johnson Insurance;
Liberty Mutual Insurance;
Lloyd's of London;
Martin Schreiber Associates;
Medical College of Wisconsin;
Ministry Health Care;
National Association of Insurance and Financial Advisors;
National Federation of Independent Businesses;
Network Health;
Northwestern Mutual Insurance
Professional Insurance Agents of Wisconsin;
Sentry Insurance;
State Farm Insurance;
The Alliance;
Thrivent Financial;
WEA Trust;
Wisconsin Association of Health Plans;
Wisconsin Association of Health Underwriters;
Wisconsin Chiropractic Association;
Wisconsin Council of Life Insurers;
Wisconsin Counties Association;
Wisconsin Hospital Association;
Wisconsin Insurance Alliance;
Wisconsin Manufacturers and Commerce;
Wisconsin Municipal Mutual Insurance Corporation;
Wisconsin Physicians Service Insurance Corporation;
Wisconsin Primary Health Care Association; and
Wisconsin Restaurant Association.

OCI received no comments.

11. Identify the local governmental units that participated in the development of this EIA.
None

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)

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

The proposed rule will lower collateral requirement for certain reinsurers. This may have the effect of lowering reinsurance premiums for insurers. Otherwise, the rule change is not expected to have any economic impact as it only has the effect of revising current requirements and adds no new requirements.

13. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule
The rule is an NAIC accreditation standard. Accreditation of the Office of the Commissioner of Insurance (OCI) by the NAIC helps Wisconsin insurers by ensuring that the OCI has full regulatory authority over its domestic insurers. It accomplishes this by subjecting domestic insurers to financial regulation only by their domestic commissioner if the state is accredited. Because Wisconsin is accredited, Wisconsin insurers are not subject to separate financial regulation in every state in which they do business. The alternative would be for OCI to lose its accreditation and Wisconsin domiciled insurers would be subject to financial examination in every state in which they do business.

14. Long Range Implications of Implementing the Rule
None

15. Compare With Approaches Being Used by Federal Government

OCI is not aware of any existing or proposed federal regulations intended to address the activities to be regulated by the proposed rule change.

16. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)
Similar requirements have been enacted in neighboring states.

Illinois: 215 ILL. COMP. STAT. 5/173.1

Iowa: IOWA CODE §§ 521B.101 to 521B.106

Michigan: MICH. COMP. LAWS §§ 500.1101 to 500.1124

Minnesota: MINN. STAT. §§ 60A.09 to 60A.095

17. Contact Name

Kate Ludlum

18. Contact Phone Number

608-264-6232

This document can be made available in alternate formats to individuals with disabilities upon request.