



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
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Wisconsin.gov

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Report From Agency

Report on Sections Ins 40 and Ch. 53, Wis. Adm. Code, relating to holding company supervision amendments and corporate governance disclosure requirements for NAIC accreditation and affecting small business.

Clearinghouse Rule No. 19-013
Submitted Under s. 227.19 (3), Stats.

(The proposed rule-making order is attached.)

(a) A detailed statement of basis for the proposed rule and how the rule advances relevant statutory goals or purposes:

The objectives of the proposed rules are to improve the regulation of internationally active insurance groups that include at least one Wisconsin insurer, and to specify filing procedures and the contents of the corporate governance annual report which insurers are required to file under s. 610.80, Stats.

Both of the changes are to bring Wisconsin into alignment with NAIC Model Regulations. Wisconsin must adopt them in substantively the same form as the NAIC Model Regulations if the Wisconsin Office of the Commissioner of Insurance (OCI) is to remain a state insurance regulatory agency that is accredited by the NAIC. It is a goal of the OCI and a benefit to domestic insurers for OCI to maintain its accreditation because as an NAIC accredited state, domestic insurers are only subject to certain filing requirements with OCI and financial examination by OCI. Without accreditation, domestic insurers could be subject to financial examination and filing requirements for all jurisdictions in which they operate. This could include examination from all 56 U.S. jurisdictions for some insurers. Without accreditation, the cost of doing business for Wisconsin's domestic insurance industry would increase because their regulation by other states would increase. In order to maintain accreditation, OCI must adopt certain standard regulations developed by the NAIC. In addition, the proposed changes are similar to those adopted or that will be adopted in other states and work to promote uniformity for insurance holding company systems operating across multiple states.

Wisconsin's current Ch. Ins 40, Wis. Adm. Code, generally follows the NAIC Insurance Holding Company System Regulatory Model Act (Model Act) and Insurance Holding Company System Model Regulation (Model Regulation). The NAIC recently made changes to its Model Act to improve the coordination of regulatory efforts when internationally active insurance groups are involved. The proposed rule changes in Ch. Ins 40, Wis. Adm. Code, would authorize the commissioner to act as, or designate the regulatory official of another jurisdiction to act as, the group-wide supervisor of any internationally active insurance group that includes at least one Wisconsin insurer. A similar cooperative regulatory approach is already used on an interstate level. The rule change would expand this type of approach to include foreign jurisdictions that

meet certain regulatory criteria. In addition, it would enable Wisconsin to maintain its NAIC accreditation.

Secondly, the NAIC recently created the NAIC Corporate Governance Annual Disclosure Model Act, the goal of which is to require an annual filing that would enable the commissioner to gain a better understanding of an insurer's corporate governance framework. In 2017, Wisconsin enacted s. 610.80, Stats, which generally follows the Model Act. The NAIC also created the Corporate Governance Annual Disclosure Model Regulation, which sets forth procedures for filing and the required contents of the corporate governance annual disclosure. The proposed rules creating Ch. Ins 53, Wis. Adm. Code, follow the provisions of the Model Regulation, and are necessary in order for s. 610.80, Stats, to take effect. The rules are also required for Wisconsin to maintain its NAIC accreditation.

(b) Summary of the public comments and the agency's responses to those comments:

Comment: Wisconsin Council of Life Insurers requested a definition of the term "insurance group be added to the rule.

Response: The Office added a definition consistent with the comment received.

(c) An explanation of any modifications made in proposed rule as a result of public comments or testimony received at a public hearing:

The Office received one comment requesting the addition of a definition for a term used in the proposed rule. The Office added a definition consistent with the request.

(d) Persons who appeared or registered regarding the proposed rule:

Appearances for:

None

Appearances against:

None

Appearances for information:

Registrations for:

Andy Franken, Wisconsin Insurance Alliance
Russ Denk, Strohm Ballweg
Kevin Lawrence, Wisconsin Council of Life Insurers
Connie O'Connell, Wisconsin Council of Life Insurers

Registrations against:

None

Registrations neither for nor against:

Brian Warner, Common Ground Healthcare Cooperative
Melissa Duffy, Common Ground Healthcare Cooperative
Patrick Laws, Wisconsin Association of Mutual Insurance Companies
Tim Lindquist, Wisconsin Association of Health Plans
Will Kramer, Wisconsin Physicians Services Insurance Co.

Letters received:

Connie O'Connell, Wisconsin Council of Life Insurers

(e) An explanation of any changes made to the plain language analysis of the rule under s. 227.14 (2), Stats., or to any fiscal estimate prepared under s. 227.14 (4), Stats.

None

(f) The response to the Legislative Council staff recommendations indicating acceptance of the recommendations and a specific reason for rejecting any recommendation:

All comments contained in Section 2, the form, style and placement section, were complied with and corrected. In section 5, the clarity, grammar, punctuation and use of plain language section, the Office complied with and corrected comments contained in pars. d, e, and f. However, as noted in section 5 par. a, the proposed rule is an accreditation standard and the Office has limited ability to modify the language as contained in the model, therefore the Office did not comply with the recommendations contained in pars. b, c and g.

(g) The response to the report prepared by the small business regulatory review board:

The small business regulatory review board did not prepare a report.

(h) Final Regulatory Flexibility Analysis

A Final Regulatory Flexibility Analysis is Not Required because the rule will not have a significant economic impact on a substantial number of small businesses.

(i) Fiscal Effect

See fiscal estimate attached to proposed rule.

Attachment: Legislative Council Staff Recommendations