

## EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

---

1. Type of Estimate and Analysis

Repeal     Modification

---

2. Administrative Rule Chapter, Title and Number

Ch Ins 40 Holding company regulation amendments.

---

3. Date Rule promulgated and/or revised; Date of most recent Evaluation

April 2020.

---

4. Plain Language Analysis of the Rule, its Impact on the Policy Problem that Justified its Creation and Changes in Technology, Economic Conditions or Other Factors Since Promulgation that alter the need for or effectiveness of the Rule.

The NAIC also provides an accreditation process for state insurance departments. 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. Recent changes in the NAIC model laws 440 and 450 relating to group capital standards at the holding company level regulations are the bases for the proposed rule and are anticipated to become accreditation standards in 2022, and therefore, it is important to implement these changes into the Wisconsin holding company system regulations as soon as practicable.

The rule change would modernize Wisconsin's holding company system provisions by adopting uniform standards for determining group-wide capital requirements in alignment with requirements of the agreement between the United States of America, the European Union, and the United Kingdom regarding insurance and reinsurance ("covered agreement"). The covered agreement was authorized by Title V of the Dodd-Frank Act that authorized the Secretary of the Treasury and the United States Trade Representative to jointly negotiate a covered agreement on behalf of the United States with one or more foreign governments, authorities, or regulatory entities. Failure to adopt these group capital standards before September of 2022 could result in Wisconsin law being preempted by the covered agreement.

---

5. Describe the Rule's Enforcement Provisions and Mechanisms

Wisconsin Statutes ss. 227.11 (2), 601.42, 601.465, 617.11 (1), 617.21 (3r), and 623.02 to 623.04, that are enforced under s. 601.41 (4) and 601.64, Wis. Stats.

---

6. Repealing or Modifying the Rule Will Impact the Following  
(Check All That Apply)

State's Economy

Local Government Units

Specific Businesses/Sectors

Public Utility Rate Payers

Small Businesses

---

7. Summary of the Impacts, including Compliance Costs, identifying any Unnecessary Burdens the Rule places on the ability of Small Business to conduct their Affairs.

The rule is not expected to have any effect on insurers that qualify as small businesses. OCI does not believe that any of the insurance holding company systems that will be required to file a group capital calculation will meet the definition of a small business.

---

8. List of Small Businesses, Organizations and Members of the Public that commented on the Rule and its Enforcement and a Summary of their Comments.

The request for comment on the proposed rule was sent to 50 organizations and individuals. Additionally the OCI posted the Request for Comment on its public website. The OCI did not receive comments during the comment period regarding the rule.

---

9. Did the Agency consider any of the following Rule Modifications to reduce the Impact of the Rule on Small Businesses in lieu of repeal?

## EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe: The rule change will not effect small businesses.

---

10. Fund Sources Affected

- GPR    FED    PRO    PRS    SEG    SEG-S

---

11. Chapter 20, Stats. Appropriations Affected

None

---

12. Fiscal Effect of Repealing or Modifying the Rule

- No Fiscal Effect       Increase Existing Revenues       Increase Costs  
 Indeterminate       Decrease Existing Revenues       Could Absorb Within Agency's Budget  
 Decrease Cost

---

13. Summary of Costs and Benefits of Repealing or Modifying the Rule

The cost for failing to implement these revisions is to risk losing NAIC accreditation or federal preemption. Retaining NAIC accreditation and implementing the proposed changes ensure state overview of our domestic insurers.

---

14. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes    No

---

15. Long Range Implications of Repealing or Modifying the Rule

Wisconsin will retain the ability to be accredited with domestic insurers benefits since as an NAIC accredited state, domestic insurers are only subject to certain filing requirements with OCI and financial examinations 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 due to oversight by other states.

---

16. Compare With Approaches Being Used by Federal Government

There are no comparable federal regulations..

---

17. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

All states are required to comply with the changes in the NAIC models in order to retain accreditation and not be preempted

---

18. Contact Name

Julie E. Walsh

---

19. Contact Phone Number

608-264-8101

---

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