

**ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE REPEALING,
RENUMBERING, AMENDING, REPEALING AND CREATING AND CREATING A RULE**

To repeal Ins 2.80 Appendix 1, 50.70 (2), 50.72 (2), 50.73 (8), 50.75 (1) (b) and (c) and (5) (c), 50.77, 50.78 (1) (e) 2. and 3., (2) (c) 1. and 2., 50.80 (title) and (1) to (4g); To renumber Ins 50.70 (3), 50.73 (6) and (7), 50.75 (1) (d), 50.78 (1) (e) 4. to 6., 50.79 (2) (d) and (e) and (3), and 50.80 (5); To renumber and amend Ins 50.72 (1) and 50.75 (5) (d); To amend Ins 2.80 (4) (b) 3., 50.65 (3) (a), 50.71, 50.73 (1), 50.75 (1) (a), (3) and (5) (a), 50.78 (1) (intro.), (2) (bg) 1. and 3., (c) (intro.), (d), (eg), (f) 1. c. and e., 3., and 50.79 (title), (2) (intro.) and (a) 4. and 5., (b) 3. and 4., and (c) 3. to 5.; To repeal and recreate Ins 50.76, 50.78 (2) (b) and (e) 1. and (5); and to create Ins 2.80 (2) (e), 2.81, 50.70 (3), 50.73 (intro.) and (6), 50.78 (2) (f) 1. f. and g., 1m, and (6), 50.79 (1) (e), (2) (a) 6. and 7., (b) 5., and (d), (3), and (5) relating to prescribing mortality tables and actuarial opinions, analysis and reports.

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

1. Statutes interpreted:

ss. 600.01, 601.42, 623.02, 623.04, 623.06, 628.34, 632.43, Stats.

2. Statutory authority:

ss. 600.01(2), 601.41(3), 601.42, 623.02, 623.04, 623.06, 632.43, Stats.

3. Explanation of the OCI's authority to promulgate the ~~proposed~~-rule:

The ~~proposed~~-rule is promulgated under the commissioner's statutory authority to prescribe valuation of liabilities, non-forfeiture values, and accounting standards and reporting for insurers. The rule is also promulgated under the commissioner's authority to prescribe actuarial reporting and analysis by life insurers.

4. Related Statutes or rules:

The ~~proposed~~-rule amends or references existing rules prescribing valuation of liabilities, non-forfeiture values, and actuarial reporting and analysis under ss. 601.42, 623.02, 623.04, 623.06, and 632.43 and ss. Ins 2.80 and ch. 50, Wis. Adm. Code.

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

The ~~proposed~~-rule incorporates the National Association of Insurance Commissioners' ("NAIC") 2001 CSO Table into the current reserve and non-forfeiture valuation laws and rules. The rule would establish the new table as the minimum valuation standard for calculating reserves and nonforfeiture benefits for individual life insurance policies and extended term benefits issued after the effective date. The new table would be optional for newly issued policies until January 1, 2009 and mandatory after that date. The ~~proposed~~-rule also corrects references in the current rule establishing valuation standards (s. Ins 2.80, Wis. Adm. Code). The primary statutes interpreted by the ~~proposed~~-rule are the Standard Valuation Law (s. 623.06) and the Standard Nonforfeiture Law (s. 632.43).

The ~~proposed~~-rule is based on the NAIC model recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits regulation and the NAIC revised model actuarial opinion and memorandum regulation. The CSO mortality table is not included in the NAIC model but is published separately by the NAIC. Accordingly it is adopted by reference under s. 601.41 (3) (b), Stats.

The ~~proposed~~-rule also revises the requirements for life insurers (including fraternal) as regards required actuarial opinions and memoranda. The ~~proposed~~-rule requires all life insurers to perform asset adequacy testing every year. The current rule provides an exemption, or limited scope of compliance, from asset adequacy analysis for smaller companies meeting certain conditions. The ~~proposed~~-rule also prescribes standards for the commissioner's acceptance of actuarial opinions and reporting from companies based on the standards of their state of domicile. In addition, the ~~proposed~~-rule revises the required wording of the actuarial opinion, adds some additional requirements concerning the actuarial opinion and actuarial memorandum, and it creates a new requirement for the preparation of a summary of the actuarial memorandum called the "regulatory asset adequacy issues summary."

NAIC Financial Regulation Standards and Accreditation Committee voted to expose the revised NAIC Actuarial Opinion and Memorandum Regulation for comment for a two-year period, beginning January 1, 2003. The NAIC is seeking comment on whether the revised Model should be adopted as a mandatory requirement for accreditation of a state and may recommend that it be required as an accreditation standard effective in calendar year 2007.

The 2001 CSO mortality table changes are effective for policies issued on or after January 1, 2005. The revised actuarial opinion and memorandum requirements are effective for reporting requirements for calendar year 2005 and subsequent calendar years.

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:

Not applicable. There is no such federal regulation.

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

Iowa: Iowa has the current version of, and has not adopted the revised, NAIC model actuarial opinion and memorandum regulation. Iowa has adopted the NAIC model recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits regulation.

Illinois: Illinois has the current version of, and has not adopted the revised, NAIC model actuarial opinion and memorandum regulation. Illinois has adopted the NAIC model recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits regulation.

Minnesota: Minnesota has the current version of, and has not adopted the revised, NAIC model actuarial opinion and memorandum regulation. Minnesota has adopted the NAIC model recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits regulation.

Michigan: Michigan has the current version of, and has not adopted the revised, NAIC model actuarial opinion and memorandum regulation. Michigan has not adopted the NAIC model recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits regulation.

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:

The American Academy of Actuaries report to the NAIC's Life and Health Actuarial Task Force states the basis for its recommendation for the new 2001 CSO mortality table (the basis for OCI's proposal of this rule authorizing the use of the 2001 CSO mortality table) as follows:

“The current statutory valuation standard, the 1980 CSO Table, is more than 20 years old. As is shown in this report, current mortality levels, represented by the 2001 Valuation Basic Table, are lower than the mortality levels underlying the 1980 CSO Table. The current valuation mortality standard produces reserves, excluding deficiency reserves, that overall are higher for the illustrated model office than those produced by the ~~proposed~~ 2001 CSO Table.

At the request of the LHATF, both the SOA and the Academy have worked to develop a proposed mortality table intended to replace the 1980 CSO Table in the current statutory valuation structure. While the Academy’s Life Practice Council believes that a move to a valuation system that provides more actuarial flexibility and responsibility to set reserves that reflect individual company characteristics is desirable, we recognize that a new table is appropriate. The new table is more consistent with current experience and will result in reserves, excluding deficiency reserves, that overall are approximately 20 percent lower than those produced by the 1980 CSO Table.

The following analysis compares reserves calculated using the proposed ultimate 2001 CSO Table to those calculated using the ultimate 1980 CSO Table. Deficiency reserves were not considered. CRVM reserves for individual cells were weighted using a relatively simple model office (consisting of three plans, five ages, and both genders) based on industry business distributions obtained from LMRA International. To produce a single number for comparison, the Academy Task Force assumed that sales levels increased at five percent per year and focused its analysis on results after 10 and 20 years.

Table 1
Comparison of Basic Reserves on the Proposed 2001 CSO Table
to Basic Reserves on the 1980 CSO Table
(aggregated results)

	<u>After 10 years</u>	<u>After 20 years</u>
Overall	79.0%	82.4%
Gender		
Male	76.5%	80.2%
Female	85.6%	87.7%
Plan		
Whole Life	85.6%	86.9%
20 Year Level Premium Term	68.4%	68.7%
Level Premium to Zero UL	95.0%	98.8%
Age		
25	80.9%	84.9%
35	74.8%	79.8%
45	78.7%	82.5%
55	79.8%	81.9%
65	81.2%	84.2%

The percentages in each column are the relative percentage the calculated reserve amount in accordance with the 2001 CSO table is to the reserve amount calculated in accordance with the 1980 CSO table. This table shows that overall basic reserves are about 20 percent lower under the proposed 2001 CSO Table. The reduction is larger for males than for females, reflecting the larger reduction in mortality rates for males. Term insurance exhibits the largest reductions, followed by whole life. The level premium to zero UL plan shows the smallest reductions because reserves cannot be less than cash values and the cash value typically determines the reserve

by the sixth to eighth duration under both the new and old tables. When the cash value determines the reserve, reserves are the same under both tables. The biggest reductions will be seen at age 35 while the smallest reductions will be seen at ages 25 and 65.”

The ~~proposed~~ revisions to the actuarial opinion and memorandum requirements under ch. 50, Wis. Adm. Code, are based on the recommendations of the NAIC Life and Health Actuarial Task Force (“Task Force”) which were adopted by the NAIC in 2001.

All life insurers are required to file an actuarial opinion with their annual financial statement. In 1991, the NAIC adopted the model actuarial opinion and memorandum regulation which, in essence, established a two-tier system for these opinions. Companies whose admitted assets exceed \$500 million are required to conduct sufficient tests such that they can certify that their assets “make adequate provision” for their liabilities, i.e., their actuaries must perform an asset adequacy analysis. Under certain conditions, companies whose admitted assets fall below \$500 million are exempt from this requirement, and need only certify that their reserves have been computed in accordance with the formulas specified in the law. The Task Force recommended removal of the exemptions, thereby requiring all companies to demonstrate the adequacy of their reserves. The Task Force was in agreement with the position expressed by the State Variations in Valuation Laws Task Force of the American Academy of Actuaries in its May 10, 1996, report.

The Task Force received the assistance of the Actuarial Standards Board, which developed revised standards of actuarial practice relative to this matter. They provide for the actuary to perform necessary testing based on the degree of risk inherent in the contracts sold. This ranges from very little (in some cases only intermittent testing is necessary) to cash flow modeling. This availability of a range of methods will allow each company to choose the one (or combination) which best fits its circumstances, thereby minimizing the expense each will incur in fulfilling this requirement.

The current actuarial opinion and memorandum rule requires all companies to file an actuarial opinion that the reserves 1) meet the requirements of the law of the state of domicile and 2) are at least as great, in the aggregate, as required by the state in which the filing is made. The Task Force recommended that each state provide for three options that may be used in lieu of simply requiring the “state of filing” opinion. In essence, the options permit a “state of domicile” opinion, but they require that certain financial standards be met or that financial information be provided so that the state of filing can make an informed decision as to whether the domestic state’s reserve laws, reasonably meet the state of filings standards. The Task Force also recommended, based on experience with the current model regulation, revisions that include updated requirements for documentation of the various assumptions, economic scenarios, and product features incorporated into the asset adequacy analysis and a “Regulatory Asset Adequacy Issues Summary.”

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:

OCI reviewed financial statements and other reports filed by life insurers and fraternal insurers and determined that none qualify as small businesses.

10. If these changes will have a significant fiscal effect on the private sector, the anticipated costs possibly incurred by private sector:

This rule is not expected to have a significant impact on the private sector. There are only a few insurance companies that are not already performing the analysis required by this rule. The few who are newly required to conduct cash flow analysis may incur initial costs of \$2500 to \$25000. In addition they may require specialized software for an initial cost of \$15000. Many companies who are newly required to perform analysis will incur lower costs. Compliance in subsequent years is likely to range in cost from \$2500 to \$12000.

11. Effect on Small Business:

None

12. Agency contact person:

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

Phone: (608) 264-8110
Email: Inger.Williams@OCI.State.WI.US
Address: 125 South Webster St – 2nd Floor Madison WI 53702
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The rule changes are:

SECTION 1. Section Ins 2.80 (2) (e) is created to read:

Ins 2.80 (2) (e) This section applies to policies that are subject to s. Ins. 2.81 in the manner specified in that section.

SECTION 2. Section Ins 2.80 (4) (b) 3. (intro.) is amended to read:

Ins 2.80 (4) (b) 3. For durations in the first segment, X % of the select mortality factors in ~~Appendix 1 of this section~~ the tables at pages 18 through 35 of the national association of insurance commissioners valuation of life insurance policies model regulation updated and published by the national association of insurance commissioners model regulation service in April 1999, subject to all of the following:

SECTION 3. Section Ins 2.80 Appendix 1 (also labeled Appendix I) is repealed.

SECTION 4. Section Ins 2.81 is created to read:

Ins 2.81 Recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits. (1) **AUTHORITY.** This section is promulgated by the commissioner of insurance pursuant to s. 623.06(2) (am) 3, Stats., standard valuation law, and s. 632.43(6m) (e) 3. f., Stats., standard nonforfeiture law for life insurance.

(2) **PURPOSE.** The purpose of this section is to recognize, permit and prescribe the use of the 2001 commissioners' standard ordinary CSO mortality table in accordance with s. 623.06 (2) (am) 3., Stats.. standard valuation law, and s. 632.43(6m) (e) 3. f., Stats., standard nonforfeiture law for life insurance, and to recognize, permit, and prescribe the use of the 2001 CSO mortality table in s. Ins 2.20 unisex nonforfeiture values in certain life insurance policies, s. Ins 2.35 smoker and nonsmoker mortality tables for minimum reserve liabilities and minimum nonforfeiture benefits, and s. Ins 2.80 valuation of life insurance policies.

(3) **DEFINITIONS.** In this section:

(a) "2001 CSO mortality table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the valuation basic mortality table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002. The 2001 CSO mortality table is included in the Proceedings of the NAIC (2nd Quarter 2002) and may be obtained from the office. Unless the context indicates otherwise, the "2001 CSO mortality table" includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

Note: The 2001 CSO mortality table may be obtained from the website of the Office of the Commissioner of Insurance (www.oci.wi.gov) or by writing to the Office.

(b) "2001 CSO mortality table (F)" means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO mortality table.

(c) "2001 CSO mortality table (M)" means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO mortality table.

(d) "Commissioner" means the commissioner of insurance.

(e) "Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

(f) "NAIC" means the national association of insurance commissioners.

(g) "Office" means the office of the commissioner of insurance.

(h) "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.

(4) 2001 CSO MORTALITY TABLE. (a) At the election of the company for any one or more specified plans of insurance and subject to the conditions stated in this section, the 2001 CSO mortality table may be used as the minimum standard for policies issued on or after January 1, 2005 and before the date specified in par. (b) to which s. 623.06(2) (am) 3., Stats., s. 632.43(6m)(e) 3. f., Stats., s. Ins. 2.20, s. Ins. 2.35, or s. Ins. 2.80 are applicable. If the company elects to use the 2001 CSO mortality table, it shall do so for both valuation and nonforfeiture purposes.

(b) Subject to the conditions stated in this regulation, the 2001 CSO mortality table shall be used in determining minimum standards for policies issued on and after January 1, 2009, to which s. 623.06(2) (am) 3., Stats., s. 632.43 (6m) (3) 3. f., Stats., s. Ins 2.20, s. Ins 2.35, or s. Ins 2.80 are applicable.

Note: There is no new Commissioners Extended Term (CET) table being proposed to replace the 1980 CET Table. Therefore, the new minimum basis for the computation of values related to extended term benefits will be the 2001 CSO Mortality Table.

(5) CONDITIONS. (a) For each plan of insurance with separate rates for smokers and nonsmokers an insurer may use:

1. Composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits;

2. Smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by s. 623.06 (7), Stats., and composite mortality tables to determine the basic minimum reserves, minimum cash surrender values and amounts of paid-up nonforfeiture benefits; or

3. Smoker and nonsmoker mortality to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

(b) For plans of insurance without separate rates for smokers and nonsmokers the composite mortality tables shall be used.

(c) For the purpose of determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits, the 2001 CSO mortality table may, at the option of the company for each plan of insurance, be used in its ultimate or select and ultimate form, subject to the restrictions of sub. (6) and s. Ins 2.80 relative to use of the select and ultimate form.

(d) When the 2001 CSO mortality table is the minimum reserve standard for any plan for a company, the actuarial opinion in the annual statement filed with the commissioner shall be based on an asset adequacy analysis as specified in s. Ins 50.75 (l). The commissioner may exempt a company from this requirement if it only does business in this state and in no other state.

(6) APPLICABILITY OF THE 2001 CSO MORTALITY TABLE TO S. INS 2.80, VALUATION OF LIFE INSURANCE POLICIES. (a) The 2001 CSO mortality table may be used in applying s. Ins 2.80 in the following manner, subject to the transition dates for use of the 2001 CSO mortality table in sub.(4):

1. Section Ins 2.80 (2)(b) 1. b.: The net level reserve premium is based on the ultimate mortality rates in the 2001 CSO mortality table.

2. Section Ins 2.80 (3)(b): All calculations are made using the 2001 CSO mortality table, and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in subd. 4.. The value of " $q_{x+k+t-1}$ " is the valuation mortality rate for deficiency reserves in policy year $k+t$, but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.

3. Section Ins 2.80 (4)(a): The 2001 CSO mortality table is the minimum standard for basic reserves.

4. Section Ins 2.80 (4)(b): The 2001 CSO mortality table is the minimum standard for deficiency reserves. If select mortality rates are used, they may be multiplied by X percent for durations in the first segment, subject to the conditions specified in subd. 3. In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO mortality table with those tests that utilize the 2001 CSO mortality table, unless the combination is explicitly required by law or necessary to be in compliance with relevant actuarial standards of practice.

5. Section Ins 2.80 (5) (f): The valuation mortality table used in determining the tabular cost of insurance shall be the ultimate mortality rates in the 2001 CSO mortality table.

6. Section Ins 2.80 (5) (j): The calculations specified in s. Ins 2.80 (5) (j) shall use the ultimate mortality rates in the 2001 CSO mortality table.

7. Section Ins 2.80 (5)(k): The calculations specified in s. Ins 2.80 (5)(k) shall use the ultimate mortality rates in the 2001 CSO mortality table.

8. Section 2.80 (5)(1): The calculations specified in s. Ins 2.80 (5)(1) shall use the ultimate mortality rates in the 2001 CSO mortality table.

9. Section 2.80 (6)(a) 2.: The one-year valuation premium shall be calculated using the ultimate mortality rates in the 2001 CSO mortality table.

(b) Nothing in this subsection shall be construed to expand the applicability of s. Ins 2.80 to include life insurance policies exempted under s. Ins 2.80 (2) (a) and (b).

(7) GENDER-BLENDED TABLES. (a) For any ordinary life insurance policy delivered or issued for delivery in this state on and after January 1, 2005, that utilizes the same premium rates and charges for male and female lives or is issued in circumstances where applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2001 CSO mortality table (M) and the 2001 CSO mortality table (F) may, at the option of the company for each plan of insurance, be substituted for the 2001 CSO mortality table for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. No change in minimum valuation standards is implied by this subsection of the regulation.

(b) The company may choose from among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the NAIC in December 2002.

Note: The blended tables may be obtained from the website of the Office of the Commissioner of Insurance (www.oci.wi.gov) or by writing to the Office.

(c) It shall not, in and of itself, be a violation of s. 628.34, Stats., for an insurer to issue the same kind of policy of life insurance on both a sex-distinct and sex-neutral basis.

(8) This section may be enforced under s. 601.41 or 601.64, ch. 645, Stat., or any other enforcement provision of chs. 600 to 646, Stats

SECTION 5. Section Ins 50.65 (3) (a) is amended to read:

Ins 50.65 (3) (a) Every life insurance company ~~not exempted under s. Ins 50.76~~ shall include with the opinion required under sub. (1) the opinion of the qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commissioner, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including but not limited to, the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including but not limited to, the benefits under and expenses associated with the policies and contracts. The commissioner may allow a transition period for an insurance company to establish any higher reserves that the qualified actuary determines are necessary to make adequate provision for the company's obligations under the policies and contracts. This subchapter and subch. V may be enforced under s. 601.41 or 601.64, ch. 645, Stat., or any other enforcement provision of chs. 600 to 646, Stat.

SECTION 6. Section Ins 50.70 (2) is repealed.

SECTION 7. Section Ins 50.70 (3) is renumbered s. Ins 50.70 (2).

SECTION 8. Section Ins 50.70 (3) is created to read: 50.70 (3) Guidance as to the meaning of “adequacy of reserves.”

SECTION 9. Section Ins 50.71 is amended to read:

Ins 50.71 Authority. This rule is issued pursuant to the authority vested in the commissioner under ss. 601.42, 601.43, 601.465 http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=31952769&infobase=stats.nfo&jump=601.42&softpage=Document - JUMPDEST 601.42http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=31952769&infobase=stats.nfo&jump=601.43&softpage=Document - JUMPDEST 601.43http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=31952769&infobase=stats.nfo&jump=601.465&softpage=Document - JUMPDEST 601.465 and ch. 623, Stats. ~~This rule will take effect for annual statements for the year 1996.~~

Field Code Changed

Field Code Changed

Field Code Changed

SECTION 10. Section Ins 50.72 (1) is renumbered s. Ins 50.72 and amended to read:

Ins 50.72 Scope. This subchapter shall apply to all life insurance companies and fraternal benefit societies doing business in this state and to all life insurance companies and fraternal benefit societies which are authorized to reinsure life insurance, annuities or accident and health insurance business in this state. This subchapter shall be applied in a manner that allows the appointed actuary to utilize his or her professional judgment in performing the asset analysis and developing the actuarial opinion and supporting memoranda, consistent with relevant actuarial standards of practice. However, the commissioner may specify specific methods of actuarial analysis and actuarial assumptions when, in the commissioner's judgment, these specifications are necessary for an acceptable opinion to be rendered relative to the adequacy of reserves and related items. This subchapter shall be applicable to all annual statements filed with the office of the commissioner of insurance ~~after the effective date of this subchapter. Except with respect to companies which are exempted pursuant to s. Ins 50.76, a~~ Δ statement of opinion on the adequacy of the reserves and related actuarial items based on an asset adequacy analysis in accordance with s. Ins 50.78, and a memorandum in support thereof in accordance with s. Ins 50.79, ~~shall be is~~ required each year. ~~Any company so exempted must file a statement of actuarial opinion pursuant to s. Ins 50.77.~~

SECTION 11. Section Ins 50.72 (2) is repealed.

SECTION 12. Section Ins 50.73 (intro.) is created to read:

50.73 (intro.) **Definitions.** In this subchapter:

SECTION 13. Section Ins 50.73 (1) is amended to read:

50.73 (1) "Actuarial opinion" means: ~~(a) With respect to s. Ins 50.78, 50.79 or 50.80, the opinion of an appointed actuary regarding the adequacy of the reserves and related actuarial items based on an asset adequacy test analysis in accordance with s. Ins 50.78 and with presently accepted actuarial;~~ (b) ~~With respect to s. Ins 50.77, the opinion of an appointed actuary regarding the calculation of reserves and related items, in accordance with s. Ins 50.77 and with those presently accepted actuarial standards which specifically relate to this opinion applicable actuarial standards of practice.~~

SECTION 14. Section Ins 50.73 (6) and (7) are renumbered s. Ins 50.73 (7) and (8).

SECTION 15. Section Ins 50.73 (6) is created to read:

50.73 (6) "AVR" means asset valuation reserve.

SECTION 16. Section Ins 50.73 (8) is repealed.

SECTION 17. Section Ins 50.75 (1) (a) is amended to read:

50.75 (1) (a) There is to be included on or attached to Page 1 of the annual statement for each year beginning with 1996 the statement of an appointed actuary, entitled "Statement of Actuarial Opinion," setting forth an opinion relating to reserves and related actuarial items held in support of policies and contracts, in accordance with s. Ins 50.78; ~~provided, however, that any company exempted pursuant to s. Ins 50.76 from submitting a statement of actuarial opinion in accordance with s. Ins 50.78 shall include on or attach to Page 1 of the annual statement a statement of actuarial opinion rendered by an appointed actuary in accordance with s. Ins 50.77.~~

SECTION 18. Section Ins 50.75 (1) (b) and (c) are repealed.

SECTION 19. Section Ins 50.75 (1) (d) is renumbered Ins 50.75 (1) (b).

SECTION 20. Section Ins 50.75 (3) is amended to read:

50.75 (3) APPOINTED ACTUARY. An "appointed actuary" is a qualified actuary who is appointed or retained to prepare the statement of actuarial opinion required by this subchapter; either directly by or by the authority of the board of directors through an executive officer of the company other than the qualified actuary. The company shall give the commissioner timely written notice of the name, title (and, in the case of a consulting actuary, the name of the firm) and manner of appointment or retention of each person appointed or retained by the company as an appointed actuary and shall state in such notice that the person meets the requirements set forth in sub. (2).

Once notice is furnished, no further notice is required with respect to this person, provided that the company shall give the commissioner timely written notice in the event the actuary ceases to be appointed or retained as an appointed actuary or to meet the requirements set forth in sub. (2). If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice shall so state and give the reasons for replacement.

SECTION 21. Section 50.75 (5) (a) is amended to read:

50.75 (5) (a) Under authority of ch. 623, Stats., and subch. IV, the statement of actuarial opinion shall apply to all in force business on the statement date regardless of when or where issued. This includes ~~reserves of Exhibits 8, 9, and 10, and claim liabilities in Exhibit 11, Part I items reported in the annual statement exhibits pertaining to contract reserves for life insurance, annuities, accident and health insurance, and deposit type contracts;~~ liabilities for unpaid claims; and equivalent items in the separate account statement or statements.

SECTION 22. Section 50.75 (5) (c) is repealed.

SECTION 23. Section 50.75 (5) (d) is renumbered s. Ins 50.75 (5) (c) and amended to read:

50.75 (5) (c) Additional reserves established under par. (b) ~~or (e)~~ and deemed not necessary in subsequent years may be released. Any amounts released must be disclosed in the actuarial opinion for the applicable year. The release of such reserves would not be deemed an adoption of a lower standard of valuation.

SECTION 24. Section Ins 50.76 is repealed and recreated to read:

50.76 **Required opinions.** In accordance with subch. IV and ch. 623, Stats., every company doing business in this state shall annually submit the opinion of an appointed actuary as provided for by this subchapter.

SECTION 25. Section Ins 50.77 is repealed.

SECTION 26. Section Ins 50.78 (1) (intro.) is amended to read:

Ins 50.78 (1) **GENERAL DESCRIPTION.** The statement of actuarial opinion submitted in accordance with this ~~section~~ subchapter shall consist of:

SECTION 27. Section Ins 50.78 (1) (e) 2. and 3. are repealed.

SECTION 28. Section Ins 50.78 (1) (e) 4. to 6. are renumbered Ins 50.78 (1) (e) 2. to 4.

SECTION 29. Section Ins 50.78 (2) (b) is repealed and recreated to read:

Ins 50.78 (2) (b) The scope paragraph shall include a statement, and table, such as the following: “I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, [year]. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis.

Asset Adequacy Tested Amounts—Reserves and Liabilities					
Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (2)	Analysis Method	Other Amount (3)	Total Amount (1)+(2)+(3) (4)
Exhibit					
A Life Insurance					
B Annuities					
C Supplementary Contracts Involving Life Contingencies					
D Accidental Death Benefit					
E Disability - Active					
F Disability - Disabled					
G Miscellaneous					
Total					
Exhibit					
A Active Life Reserve					
B Claim Reserve					
Total					
Exhibit					
Premium and Other Deposit Funds					
Guaranteed Interest Contracts					

Other					
Supplemental Contracts and Annuities Certain					
Dividend Accumulations or Refunds					
Total					
Exhibit					
1 Life					
2 Health					
Total					
Separate Accounts					
TOTAL RESERVES					

Interest maintenance reserve (General Account, Page __, Line __)	
(Separate Accounts, Page __ Line __)	
AVR (Page __ Line __)	
Net Deferred and Uncollected Premium	

SECTION 30. Section Ins 50.78 (2) (bg) 1. and 3., and (c)(intro.) are amended to read:

Ins 50.78 (2) (bg) 1. The additional actuarial reserves are the reserves established under s. Ins 50.75 (5) (b) ~~or~~ (e).

3. The AVR shall be the allocated amount of asset valuation reserve.

(c) If the appointed actuary has relied on other experts to develop certain portions of the analysis, the reliance paragraph shall include a statement such as the following: "I have relied on [name], [title] for [insert description of a portion relied upon such as anticipated cash flows from currently owned assets, including variations in cash flows according to economic scenarios] and, as certified in the attached statement, I have reviewed the information relied on for reasonableness."

SECTION 31. Section Ins 50.78 (2) (c) 1. and 2. are repealed.

SECTION 32. Section Ins 50.78 (2) (d) is amended to read:

Ins 50.78 (2) (d) If the appointed actuary has examined the underlying asset and liability records, the reliance paragraph ~~should~~ shall also include the following: "My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to [exhibits and schedules listed as applicable] of the company's current annual statement."

SECTION 33. Section Ins 50.78 (2) (e) is repealed and recreated to read:

Ins. 50.78 (2) (e) If the appointed actuary has not examined the underlying records, but has relied upon data, such as listings and summaries of policies in force or asset records, prepared by the company, the reliance paragraph shall include a statement such as: "In forming my opinion on [specify types of reserves] I relied upon data prepared by [name and title of company officer certifying in force records or other data] as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to [exhibits and schedules to be listed as applicable] of the company's current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary."

SECTION 34. Section Ins 50.78 (2) (eg) is amended to read:

Ins 50.78 (2) (eg) A section described in par. (e) shall be accompanied by a statement by each person relied upon ~~of~~ in the form prescribed by sub. (5).

SECTION 35. Section Ins 50.78 (2) (f) 1. c. and e. are amended to read:

Ins 50.78 (2) (f) 1. c. Meet the requirements of the insurance law and rules of the state of [state of domicile] and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed, unless alternative language is approved under sub. (6).

~~e. Include provision for all actuarial reserves and related statement items which ought to be established. The reserves and related items, when considered in light of the assets held by the company with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the considerations anticipated to be received and retained under such policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the actuarial standards board, which standards form the basis of this statement of opinion."~~

SECTION 36. Section Ins 50.78 (2) (f) 1. f. and g., Wis. Adm Code, are created to read:

Ins 50.78 (2) (f) 1. f. The reserves and related items, when considered in light of the assets held by the company with respect to the reserves and related actuarial items including, but not limited to, the investment earnings on the assets, and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company.

g. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the actuarial standards board, which standards form the basis of this statement of opinion.”

SECTION 37. Section Ins 50.78 (2) (f) 1m. is created to read:

Ins 50.78 (2) (f) 1m. The commissioner may approve omission of the language in subd. 1. f. for an opinion filed on behalf of a company doing business only in this state and in no other state.

SECTION 38. Section Ins 50.78 (2) (f) 3., Wis. Adm. Code., is amended to read:

Ins 50.78 (2) (f) 3. “The impact of unanticipated events subsequent to the date of this opinion is beyond the scope of this opinion. The analysis of asset adequacy portion of this opinion should be viewed recognizing that the company’s future experience may not follow all the assumptions used in the analysis.

Signature of Appointed Actuary

Address of Appointed Actuary

Telephone Number of Appointed Actuary

Date

SECTION 39. Section Ins 50.78 (5) is repealed and recreated to read:

Ins 50.78 (5) RELIANCE ON INFORMATION FURNISHED BY OTHER PERSONS. If the appointed actuary relies on the certification of others on matters concerning the accuracy or completeness of any data underlying the actuarial opinion, or the appropriateness of any other information used by the appointed actuary in forming the actuarial opinion, the actuarial opinion shall indicate the persons the actuary is relying upon and a precise identification of the items subject to reliance. In addition, the persons on whom the appointed actuary relies shall provide a certification that precisely identifies the items on which the person is providing information and a statement as to the accuracy, completeness or reasonableness, as applicable, of the items. This certification shall include the signature, title, company, address and telephone number of the person rendering the certification, as well as the date on which it is signed.

SECTION 40. Section Ins 50.78 (6) is created to read:

Ins 50.78 (6) ALTERNATE OPTION. (a) The commissioner has authority under ch. 623, Stats., to accept the valuation of a foreign insurer when that valuation meets the requirements applicable to a company domiciled in this state in the aggregate. As an alternative to the requirements sub. (2) (f) 1 c., the commissioner may, by written approval issued to a specific insurer, allow the opining actuary to use one or more of the following additional approaches:

1. A statement that the reserves "meet the requirements of the insurance laws and regulations of the State of [state of domicile] and the formal written standards and conditions of this state for filing an opinion based on the law of the state of domicile." If the commissioner chooses to allow this alternative, the commissioner's approval shall provide instructions with a list of standards and conditions. If a company chooses to use this alternative, the commissioner's approval, including standards and conditions for that approval in effect on July 1 of a calendar year, shall apply to statements for that calendar year, and they shall remain in effect until they are revised or revoked. The commissioner will not grant approval under this subdivision unless instructions are included with standards and conditions.

2. A statement that the reserves "meet the requirements of the insurance laws and regulations of the State of [state of domicile] and I have verified that the company's request to file an opinion based on the law of the state of domicile has been approved and that any conditions required by the commissioner for approval of that request have been met." This alternative may be used only if the commissioner issues a formal written statement of such allowance no later than March 31 of the year it is first effective. It shall remain valid until rescinded or modified by the commissioner. The rescission or modifications shall be issued no later than March 31 of the year they are first effective. Subsequent to that statement being issued, if a company chooses to use this alternative, the company shall file a request to do so, along with justification for its use, no later than April 30 of the year of the opinion to be filed. The request is deemed approved on October 1 of that year if the commissioner has not denied the request by that date.

3. A statement that the reserves "meet the requirements of the insurance laws and regulations of the State of [state of domicile] and I have submitted the required comparison as specified by this state." This alternative statement may be used only if the commissioner gives written approval to the specific insurer, with instructions for a written list of products, to be added to the table in subpar. a. below, for which the required comparison shall be provided. If a company chooses to use this alternative, the approved instructions in effect on July 1 of a calendar year shall apply to statements for that calendar year, and the approval and instructions shall remain in effect until they are revised or revoked. This alternative is not available unless the commissioner approves and includes instructions. If a company uses this alternative, the appointed actuary shall provide a comparison of the gross nationwide reserves held to the gross nationwide reserves that would be held under NAIC codification standards. The comparison provided by the company is to be kept confidential to the same extent and under the

same conditions as the actuarial memorandum. Gross nationwide reserves are the total reserves calculated for the total company in force business directly sold and assumed, indifferent to the state in which the risk resides, without reduction for reinsurance ceded. The information provided shall comply with the commissioner's instructions and shall include at least all the following:

a. A table as follows:

(1) Product Type	(2) Death Benefit or Account Value	(3) Reserves Held	(4) Codification Reserves	(5) Codification Standard

b. The information listed shall include all products identified by either the state of filing or any other states subscribing to this alternative.

c. If there is no codification standard for the type of product or risk in force or if the codification standard does not directly address the type of product or risk in force, the appointed actuary shall provide detailed disclosure of the specific method and assumptions used in determining the reserves held.

(b) The comparison provided by the company under par. (a) shall be kept confidential to the same extent and under the same conditions as the actuarial memorandum.

(c) Notwithstanding par. (a), the commissioner may reject an opinion based on the laws and regulations of the state of domicile and require an opinion based on the laws of this state. The commissioner may contract an independent actuary at the company's expense to prepare and file the opinion unless a company provides the required opinion within sixty days of the date the commissioner demands that the company provide such an opinion or such other period of time determined by the commissioner after consultation with the company. The paragraph does not limit or restrict the penalties or other consequence that otherwise apply for failure to timely file the required opinion.

SECTION 41. Section Ins 50.79 (title), Wis. Adm. Code, is amended to read:

Ins 50.79 (title) Description of the actuarial memorandum including an asset adequacy analysis and regulatory asset adequacy issues summary.

SECTION 42. Section Ins 50.79 (1) (e) is created to read:

Ins 50.79 (1) (e) In accordance with subch. IV and ch. 623, Stats., the appointed actuary shall prepare a regulatory asset adequacy issues summary, the contents of which are specified in sub. (3). The regulatory asset adequacy issues summary shall be submitted no later than March 15 of the year following the year for which a statement of actuarial opinion based on asset adequacy is required. The regulatory asset adequacy issues summary is to be kept confidential to the same extent and under the same conditions as the actuarial memorandum.

SECTION 43. Section Ins 50.79 (2) (intro.) and (a) 4. and 5. are amended to read:

Ins 50.79 (2) DETAILS OF THE MEMORANDUM SECTION DOCUMENTING ASSET ADEQUACY ANALYSIS. (intro.) When an actuarial opinion under s. Ins 50.78 is provided, the memorandum shall demonstrate that the analysis has been done in accordance with the standards for asset adequacy referred to in s. Ins 50.75 (4) and any additional standards under this subchapter. The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions. It shall specify all of the following:

(a) 4. Investment reserves; ~~and~~

5. Reinsurance arrangements;

SECTION 44. Section Ins 50.79 (2) (a) 6. and 7. are created to read:

Ins 50.79 (2) (a) 6. Identification of any explicit or implied guarantees made by the general account in support of benefits provided through a separate account or under a separate account policy or contract and the methods used by the appointed actuary to provide for the guarantees in the asset adequacy analysis; and

7. Documentation of assumptions to test reserves for the following:

a. Lapse rates, both base and excess;

b. Interest crediting rate strategy;

c. Mortality;

d. Policyholder dividend strategy;

e. Competitor or market interest rate;

f. Annuitization rates;

g. Commissions and expenses; and

h. Morbidity.

SECTION 45. Section Ins 50.79 (2) (b) 3. and 4. are amended to read:

Ins 50.79 (2) (b) 3. Source of asset data; ~~and~~

4. Asset valuation bases; and

SECTION 46. Section Ins 50.79 (2) (b) 5. is created to read:

Ins 50.79 (2) (b) 5. Documentation of assumptions made for:

a. Default costs;

b. Bond call function;

c. Mortgage prepayment function;

d. Determining market value for assets sold due to disinvestment strategy; and

e. Determining yield on assets acquired through the investment strategy.

SECTION 47. Section Ins 50.79 (2) (c) 3. to 5. are amended to read:

Ins 50.79 (2) (c) 3. Rationale for degree of rigor in analyzing different blocks of business, including the rationale for the level of materiality that was used in determining how rigorously to analyze different blocks of business;

4. Criteria for determining asset adequacy, including the precise basis for determining if assets are adequate to cover reserves under moderately adverse conditions or other conditions as specified in relevant actuarial standards of practice; and

5. ~~Effect of Whether the effect of federal income taxes was considered and the method of treating;~~ reinsurance ~~and other relevant factors in the asset adequacy analysis.~~

SECTION 48. Section Ins 50.79 (2) (d) and (e) are renumbered Ins 50.79 (2) (e) and (f).

SECTION 49. Section Ins 50.79 (2) (d) is created to read:

Ins 50.79 (2) (d) Summary of material changes in methods, procedures, or assumptions from prior year's asset adequacy analysis.

SECTION 50. Section Ins 50.79 (3) is renumbered Ins 50.79 (4).

SECTION 51. Section Ins 50.79 (3) and (5) are created to read:

Ins 50.79 (3) DETAILS OF THE REGULATORY ASSET ADEQUACY ISSUES SUMMARY. (a) The regulatory asset adequacy issues summary shall include all of the following:

1. Descriptions of the scenarios tested, including whether those scenarios are stochastic or deterministic, and the sensitivity testing done relative to those scenarios. If negative ending surplus results under certain tests in the aggregate, the actuary shall describe those tests and the amount of additional reserve as of the valuation date which, if held, would eliminate the negative aggregate surplus values. Ending surplus values shall be determined by either extending the projection period until the in force and associated assets and liabilities at the end of the projection period are immaterial or by adjusting the surplus amount at the end of the projection period by an amount that appropriately estimates the value that can reasonably be expected to arise from the assets and liabilities remaining in force.
2. The extent to which the appointed actuary uses assumptions in the asset adequacy analysis that are materially different than the assumptions used in the previous asset adequacy analysis.
3. The amount of reserves and the identity of the product lines that had been subjected to asset adequacy analysis in the prior opinion but were not subject to analysis for the current opinion.
4. Comments on any interim results that may be of significant concern to the appointed actuary.
5. The methods used by the actuary to recognize the impact of reinsurance on the company's cash flows, including both assets and liabilities, under each of the scenarios tested.
6. Whether the actuary has been satisfied that all options whether explicit or embedded in any asset or liability, including, but not limited to, those affecting cash flows embedded in fixed income securities and equity-like features in any investments, have been appropriately considered in the asset adequacy analysis.

(b) The regulatory asset adequacy issues summary shall contain the name of the company for which the regulatory asset adequacy issues summary is being supplied and shall be signed and dated by the appointed actuary rendering the actuarial opinion.

(5) USE OF ASSETS SUPPORTING THE INTEREST MAINTENANCE RESERVE AND THE ASSET VALUATION RESERVE. An appropriate allocation of assets in the amount of the interest maintenance reserve, whether positive or negative, shall be used in any asset adequacy analysis. Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the AVR; these AVR assets may not be applied for any other risks with respect to reserve adequacy. Analysis of these and other risks may include assets supporting other mandatory or voluntary reserves available to the extent not used for risk analysis and reserve support. The amount of the assets used for the AVR shall be disclosed in the table of reserves and liabilities of the opinion and in the memorandum. The method used for selecting particular assets or allocated portions of assets shall be disclosed in the memorandum.

SECTION 52. Section Ins 50.80 (title) and (1) to (4g) are repealed.

SECTION 53. Section Ins 50.80 (5) is renumbered Ins 50.79 (6).

SECTION 54. This rule takes effect on December 31, 2005, except the treatment of ss. Ins 2.80 and 2.81 takes effect on December 31, 2004.

SECTION 55. The treatment of ss. Ins 2.80 and 2.81 applies to policies issued after December 31, 2004. The treatment of ch. Ins 50, Wis. Adm. Code, applies on and after December 31, 2005 and with respect to annual statements for the 2005 year or subsequent year.

Dated at Madison, Wisconsin, this ____ day of _____, 2004.

~~Jorge Gomez~~
~~Randy Blumer~~
~~Deputy~~ Commissioner of Insurance

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> UPDATED <input type="checkbox"/> CORRECTED <input type="checkbox"/> SUPPLEMENTAL	LRB Number Bill Number	Amendment No. if Applicable Administrative Rule Number INS 2.81
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Subject
prescribing mortality tables and actuarial opinions analysis and reports

One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
None

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 <small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>	Increased Rev.	Decreased Rev.
GPR Taxes	\$ 0	\$ -0
GPR Earned	0	-0
FED	0	-0
PRO/PRS	0	-0
SEG/SEG-S	0	-0
TOTAL State Revenues	\$ 0 None	\$ -0 None

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	\$ None 0	\$ None 0
NET CHANGE IN REVENUES	\$ None 0	\$ None 0

Prepared by: Fred Nepple	Telephone No. (608) 266-7726	Agency Insurance
Authorized Signature: _____	Telephone No. _____	Date (mm/dd/ccw) _____

FISCAL ESTIMATE

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number INS 2.81

Subject
prescribing mortality tables and actuarial opinions analysis and reports

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: GPR FED PRO PRS SEG SEG-S
 Affected Chapter 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

Long-Range Fiscal Implications
None

Prepared by: <u>Fred Nepple</u>	Telephone No. <u>(608) 266-7726</u>	Agency <u>Insurance</u>
Authorized Signature:	Telephone No.	Date (mm/dd/ccw)