

EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis

Repeal Modification

2. Administrative Rule Chapter, Title and Number

Sections Ins 6.785 (1), 6.785 (3), 6.785 (4), 6.785 (6g), 6.785 (6m), 6.785 (7) and 6.785 (8), Wis. Adm. Code.

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

This rule was originally promulgated in 1993 with an effective date of March 1, 1993. The rule has not been revised since initially promulgated.

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 current version of s. Ins 6.785, Wis. Adm. Code, was originally promulgated in 1993 with the intent of exempting certain classes of property and casualty rates from the rate filing requirements set forth in s. 625.13, Wis. Stat. At the time it was determined that it was unnecessary for certain rates to be filed in accordance with ch. 625, Wis. Stats., due to the unique or unusual nature of the risk, which included large commercial risks, risks in volatile areas, and risks with insufficient data to calculate credible rates. The 1993 proposed rulemaking order found that subjecting these kinds of risks to rate filing requirements was not necessary to protect policyholders or the public.

OCI intends to update this provision by creating additional exemptions for certain property and casualty risks from the rate filing requirements of ch. 625, Wis. Stat., while also exempting certain property and casualty policy forms from the form filing requirements of s. 631.20, Wis. Stat. Similar to the rationale behind the original rule, it is no longer necessary to impose rate and form filing requirements to the updated risks and classes in order to meet the purposes of the respective filing provisions referenced above. Alternatively, the exemptions will likely create quicker access to new and innovative products by decreasing an unnecessary regulatory burden.

The proposed rule will make two primary changes to s. Ins 6.785 (4), Wis. Adm. Code, in order to achieve the purpose as outlined above. First, the proposed rule will reduce the premium threshold for the rate filing exemption under s. Ins 6.785 (4) (e), Wis. Adm. Code, from \$100,000 to \$50,000, which addresses coverages for general liability, commercial automobile, crime and glass. In addition, the proposed rule will create a provision exempting most commercial property and casualty risks developing \$50,000 or more in annual premium from rate filing requirements with an exception for certain coverages.

The proposed rule will also create an exemption for certain commercial property and casualty insurance policy forms from the form filing requirements of s. 631.20 (1) (a), Wis. Stat. The exempt coverages will also be subject to premium thresholds of \$50,000 or \$75,000 based on the specific coverage.

Finally, the proposed rule will also make a few smaller changes in order to effectuate the two primary changes and ensure that the exempt rates and forms will remain subject to an appropriate level of oversight. These changes include adding additional bases for the new exemptions, subjecting exempt forms to subsequent disapproval by the Commissioner and record-keeping standards, and requiring notice to insureds for exempt forms that have not been reviewed by the Commissioner.

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5. Describe the Rule's Enforcement Provisions and Mechanisms

The proposed rule does not create any new enforcement provisions or mechanisms; however, the proposed rule does subject exempt forms to subsequent disapproval by the Commissioner under s. 631.20 (2), Wis. Stat.

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6. Repealing or Modifying the Rule Will Impact the Following (Check All That Apply)
- | | |
|---|---|
| <input type="checkbox"/> State's Economy | <input checked="" type="checkbox"/> Specific Businesses/Sectors |
| <input type="checkbox"/> Local Government Units | <input type="checkbox"/> Public Utility Rate Payers |
| | <input type="checkbox"/> 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 changes made by the proposed rule eliminate existing regulatory requirements. Accordingly, OCI does not believe the proposed rule would create additional compliance or operating costs for insurers or agents.

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.

Wisconsin Insurance Alliance (WIA): the WIA provided comments in support of the proposed rule noting that it struck a good balance between promoting a modernized regulatory environment and providing necessary safeguards for consumers. Specifically, the WIA support reducing the premium threshold for the rate filing exemption for large commercial risks to \$50,000 and creating form filing exemptions for certain risks based on premium thresholds.

Independent Insurance Agent of Wisconsin (IIAW): the IIAW provided comments suggesting that Highly Protected Commercial Property and Cybersecurity coverages should be removed from the form filing exemption being created in the proposed rule. The IIAW asserts that based on the high volatility in the premium and rate structure and exclusionary language and sub-limits, it would be in the best interest of policyholders for OCI to retain its current regulatory oversight regarding forms for these two lines of commercial coverage.

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?

- 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:

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10. Fund Sources Affected
- GPR FED PRO PRS SEG SEG-S

11. Chapter 20, Stats. Appropriations Affected

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12. Fiscal Effect of Repealing or Modifying the Rule
- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> No Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs |
| <input type="checkbox"/> Indeterminate | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Could Absorb Within Agency's Budget |
| | | <input type="checkbox"/> Decrease Cost |

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

The primary purpose of this proposed rule is to create additional exemptions for certain property and casualty risks from

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the rate filing requirements of ch. 625, Wis. Stat., while also exempting certain property and casualty policy forms from the form filing requirements of s. 631.20, Wis. The proposed changes will allow insurance carriers to operate more effectively and efficiently since the elimination existing regulatory requirements will reduce unnecessary oversight and compliance costs, while also allowing insurers to utilize new technology resulting in more innovative products that can be geared more specifically towards consumers.

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

See Section 13. In general, OCI believes the changes made by this proposed rule will result in decreased compliance costs and more innovative products.

16. Compare With Approaches Being Used by Federal Government

OCI is unaware of any proposed or existing federal regulation that is intended to address the activities to be regulated by this proposed rule.

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

Illinois: 215 ILCS 5/143 (3) and 50 IL Adm. Code 754 exempt most commercial property forms and rates from filing requirements.

Iowa: 191 IAC 20.11 provides rate and form filing exemptions for certain property and casualty coverages including Aircraft hull and liability, Kidnap-ransom, and Political risk.

Michigan: MCLA §§ 500.2236 and 500.2401 provide exemptions for many commercial policy forms and ratings.

Minnesota: MN ADC. 2700.2470 provides a broad exemption for commercial policy form and rate filing requirements.

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