

NINIE

CREDIT INSURANCE

- not competitive, lenders are the ones offering not ins. co.s
- "REVERSE COMPETITION"
- education, protection? possibly legislation?
- REGISTRATION BASED ON CREDIT REPORTS
- education showing consumers what credit history has on insurance.

I don't see the need to create a  
 legal market if there isn't a need.

SENATE HEARING SLIP  
 (Please Print Plainly)

DATE: Wednesday, January 9, 2001

BILL NO. \_\_\_\_\_

or

SUBJECT: Gubernatorial Appointment

Nora K. Weber

(Name)

115 East - State Capitol

(Street Address or Route Number)

Madison, WI 53702

(City and Zip Code)

Governor's Office

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY

Senate Sergeant At Arms  
 P. O. Box 7882  
 State Capitol  
 Madison, WI 53707-7882

SENATE HEARING SLIP  
 (Please Print Plainly)

DATE: Wednesday, January 9, 2002

BILL NO. \_\_\_\_\_

or

SUBJECT: Gubernatorial Appointment

Connie O'Connell

(Name)

121 E. Wilson Street, 1<sup>st</sup> Floor

(Street Address or Route Number)

Madison, WI 53702

(City and Zip Code)

Self

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY

Senate Sergeant At Arms  
 P. O. Box 7882  
 State Capitol  
 Madison, WI 53707-7882

2

## PAPER BALLOT

### Committee on Insurance, Tourism and Transportation

**OCONNELL, CONNIE L.**, of Sun Prairie, as Commissioner of Insurance, to serve for the term ending at the pleasure of the Governor.

January 12, 2001 Referred to Committee on Insurance, Tourism, and Transportation.

January 9, 2002 **PUBLIC HEARING HELD**

Present: (3) Senators Breske, A. Lasee and Schultz.

Absent: (2) Senators Grobschmidt and Baumgart.

Appearances for

- Connie O'Connell, Self

Appearances against

- None.

Appearances for Information Only

- None.

Registrations for

- Nora K. Weber, Governor Scott McCallum

Registrations against

- None.

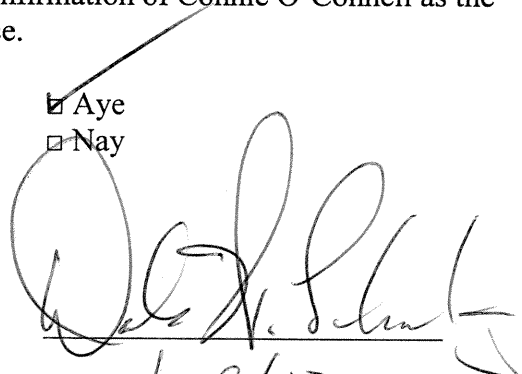
**MOTION:** By *Senator Breske* to recommend confirmation of Connie O'Connell as the Commissioner of Insurance.

Aye

Nay

Signature:

Date:

  
\_\_\_\_\_  
1/09/02

**PAPER BALLOT**  
**Committee on Insurance, Tourism and Transportation**

**OCONNELL, CONNIE L.**, of Sun Prairie, as Commissioner of Insurance, to serve for the term ending at the pleasure of the Governor.

January 12, 2001      Referred to Committee on Insurance, Tourism, and Transportation.

January 9, 2002      **PUBLIC HEARING HELD**

Present:    (3)    Senators Breske, A. Lasee and Schultz.  
Absent:    (2)    Senators Grobschmidt and Baumgart.

Appearances for

- Connie O'Connell, Self

Appearances against

- None.

Appearances for Information Only

- None.

Registrations for

- Nora K. Weber, Governor Scott McCallum

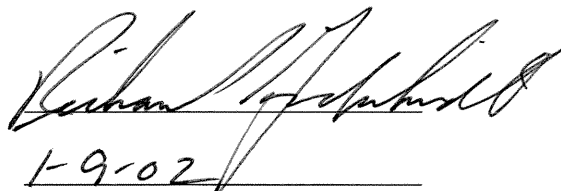
Registrations against

- None.

**MOTION:** By *Senator Breske* to recommend confirmation of Connie O'Connell as the Commissioner of Insurance.

Aye  
 Nay

Signature:



Date:

1-9-02

**PAPER BALLOT**  
**Committee on Insurance, Tourism and Transportation**

**OCONNELL, CONNIE L.**, of Sun Prairie, as Commissioner of Insurance, to serve for the term ending at the pleasure of the Governor.

January 12, 2001      Referred to Committee on Insurance, Tourism, and Transportation.

January 9, 2002      **PUBLIC HEARING HELD**

Present:    (3)      Senators Breske, A. Lasee and Schultz.  
Absent:    (2)      Senators Grobschmidt and Baumgart.

Appearances for

- Connie O'Connell, Self

Appearances against

- None.

Appearances for Information Only

- None.

Registrations for

- Nora K. Weber, Governor Scott McCallum

Registrations against

- None.

**MOTION:** By *Senator Breske* to recommend confirmation of Connie O'Connell as the Commissioner of Insurance.

Aye  
 Nay

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**PAPER BALLOT**  
**Committee on Insurance, Tourism and Transportation**

**OCONNELL, CONNIE L.**, of Sun Prairie, as Commissioner of Insurance, to serve for the term ending at the pleasure of the Governor.

January 12, 2001      Referred to Committee on Insurance, Tourism, and Transportation.

January 9, 2002      **PUBLIC HEARING HELD**

Present:    (3)    Senators Breske, A. Lasee and Schultz.

Absent:    (2)    Senators Grobschmidt and Baumgart.

Appearances for

- Connie O'Connell, Self

Appearances against

- None.

Appearances for Information Only

- None.

Registrations for

- Nora K. Weber, Governor Scott McCallum

Registrations against

- None.

**MOTION:** By *Senator Breske* to recommend confirmation of Connie O'Connell as the Commissioner of Insurance.

Aye  
 Nay

Signature:

*Roger Breske*

Date:

1-9-02

**PAPER BALLOT**  
**Committee on Insurance, Tourism and Transportation**

**OCONNELL, CONNIE L.**, of Sun Prairie, as Commissioner of Insurance, to serve for the term ending at the pleasure of the Governor.

January 12, 2001 Referred to Committee on Insurance, Tourism, and Transportation.

January 9, 2002 **PUBLIC HEARING HELD**

Present: (3) Senators Breske, A. Lasee and Schultz.  
Absent: (2) Senators Grobschmidt and Baumgart.

Appearances for

- Connie O'Connell, Self

Appearances against

- None.

Appearances for Information Only

- None.

Registrations for

- Nora K. Weber, Governor Scott McCallum

Registrations against

- None.

**MOTION:** By *Senator Breske* to recommend confirmation of Connie O'Connell as the Commissioner of Insurance.

Aye  
 Nay



Signature: \_\_\_\_\_

Date: 01-09-02

Vote Record

Connie

Senate - Committee on Insurance, Tourism, and Transportation

Date: 1.9.02

Moved by: \_\_\_\_\_

Seconded by: \_\_\_\_\_

Clearinghouse Rule: \_\_\_\_\_

AB: \_\_\_\_\_ SB: \_\_\_\_\_

Appointment: Connie O'Connell

AJR: \_\_\_\_\_ SJR: \_\_\_\_\_

Other: \_\_\_\_\_

AR: \_\_\_\_\_ SR: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_ to A/S Amdt: \_\_\_\_\_

A/S Sub Amdt: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_ to A/S Sub Amdt: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_ to A/S Amdt: \_\_\_\_\_ to A/S Sub Amdt: \_\_\_\_\_

Be recommended for:

Passage

Introduction

Adoption

Rejection

Indefinite Postponement

Tabling

Concurrence

Nonconcurrence

Confirmation

Committee Member

Sen. Roger Breske, Chair

Sen. Richard Grobschmidt

Sen. Jim Baumgart

Sen. Alan Lasee

Sen. Dale Schultz

Aye

No

Absent

Not Voting

Totals: \_\_\_\_\_

Motion Carried

Motion Failed

## *Insurance in Wisconsin*

Confirmation Testimony of Connie L. O'Connell  
Office of the Commissioner of Insurance  
to the Wisconsin State Senate  
Committee on Insurance, Tourism, and Transportation  
January 9, 2002

## *Domestic Industry*

- ◆ Industry Size
  - Domestic Insurers: 353
  - U. S. ranking: 6th
- ◆ Premiums written by Domestic Insurers
  - \$32 billion
  - U. S. ranking: 4th



## *Market Leaders*

- ◆ Jewelry Store Insurance
  - Jewelers Mutual Insurance-Neenah
  - Direct Premiums nationwide: \$54 million
- ◆ Church Insurance
  - Church Mutual Insurance-Merrill
  - Direct Premiums nationwide: \$260 million
- ◆ Credit Union Insurance
  - CUNA Mutual-Madison
  - Worldwide operations, net premiums, annuity considerations and fund receipts: \$1.3 billion

## *Market Leaders*

- ◆ Whole Life Insurance
  - Northwestern Mutual Life-Milwaukee
  - Nationwide Premium and annuity-\$9.7 billion
- ◆ Fraternal Insurance
  - Aid Association for Lutherans-Appleton
  - Nationwide Premium: \$1.8 billion
- ◆ Mortgage Insurance
  - Mortgage Guarantee Insurance Company
  - Nationwide Premium: \$935 million

## *Employment*

### Insurers compared to other Wisconsin Industries

	Number of Employees	Average Annual Wage
<b>Manufacturing-Food &amp; Kindred</b>	65,660	\$33,535
<b>Depository Financial Services</b>	43,198	\$30,016
<b>Manufacturing-Paper</b>	52,911	\$47,056
<b>Insurance Industry</b>	60,397	\$38,559

Source: Department of Workforce Development, Office of the Commissioner of Insurance

## *Consumer Protection*

- ◆ Managed Care reform
- ◆ Consumer Outreach
- ◆ Consumer Alerts
- ◆ Agent Transactions
- ◆ Privacy Rule

## *Measuring success of consumer protection efforts*

### Dollars Recovered for Consumers

1998	\$3,471,014
1999	\$12,964,689*
2000	\$3,695,357

\*Includes an \$8 million settlement between a health insurer and provider.

## *Measuring success of consumer protection efforts*

### Consumer Federation of America Studies

March 1999	Quality of Consumer education materials	A+
June 1999	Quality of Information about complaints	A
March 2000	Quality and quantity of information on website	A

## *Measuring success of consumer protection efforts*

### **OCI Satisfaction Survey**

<b>Question</b>	<b>Yes</b>	<b>No</b>
Did we respond to your complaint promptly?	92%	8%
Do you feel your complaint was handled fairly by our office?	80%	20%
Do you feel you were given an adequate explanation of your complaint?	76%	24%
If you called our office, do you feel we treated you courteously?	98%	2%
If you had another insurance problem, would you contact our office again?	91%	9%

## *Efficient and Effective Regulation*

- ◆ **Technology**
  - Complaints system
  - Rate and Form Process
  - Web Technology

## *Efficient and Effective Regulation*

- ◆ Maximize staff resources
  - File and use-certain policy forms
  - Paperless complaint handling
  - Paraprofessional review of complaints
  - Enhanced agent licensing system
  - Refine market conduct process

## *Spending by State Regulators*

- ◆ Spending By State
  - National Average: \$16 million
  - Wisconsin: \$8 million
- ◆ Spending per domestic insurer
  - National Average: \$135,000
  - Wisconsin: \$23,000
- ◆ Staffing-Domestic Insurers per Examiner
  - National Average: 6
  - Wisconsin: 13

## *Measuring success of efficiency measures*

- ◆ External Assessment-NAII
  - Wisconsin highlighted for best practices
  - Ranked 2nd best personal lines regulation
  - Ranked 7th best commercial lines regulation

## *Measuring success of efficiency measures*

- ◆ Consumer Federation of America
  - Spending to regulate the industry- C rating
- ◆ OCI fee structure
  - Agent listing fee decreased 12.5%
  - Examination fee average increase 3.3% per year-FY99 to FY02
  - Remaining miscellaneous fees, no increase

## *Maintain a Competitive Market*

- ◆ Wisconsin's Regulatory Model
  - Rates based on market
  - Regulatory flexibility
  - Enforcement tools
  - Educated consumers

## *Measuring success of competitive market*

### New Jersey's Regulatory Model

- ◆ Prior approval for changes to rates, underwriting or territories
- ◆ Insurers required to accept most applicants
- ◆ Mandatory Auto Insurance

## *Measuring success of competitive market*

### ◆ Auto insurance market comparison:

	Wisconsin	New Jersey
<b>Population</b>	5,363,675	8,414,300
<b>Regulatory Approach</b>	Use and File	Prior Approval
<b># of Companies</b>	270	60
<b>Ave. Annual Premium</b>	\$609.43	\$1,305.70
<b>National Rank</b>	47 <sup>th</sup>	1 <sup>st</sup>
<b>Uninsured Motorists</b>	11%	15%
<b>Cost to regulate industry</b>	\$10.7 million	\$51 million

## *Measuring success of competitive market*

### Enrollment in alternative insurance programs

#### Wisconsin Insurance Plan

Year	WIP Policies Issued
1998	3609
1999	3351
2000	2989
2001	3100*

\*estimate



## *Measuring success of competitive market*

### Worker's Compensation Rating Pool

Year	Pool Written Premium	Total Written Premium
1998	29.5 million	1.135 billion
1999	26.5 million	1.103 billion
2000	31.7 million	1.105 billion*

\*estimate

## *Measuring success of competitive market*

### Wisconsin Auto Insurance Plan

Year	Policies Issued	
	Commercial Risk	Personal Lines
1998	84	28
1999	61	16
2000	59	16
2001	180	11

## *Coordination on National Level*

- ◆ System for Electronic Rate and Form Filing
- ◆ CARFRA
- ◆ NARAB
- ◆ Privacy

## *Challenges for the Future*

September 11, 2001

- ◆ Issues Complicating Calculation of Losses
  - Business interruption coverage
  - How many events?
- ◆ Projected Losses

## *Challenges for the Future*

September 11, 2001

- ◆ Loss estimate in perspective
  - \$30 billion
    - 3% of premium written
    - 1% of invested assets
    - 4% total claims in 2000
    - Other Major losses:
      - > Hurricane Andrew \$19.65 billion
      - > Northridge, CA earthquake \$16.28 billion

\*numbers adjusted for inflation

## *Challenges for the Future*

September 11, 2001

- ◆ Adequate Dispersion of Risk
- ◆ Minimal Wisconsin Losses

## *Challenges for the Future*

September 11, 2001

- ◆ Impact on price
- ◆ Reinsurance
  - Exclusions
  - Impact on Economy if not available

## *Challenges for the Future*

- ◆ Proposed solution-Congressional legislation
- ◆ Interim solution
  - Approve Commercial lines exclusion
  - Continue to work for federal legislation

## *Challenges for the Future*

- ◆ Maintaining State-Based Insurance Regulation
  - Federal Charter Proposals
  - ACLI
    - Creates an Office of National Insurers
    - Allows insurers to select national or state charter

## *Challenges for the Future*

### Concerns about federal regulator

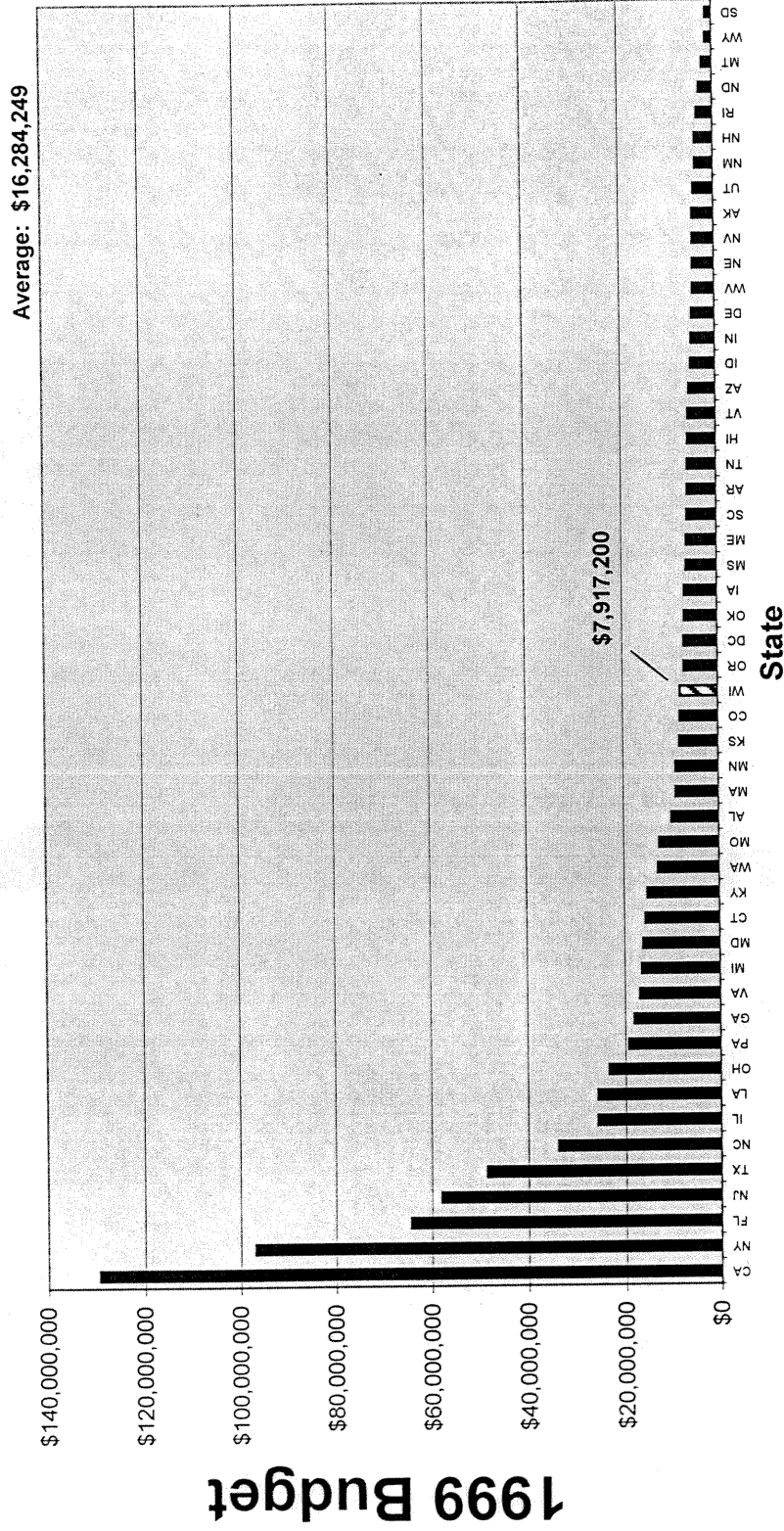
- ◆ Disrupt effective system
- ◆ Create new bureaucracy
- ◆ Lose local control
- ◆ Share burden for failures
- ◆ Potential loss of revenues to state

## *Future of Insurance Regulation*

- ◆ Improve state based system
  - Strong consumer protection
  - Efficient & effective regulation
  - Competitive marketplace
  - Coordination among states

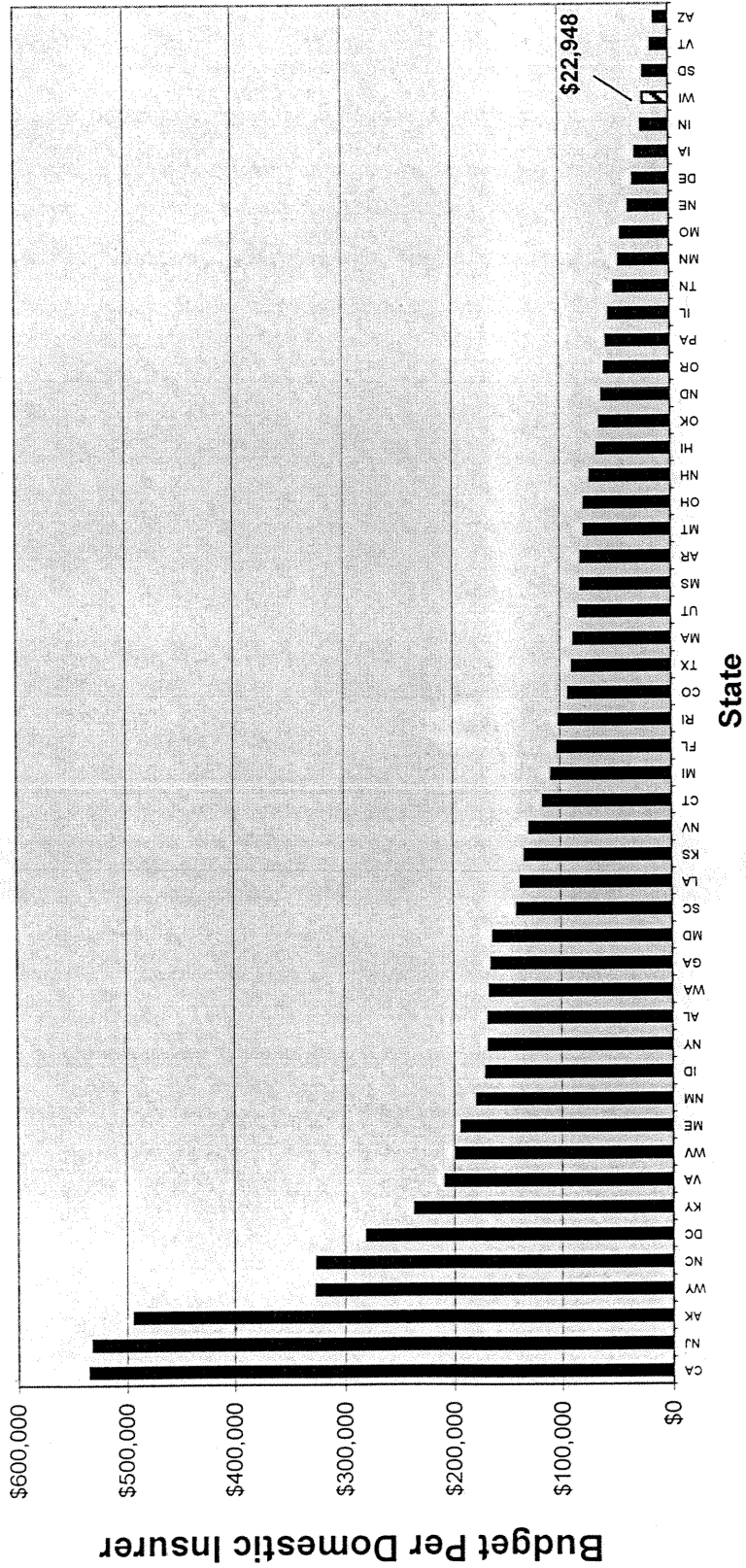
*Thank you for the  
opportunity to share our  
information*

# 1999 Budget By State (Source: NAIC)



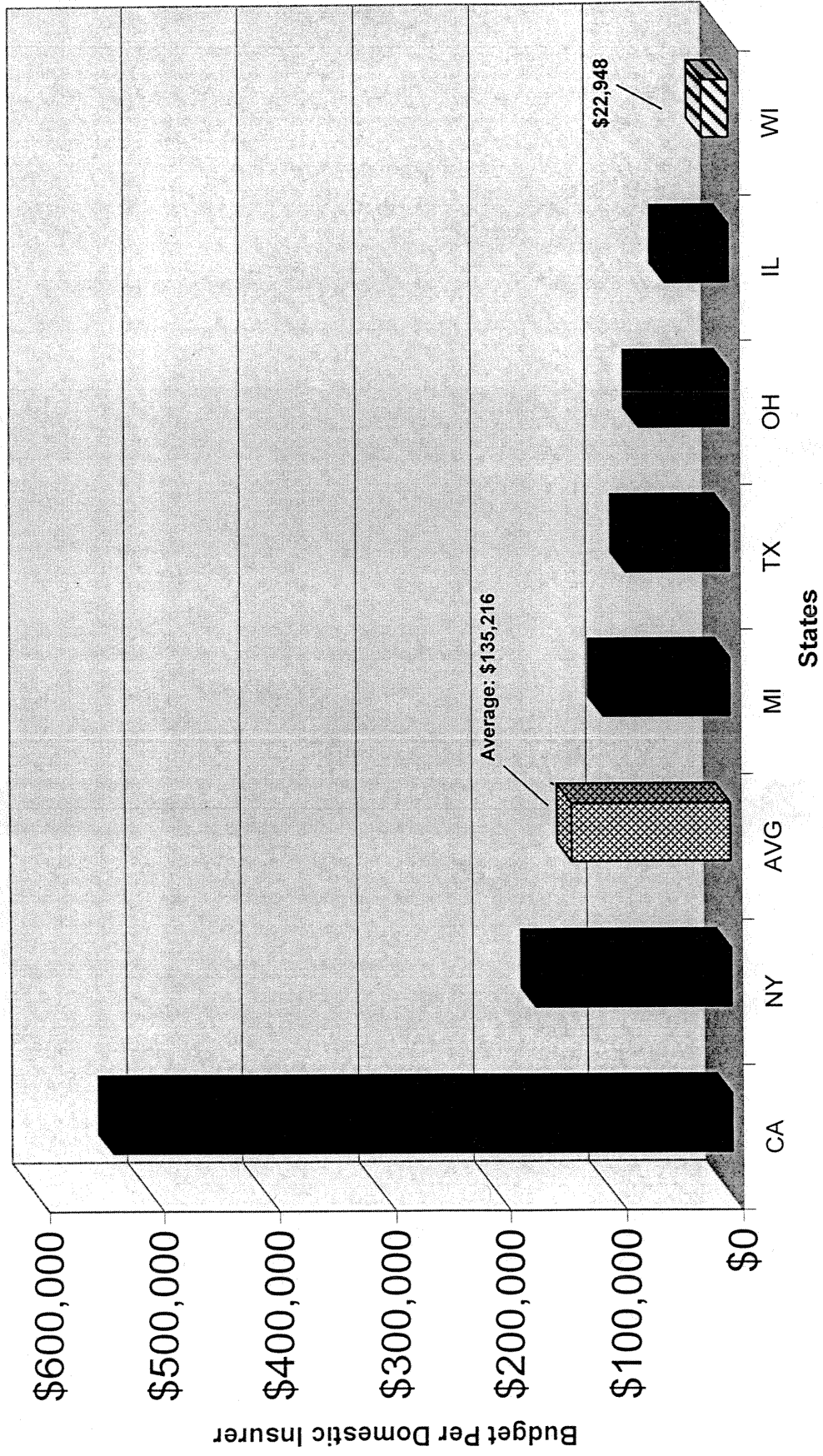
# 1999 Budget Per Domestic Insurer By State (Source: NAIC)

Average: \$135,216



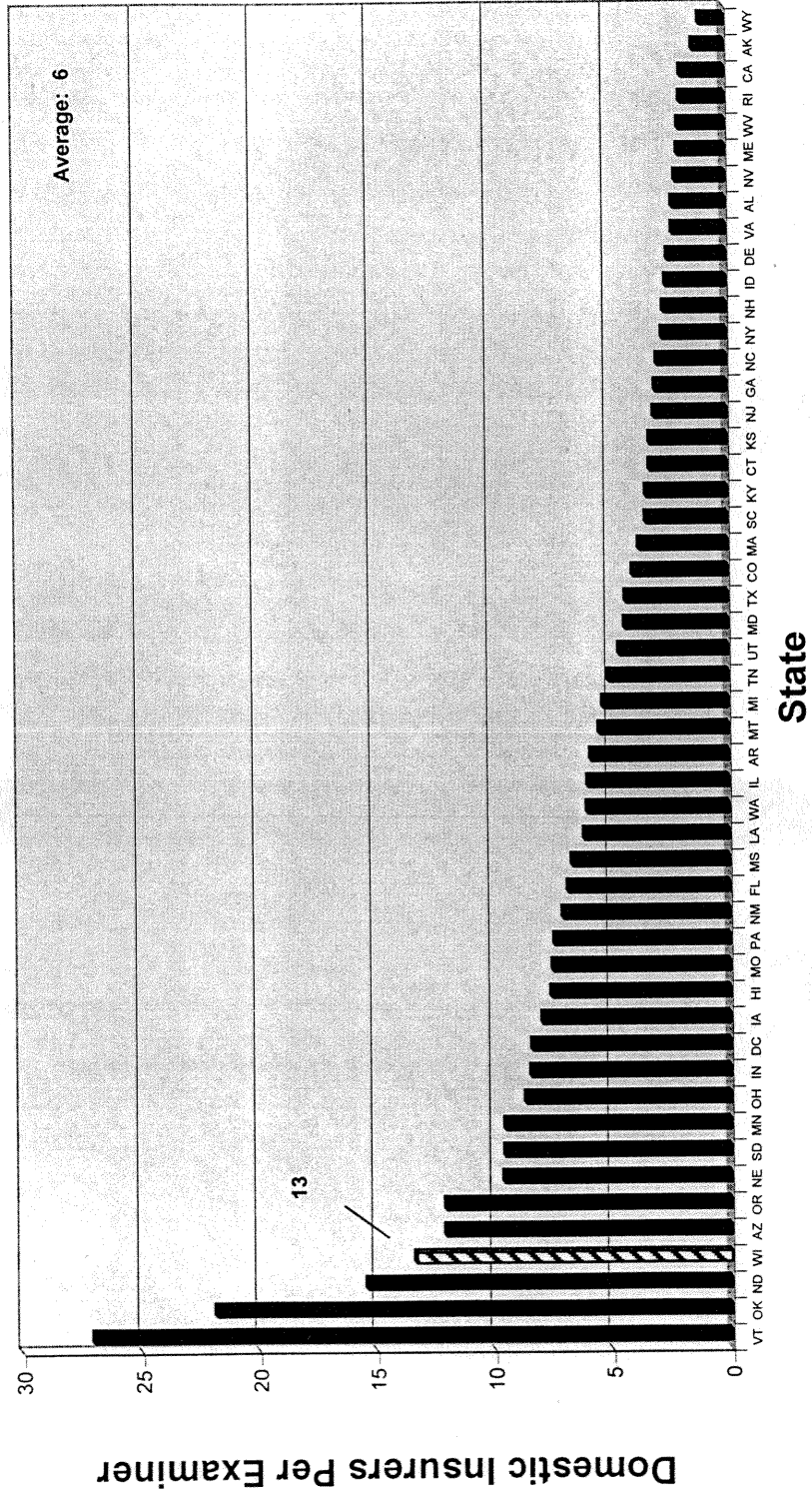


# 1999 Budget Per Domestic Insurer (Selected States)



### Domestic Insurers Per Examiner By State

(Source: NAIC)



# Domestic Insurers Per Examiner (Selected States)

