



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 section Ins 3.17, Wis. Adm. Code, relating to the reserve standards for accident and sickness insurance and affecting small business.

Clearinghouse Rule No. 19-142
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 proposed rule permits insurers writing accident and sickness insurance to calculate claim and contract reserves for health insurance policies issued prior to January 1, 2017 to either comply with the minimum requirements in the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual (APPM) Appendix A-010 or the existing requirements set forth in s. Ins 3.17 (6) (b) or (8) (b), Wis. Adm. Code, respectively. Section 623.06 (8m), Stats., established s. Ins 3.17, Wis. Admin. Code, as the reserve standard for contracts issued after November 13, 2015 and prior to January 1, 2017. Section Ins 3.17, Wis. Adm. Code, does not currently authorize the use of the 2013 Individual Disability Income Valuation Table (IDIVT) and the 2012 Group Long-Term Disability Valuation Table (GLTDVT) for calculating disability claim reserves. Both the APPM and the Valuation Manual authorize the use of the updated tables.

Health claims reserves traditionally have been determined based on the incurred date of the claim and not the issue date of the policy. However, under the current Wisconsin requirements, if a new claim is made on a policy that was issued before January 1, 2017, the insurer would be required to use the reserve standard currently existing under s. Ins 3.17 (6) (b), Wis. Adm. Code, rather than the updated tables adopted by the NAIC. If a claim is made on a policy that was issued after January 1, 2017, the insurer would use the reserve standard based on the applicable new NAIC APPM table. Therefore, two claims with the same incurred date would be valued in two different ways as a result of the policy issue date. To bridge this gap, the proposed rule will permit insurers to use either the NAIC APPM tables or the standard valuation calculation contained in s. Ins 3.17, Wis. Adm. Code, as appropriate, for claims and contract reserves related to the accident and sickness policies issued prior to January 1, 2017.

(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.

Comment: American Council of Life Insurers commented on the Legislative Council's comments and did not disagree with the section 5 corrections with the exception of the suggestion for treatment of the word "Commissioners." They did not oppose the other suggested changes but did not believe the other changes to be necessary.

Response: The Office agreed with the comments but did include some of the edits suggested by the Legislative Council.

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

None.

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

Appearances for:

None

Appearances against:

None

Appearances for information:

None

Registrations for:

None

Registrations against:

None

Registrations neither for nor against:

Kelsey Avery, Wisconsin Association of Health Plan

Letters received:

Steven Clayburn, American Council of Life Insurers (ACLI)
Gregory Gurlik, Northwestern Mutual Life Insurance Company
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, other than as identified by the Legislative Council staff.

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

The Office considered all recommendations and made changes including the following:

Section 2, the legislative council suggested the agency consider reordering the provisions. The Office, consistent with comments received from the American Council of Life Insurers, will retain the current order of the provisions.

Section 3, all comments contained in Section 3 were complied with and corrected.

Section 4, The comment in b. was complied with, however, the comment in a., adding an edition or date of the manual, would limit the life of the rule and did not add clarity to the current provision.

Section 5, the Office complied with and corrected the comments contained in pars. a., b., and d. However, the recommendation in c. is not an accurate grammatical correction for the references to the NAIC in the proposed rule.

(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 is unlikely to have any impact on small businesses as the rule addresses reserving requirements for insurers and the reserving does not increase costs to the insurers or its insureds.

(i) Fiscal Effect

See fiscal estimate and economic impact analysis attached to proposed rule.

Attachment: Legislative Council Staff Recommendations