

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on  
Insurance  
(AC-In)

(Form Updated: 11/20/2008)

**COMMITTEE NOTICES ...**

➤ Committee Reports ... CR

\*\*

➤ Executive Sessions ... ES

\*\*

➤ Public Hearings ... PH

\*\*

➤ Record of Comm. Proceedings ... RCP

\*\*

**INFORMATION COLLECTED BY COMMITTEE  
FOR AND AGAINST PROPOSAL ...**

➤ Appointments ... Appt

\*\*

Name:

➤ Clearinghouse Rules ... CRule

\*\*

➤ Hearing Records ... HR (bills and resolutions)

\*\*

➤ Miscellaneous ... Misc

**05hr\_AC-In\_Misc\_pt05**

**(misc. to/from correspondence)**



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

December 9, 2005

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: [information@oci.state.wi.us](mailto:information@oci.state.wi.us)  
Web Address: [oci.wi.gov](http://oci.wi.gov)

Members of the Legislature

Packet

Re: Emergency Rule affecting Section Ins 14, Wis. Adm. Code, relating to vehicle protection plans

Dear Senator or Representative to the Assembly:

I have promulgated the attached rule as an emergency rule. The rule will be published in the official State newspaper on December 10, 2004.

The attached copy of the rule includes the Finding of Emergency which required promulgation of the rule.

If you have any questions, please contact Robert Luck at (608) 266-0082 or e-mail at [Robert.Luck@oci.state.wi.us](mailto:Robert.Luck@oci.state.wi.us).

Sincerely,



Jorge Gomez  
Commissioner

JG:RL

Attachment: 1 copy rule



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

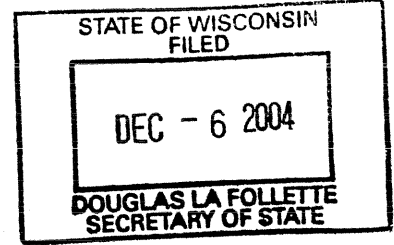
Wisconsin.gov

December 6, 2004

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: information@oci.state.wi.us  
Web Address: oci.wi.gov

STATE OF WISCONSIN  
OFFICE OF THE COMMISSIONER OF INSURANCE

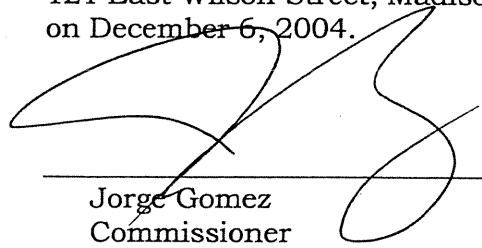
SS



I, Jorge Gomez, Commissioner of Insurance and custodian of the official records, certify that the annexed emergency rule affecting Section Ins 14, Wis. Adm. Code, relating to vehicle protection plans, is duly approved and adopted by this Office on December 6, 2004.

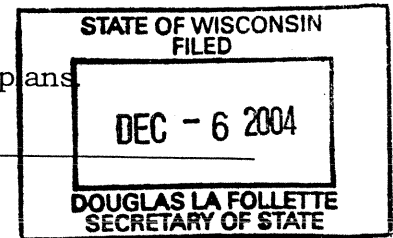
I further certify that I have compared this copy with the original on file in this Office and that it is a true copy of the original, and the whole of the original.

IN TESTIMONY WHEREOF,  
I have hereunto set my hand at  
121 East Wilson Street, Madison, Wisconsin,  
on December 6, 2004.

  
\_\_\_\_\_  
Jorge Gomez  
Commissioner

**ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE CREATING AN  
EMERGENCY RULE**

To create Ins 14, Wis. Adm. Code, relating to vehicle protection plans.



---

**FINDING OF EMERGENCY**

The Commissioner of Insurance finds that an emergency exists and that the attached rule is necessary for the immediate preservation of the public peace, health, safety, or welfare. Facts constituting the emergency are as follows:

The statute requiring these changes is effective on December 1, 2004. The length of the rulemaking process has not permitted OCI to finish promulgating the rule. This emergency implementation will allow vehicle protection businesses to start getting registered and selling their products. Many of these products are promoted as safety related such as glass etching, the "club," vehicle entry warning sirens and others. Consumer would then be able obtain the promoted safety benefits of these products as soon as the legislature permitted them.

---

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

**1. Statutes interpreted:**

ss. 100.203, 600.01, 628.34(12) and 632.185 Stats.

**2. Statutory authority:**

ss. 100.203, 600.01(2), 601.31(1)(km), 601.41(3), 601.42, 628.34(12) and 632.185, Stats.

**3. Explanation of the OCI's authority to promulgate the proposed rule under these statutes:**

These statutes define certain requirements for vehicle protection plans to be implemented by the Office of the Commissioner of Insurance. The statutes specifically require the Office to set the fees to be paid for regulation. These plans would currently be regulated as full fledged insurers and thus these statutes and implementing rule will lessen substantially the costs to the plans and the regulations that they are subject to.

**4. Related Statutes or rules:**

None.

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

This rule implements new statutes regulating vehicle protection plans by setting the fees which the statutes required be set by rule by the commissioner. The fees are set at a level to attempt to cover the agencies costs incurred in relation to the review, data storage, monitoring and regulation of these plans.

**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:**

No federal regulation addresses the activities of vehicle protection plans.

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

Iowa: There is no similar rule in Iowa.

Illinois: Warranties on vehicle protection products are not considered insurance pursuant to s. 155.39, Illinois Insurance Code. Consequently, such products are not regulated by the Illinois Insurance Department.

Minnesota: There is no similar rule in Minnesota

Michigan: There is no similar rule in Michigan.

**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:**

This rule implements the provisions of 2003 Wisconsin Act 302.

**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:**

Given the following the following facts, OCI has determined that detailed analysis of the rule's effect on small business was not reasonable or necessary.

- 1) This rule does not impose any additional requirements on small businesses beyond those required or allowed by the applicable statutes.
- 2) The applicable statutes and the proposed rule actually reduce the regulatory burden on warrantors offering vehicle protection product warranties. Prior to the enactment of the statutes, such warrantors were subject to a much broader range of regulation because the warranties being offered are considered to be an insurance product.
- 3) Given that the statutes requiring the registration of warrantors offering vehicle protection product warranties have not yet become effective, it is not possible to accurately determine to what extent such warrantors are small businesses.

**10. If these changes may have a significant fiscal effect on the private sector, the anticipated costs that will be incurred by private sector in complying with the rule:**

As described above, this rule does not impose any additional requirements on small businesses beyond those required or allowed by the applicable statutes and in fact implements statutory provisions that reduce anticipated costs that would otherwise apply in the absence of the statutory provisions.

**11. A description of the Effect on Small Business:**

This rule will have little or no effect on small businesses.

**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 by contacting Inger Williams, OCI Services Section, at:

Phone: (608) 264-8110

Email: [Inger.Williams@OCI.State.WI.US](mailto:Inger.Williams@OCI.State.WI.US)

Address: 125 South Webster St - 2<sup>nd</sup> Floor Madison WI 53702

Mail: PO Box 7873, Madison WI 53707-7873

**13. Place where comments are to be submitted and deadline for submission:**

The deadline for submitting comments is 4:00 p.m. on the 14<sup>th</sup> day after the date for the hearing stated in the Notice of Hearing.

Mailing address:

Robert Luck

Legal Unit - OCI Rule Comment for Rule 15

Office of the Commissioner of Insurance

PO Box 7873

Madison WI 53707-7873

Street address:

Robert Luck

Legal Unit - OCI Rule Comment for Rule 15

Office of the Commissioner of Insurance

125 South Webster St - 2<sup>nd</sup> Floor

Madison WI 53702

WEB Site: <http://oci.wi.gov/ocirules.htm>

---

The proposed rule changes are:

**SECTION 1. Chapter Ins 14 is created to read:**

**Chapter Ins 14 Vehicle Protection Plans**

**Ins 14.01** Vehicle Protection Plans (1) PURPOSE. This section interprets ss. 100.203, 600.01(1)(b)11., 601.31(1)(km) and 632.185, Stats. The commissioner finds that the making of a vehicle protection plan is the transaction of insurance, subject to full application of chs. 600 to 646, Stats., unless the person making the contract submits to the jurisdiction of the commissioner and to the provisions of these statutes and this chapter.

(2) SCOPE. (a) This chapter applies to all vehicle protection plans operating or offering a vehicle protection plan in this state.

(b) This chapter does not apply to licensed insurers who operate or offer to operate a vehicle protection plan pursuant to an authorization to transact insurance in this state.

**Ins 14.10** Initial Registration Fee. A fee of \$250 shall be paid to the Office of the Commissioner of Insurance at the time the initial warranty registration is filed with the Office of the Commissioner of Insurance.

**Ins 14.20** Annual Warrantor Renewal Registration. (1) The annual warrantor renewal registration form required in s.100.203(2)(b) and an annual fee of \$250 shall

be filed and paid at the Office of the Commissioner of Insurance on or before April 30 of each year.

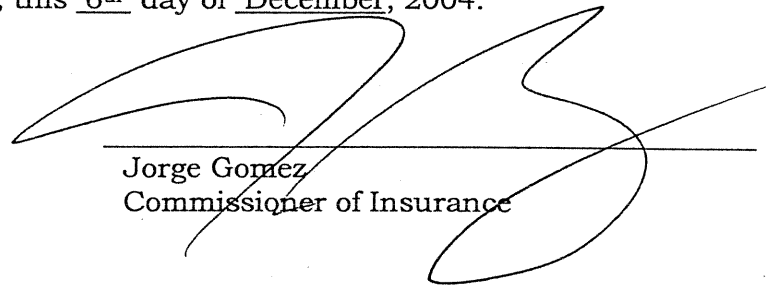
(2) If the form and fee are not filed and paid on or before April 30<sup>th</sup>, a late filing fee of an additional \$100 is due for each week or part of week after April 30<sup>th</sup> that the form and fee are not filed or paid.

**Ins 14.80** This chapter may be enforced under ss. 100.203, 601.41, 601.64, 601.65, Stats., 632.185, Stats., or any other enforcement provision of chs. 600 to 646, Stats.

**SECTION 2.** These changes first apply to any vehicle protection plan registering in Wisconsin or doing business in Wisconsin on or after the effective date of this rule.

**SECTION 3.** These changes will take effect on the first day of the month after publication, as provided in s. 227.24(1)(c), Stats.

Dated at Madison, Wisconsin, this 6<sup>th</sup> day of December, 2004.



\_\_\_\_\_  
Jorge Gomez  
Commissioner of Insurance

**Office of the Commissioner of Insurance  
Private Sector Fiscal Analysis**

for Rule Ins 14 relating to vehicle protection plans

This rule change will have no significant effect on the private sector regulated by OCI.



**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS 14</b>

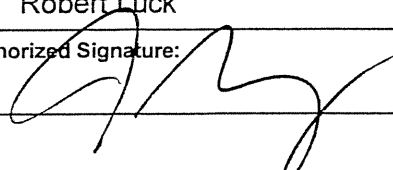
**Subject**  
 vehicle protection plans

One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):  
**Modifying existing systems to accommodate these entities – minimal cost absorbed by agency**

Annualized Costs:		Annualized Fiscal impact on State funds from:	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$ Costs absorbed	\$ -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
<b>TOTAL State Costs by Category</b>		<b>\$ Costs absorbed</b>	<b>\$ -0</b>
<b>B. State Costs by Source of Funds</b>		<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR		\$ 0	\$ -0
FED		0	-0
PRO/PRS		0	-0
SEG/SEG-S		0	-0
<b>C. State Revenues</b>	Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes		\$ 0	\$ -0
GPR Earned		0	-0
FED		0	-0
PRO/PRS		\$9,250	-0
SEG/SEG-S		0	-0
<b>TOTAL State Revenues</b>		<b>\$ \$9,250</b>	<b>\$ -0 None</b>

**NET ANNUALIZED FISCAL IMPACT**

		<u>STATE</u>		<u>LOCAL</u>
NET CHANGE IN COSTS	\$	None 0	\$	None 0
NET CHANGE IN REVENUES	\$	\$9,250	\$	None 0

Prepared by: Robert Luck	Telephone No. (608) 266-0082	Agency Insurance
Authorized Signature: 	Telephone No. 608-267-3782	Date (mm/dd/ccyy) 11/30/2004

**FISCAL ESTIMATE**

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS 14</b>

**Subject**  
 vehicle protection plans

**Fiscal Effect**  
 State:  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

<input type="checkbox"/> Increase Existing Appropriation	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriation	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation		

**Local:**  No local government costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

**Fund Sources Affected**  
 GPR  FED  PRO  PRS  SEG  SEG-S

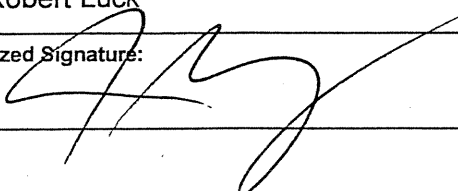
**Affected Chapter 20 Appropriations**

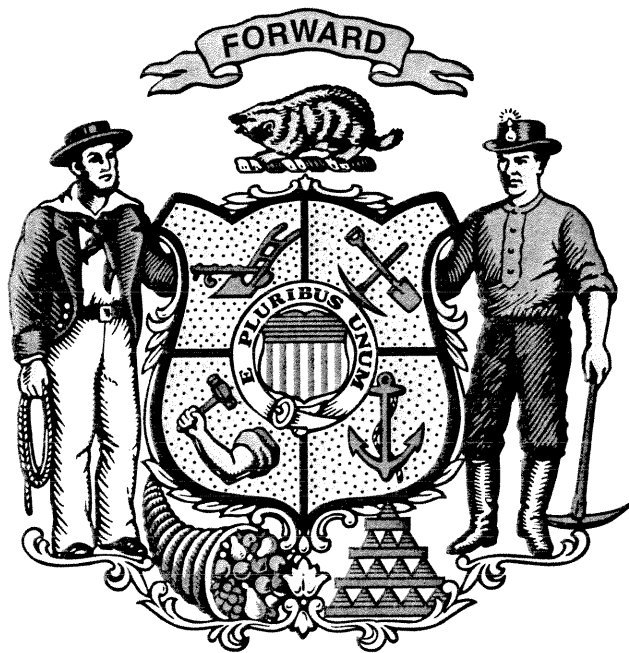
**Assumptions Used in Arriving at Fiscal Estimate**  
 Vehicle protection plans doing business in this state will be regulated by OCI. This regulation will consist of, at least, reviewing new registrations to do business in this state, reviewing forms used, reviewing the financial responsibility requirements, recording information about these plans in to data systems, reviewing annual renewal registrations, dealing with complaints about such plans and taking administrative action regarding possible violations of law by these plans. All these activities require agency resources.

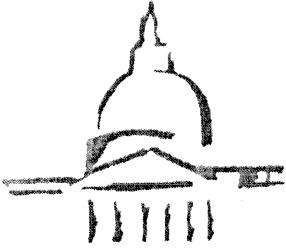
The statutes allow OCI to charge registration fees and late filing fees to attempt to recover at least some of the costs of regulation. It is unknown how many of these plans will register. Each plan registering will pay an initial fee of \$250 and an annual registration fee of \$250. If 25 plans register, the annual revenue would be \$6250. If 50 plans register, the annual revenue would be \$12,500. There is no way to know how many plans will register but a guess would be between 25 and 50 so 37 was taken as the number registering for the calculation of revenues of \$9,250.

The calculation of the costs incurred by the agency will be dependent on the number of plans registering. There will be initial start-up costs to modify existing database systems to accommodate these plans. In addition, the review of initial registrations, forms and financial responsibility requirements will have to be made. These costs will not be substantial and will be absorbed by the agency within the existing budget. If a significant number of these plans register, the agency may have to request additional personnel to deal with them.

**Long-Range Fiscal Implications**  
 None

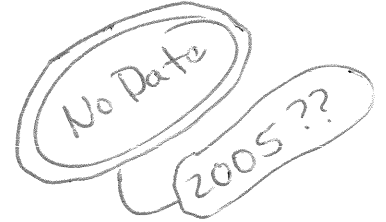
Prepared by: Robert Luck	Telephone No. (608) 266-0082	Agency Insurance
Authorized Signature: 	Telephone No. 608-267-3782	Date (mm/dd/ccyy) 11/30/2004





**Rick Skindrud**  
SERGEANT-AT-ARMS  
WISCONSIN STATE ASSEMBLY

**Anne Tonnon Byers**  
DEPUTY SERGEANT-AT-ARMS



**Committees and the Assembly Sergeant's Office**

Scheduling

Please contact us prior to issuing a committee notice.

To contact Anne to schedule a room, call (266-2004), email: [anne.tonnonbyers@legis.state.wi.us](mailto:anne.tonnonbyers@legis.state.wi.us) or requesting on-line <http://rms/>. To contact Rick to schedule a room, call 267-9808, or email: [rick.skindrud@legis.state.wi.us](mailto:rick.skindrud@legis.state.wi.us).

This will allow us to:

- Notify other offices that may have scheduled the room for an alternate use
- Setup the room and assign a staff person to work the committee
- Add the committee to our online room schedule

Things we need to know when requesting the room:

- Is it your normal day/time
- What time would you like to start
- How long do you expect the hearing to last
- Any special instructions (wish to order lunch, large turnout expected, etc.)

**NOTE: Sending us a notice does not constitute scheduling a room.**

Non-assigned Room/Time Reservation

There will be times when committees are going to meet on their non-scheduled day and time, to make this happen we need to work together. Should a committee need to reserve a room on an alternate day, there are several steps that should be taken.

- 1) The Speaker's office (Ellen) will need to approve the request.
- 2) The availability of rooms will need to be checked for that day, either by looking at the on-line calendar or by contacting our office. We are happy to help find a room that could potentially work (some committees have heavier workloads than others and thus meet more frequently). Please let us know when calling that it is not your normal day.
- 3) It is highly recommended that you contact the committee clerk in the room you would like to schedule your hearing in to see if they are intending to meet. Sometimes it can be arranged so both committees can be accommodated (by starting at different times); if not there may be a different committee/room that could work as an alternative. If you decide not to contact the committee assigned to that room, remember they do have bumping rights. Once a room is found, our office needs to be contacted to add the hearing to the calendar.

## General Scheduling Information

Some information to keep in mind when scheduling rooms:

- 1) G.A.R. (417 North) and the North Hearing Room are also caucus rooms, and should a caucus (session day) be scheduled they have precedence over committee meetings.
- 2) All hearing rooms, except 412 East (Jt. Finance) are scheduled by the Sergeant's office. 412 East can be scheduled by contacting the Assembly Chief Clerk's office (Lonni, 266-2006).
- 3) The round hearing rooms are the same size rooms, but have different table setups. 225NW, 328NW, and 415NW all have round tables, which accommodates 20 at the table. 300NE has two rectangular tables and accommodates 14 comfortably, but can fit 16. 400 NE has one large rectangular table and accommodates 12 comfortably, but can fit 14. GAR is the largest room and accommodates 20 on the dais, and 100+ seating. The round hearing rooms have approximately 30 chairs for seating.
- 4) Should you expected high turnout at a committee; it is good to let us know when you schedule the room. That way we can assign an additional person, if warranted, and we will also provide a larger supply of hearing slips. (We do not provide hearing slips in advance of the committee. Slips must be filled out the day of the committee meeting.) Another option, is to contact committees assigned to large hearing rooms (GAR) to see if locations can be swapped/used for a particular day (see #3 in non-assigned room above).
- 5) Although out-of-town committees rarely occur, please contact us should you have one in the works. When a messenger is going on an out-of-town committee we will need information on the vehicle requisition, specific driving directions, time schedule- including departure time and location, information on who is riding in the vehicle, and any lodging/food arrangements that are made.

### Staffing

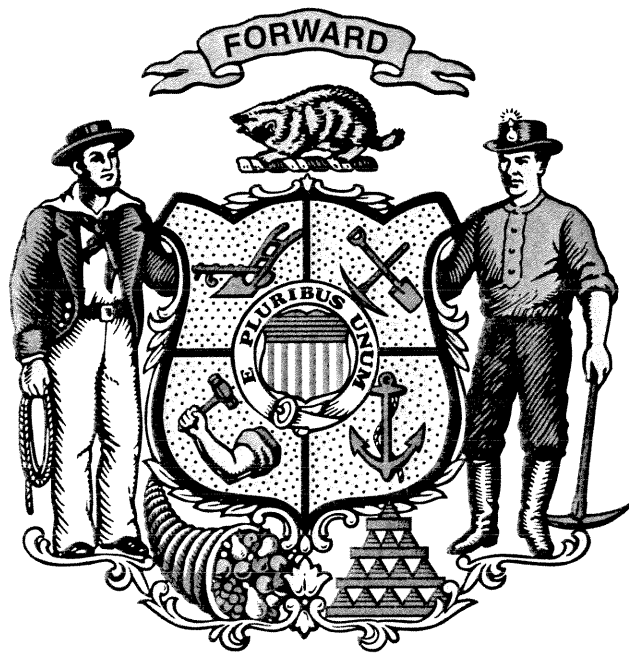
When you schedule a room the Sergeant's office will assign someone to setup and staff the hearing. Setup includes providing notepads and pencils, water, and coffee. The committee nameplates will be setup in accordance with the seating chart you provide (please contact our office if you need a blank seating chart template – we will need this prior to your first scheduled committee).

The messenger is there to assist with the smooth operation of the committee. They can distribute and gather hearing slips, make copies as needed, run inside errands, call committee members offices to let them know the hearing is about to begin, etc. If you have specific instructions please tell the messenger assigned to the meeting.

The committee will be setup 15 minutes prior to the scheduled start time whenever possible, and the messenger will be in the room by this time as well. Should the committee wish to order lunch please notify us in advance so that we can supply menus and envelopes. Generally 2-3 menus are provided when a committee orders lunch, so that we can coordinate their pickup. We appreciate the committee ordering in advance of the noon hour and all at the same time. It is helpful if the Chair announces a time by which the orders should be turned in (preferably 11:30 or before).

Scheduling hearing rooms at times can be a bit of a juggling act, however, we do what we can to accommodate your requests. We look forward to working with you to make your committee meetings operate smoothly. Should you ever have questions or concerns, please feel free to contact Rick (267-9808) or Anne (266-2004).

Before 11:30



TO: MEMBERS  
ASSEMBLY INSURANCE COMMITTEE

From: Representative Ann Nischke, Chair  
Committee on Insurance

Date: February 23, 2006

copy for  
misc  
file

**RE: Results of Executive Session and Public Hearing Monday and Tuesday**

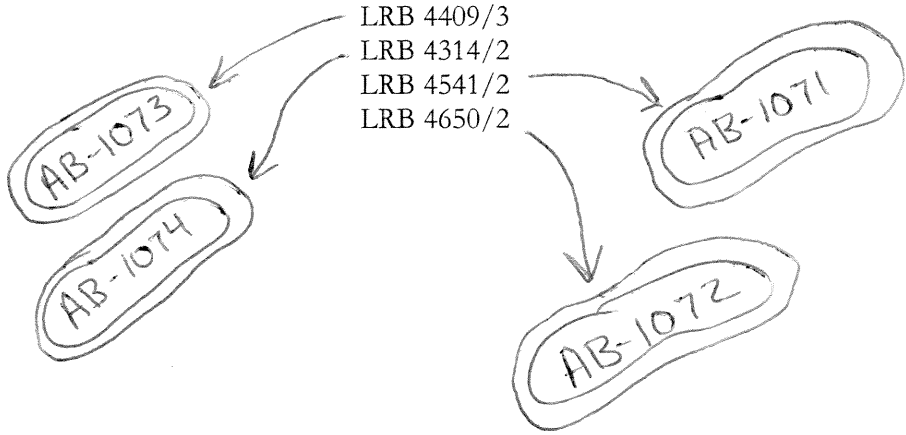
Please find a draft committee report stating the results of the executive session held this morning. This report is subject to further proofing and editing by the Assembly Chief Clerk.

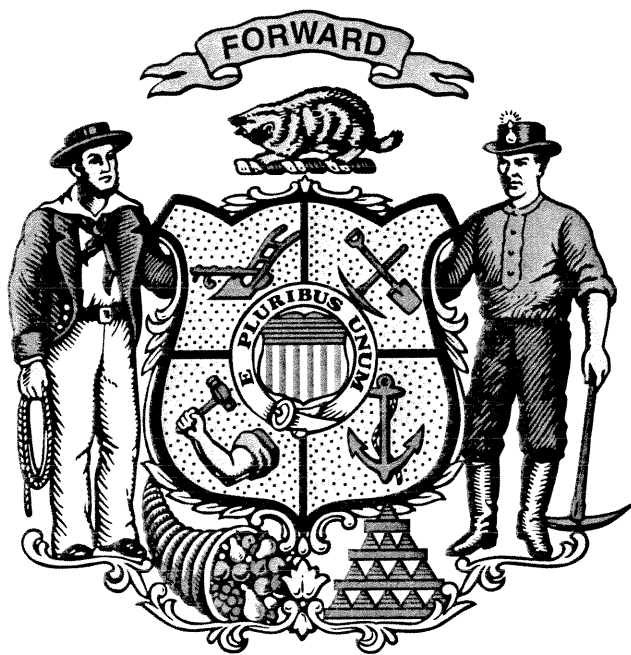
Also, the committee will meet Monday and Tuesday of next week. A notice listing Monday's agenda is attached along with the bill drafts that will be considered. On Tuesday, please expect an executive session on the items head on Monday's public hearing as well as Assembly Bill 1052 that was set aside from today's executive session.

*As discussed at yesterday's public hearing, please submit amendments in advance. Additionally, it is the amendment author's responsibility to distribute the amendment to members and the committee clerk and counsel in advance of the executive session.*

These documents are also available on [www.RepNischke.com](http://www.RepNischke.com) If you have any questions, or require any special accommodations, please contact the committee clerk.

Enclosure: Committee Report, Executive Session, February 23, 2006  
Public Hearing Notice, February 27, 2006  
LRB 4409/3  
LRB 4314/2  
LRB 4541/2  
LRB 4650/2









State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

February 24, 2006

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: information@oci.state.wi.us  
Web Address: oci.wi.gov

THE HONORABLE DAN KAPANKE  
SENATE COMMITTEE ON AGRICULTURE AND  
INSURANCE  
104 SOUTH STATE CAPITOL  
MADISON, WI 53707-7882

THE HONORABLE ANN NISCHKE  
ASSEMBLY COMMITTEE ON INSURANCE  
8 NORTH STATE CAPITOL  
MADISON, WI 53708

THE HONORABLE CAROL ROESSLER  
SENATE COMMITTEE ON HEALTH,  
CHILDREN, FAMILIES, AGING AND LONG  
TERM CARE  
8 SOUTH STATE CAPITOL  
MADISON, WI 53707-7882

THE HONORABLE GREGG UNDERHEIM  
ASSEMBLY COMMITTEE ON HEALTH  
11 NORTH STATE CAPITOL  
MADISON, WI 53708

THE HONORABLE DAVE ZIEN  
SENATE COMMITTEE ON JUDICIARY,  
CORRECTIONS AND PRIVACY  
15 SOUTH STATE CAPITOL  
MADISON, WI 53707-7882

THE HONORABLE MARK GUNDRUM  
ASSEMBLY COMMITTEE ON JUDICIARY  
119 NORTH STATE CAPITOL  
MADISON, WI 53708

Re: 2005 Functional and Progress Report -  
Injured Patients & Families Compensation Fund

Dear Senators Kapanke, Roessler, Zien, and Representatives Nischke, Underheim,  
and Gundrum:

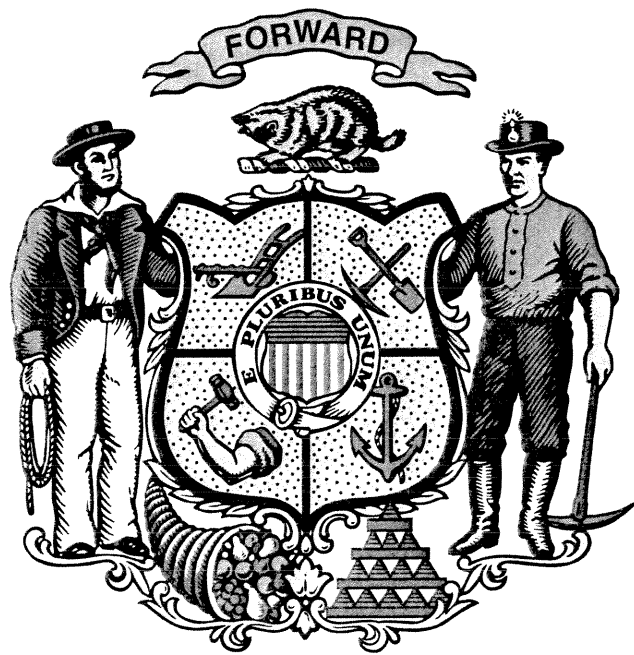
This report is submitted on behalf of the Board of Governors of the Injured  
Patients & Families Compensation Fund (Fund) as required by s. 655.27(4)(f),  
Wis. Stat.

This annual report provides financial data for the fiscal year ending June 30,  
2005. In addition, it provides information on the levels of provider  
participation in the Fund, claim activity, and major board actions.

Sincerely,

  
Jorge Gomez  
Commissioner

JG:tlw  
Enclosure





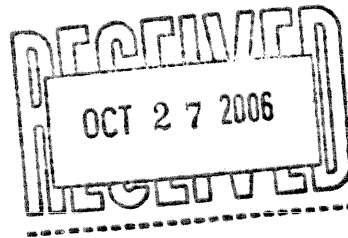
State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: [information@oci.state.wi.us](mailto:information@oci.state.wi.us)  
Web Address: [oci.wi.gov](http://oci.wi.gov)

The Honorable Ann Nischke  
Representative  
8 N State Capitol



Dear Representative Nischke:

I am pleased to submit the 137th *Wisconsin Insurance Report* covering 2005.

Wisconsin's tradition of sound regulation, combined with strong consumer protections, continued over the past year. Highlights of OCI's accomplishments and innovations are as follows:

- Creation of an En Español section on OCI's Web site. In order to respond to new and increasing demand, OCI's Web site offers tools to assist Spanish speaking consumers make informed decisions about insurance matters.
- Implementation of administrative rules relating to Medicare supplement insurance, replacement, cost, select and Medicare Advantage, vehicle protection plans and the small employer uniform application.
- Development and enhancement of the market analysis process. Conducted market analysis on 130 insurance companies for five lines of business: homeowner's, personal auto, group health, individual health and life. The analysis followed a uniform process that included reviews of complaints and information collected in the financial statements and other National Association of Insurance Commissioner's (NAIC) databases.
- Completion of a detailed market analysis of annuity writers to determine whether companies had developed practices and procedures regarding the sale of annuities to senior citizens.
- Examinations of 50 domestic insurers; analysis of over 1,850 annual statements.

I hope this information is useful to you and your constituents. If you have any questions or comments about the material, do not hesitate to contact me.

Sincerely,

  
Jorge Gomez  
Commissioner



# *Wisconsin*

---

## *Insurance Report*

can be found  
in the LRB's  
collection

**Jim Doyle**  
Governor



**Jorge Gomez**  
Commissioner of Insurance

---

Business of  
**2005**

---



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: information@oci.state.wi.us  
Web Address: oci.wi.gov

The Honorable Jim Doyle  
Governor, State of Wisconsin  
115 E. State Capitol  
Madison, WI 53702


Dear Governor Doyle:

I am pleased to submit the 137th *Wisconsin Insurance Report* covering 2005.

Wisconsin's tradition of sound regulation, combined with strong consumer protections, continued over the past year. Highlights of OCI's accomplishments and innovations are as follows:

- Creation of an En Español section on OCI's Web site. In order to respond to new and increasing demand, OCI's Web site offers tools to assist Spanish-speaking consumers make informed decisions about insurance matters.
- Implementation of administrative rules relating to Medicare supplement insurance, replacement, cost, select and Medicare Advantage, vehicle protection plans and the small employer uniform application.
- Development and enhancement of the market analysis process. Conducted market analysis on 130 insurance companies for five lines of business: homeowner's, personal auto, group health, individual health and life. The analysis followed a uniform process that included reviews of complaints and information collected in the financial statements and other National Association of Insurance Commissioner's (NAIC) databases.
- Completion of a detailed market analysis of annuity writers to determine whether companies had developed practices and procedures regarding the sale of annuities to senior citizens.
- Examination of 50 domestic insurers; analysis of over 1,850 annual statements.

Sincerely,

  
Jorge Gomez  
Commissioner

# *Wisconsin*

---

## *Insurance Report*

**Jim Doyle**  
**Governor**

**Jorge Gomez**  
**Commissioner of Insurance**

---

**Business of**  
**2005**

***Our Mission. . .***

**Leading the way in informing and  
protecting the public  
and  
responding to their insurance needs**

---

**Secretaries of State\***

Ex Officio Commissioners of Insurance

Name	Residence	From	Term	To
Llewelyn Breese	Prairie du Chien	January 3, 1870		January 5, 1874
Peter Doyle	Prairie du Chien	January 5, 1874		January 7, 1878
Hans B. Warner	Ellsworth	January 7, 1878		April 1, 1878

**Commissioners of Insurance**

Philip L. Spooner	Madison	April 1, 1878		January 3, 1887
Philip Cheek, Jr.	Baraboo	January 3, 1887		January 5, 1891
Wilbur M. Root	Sheboygan	January 5, 1891		January 7, 1895
William A. Fricke	Milwaukee	January 7, 1895		October 15, 1898
Emil Giljohann	Milwaukee	October 15, 1898		January 5, 1903
Zeno M. Host	Milwaukee	January 5, 1903		January 1, 1907
George E. Beedle	Embarrass	January 7, 1907		January 2, 1911
Herman L. Ekern	Whitehall	January 2, 1911		July 1, 1915
M. J. Cleary	Blanchardville	July 1, 1915		April 10, 1919
Plat Whitman	Highland	April 10, 1919		July 17, 1923
W. Stanley Smith	Ashland	July 17, 1923		June 2, 1926
Olaf H. Johnson	Gratiot	June 2, 1926		January 10, 1927
M.A. Freedy	Wauwatosa	January 10, 1927		July 1, 1931
H. J. Mortensen	New Lisbon	July 1, 1931		October 1, 1939
Morvin Duel	Fond du Lac	October 1, 1939		August 8, 1948
J. L. Sonderegger	Madison	October 1, 1948		December 1, 1948
John R. Lange	Madison	December 1, 1948		July 15, 1955
Alfred Van DeZande	Campbellsport	July 15, 1955		November 1, 1955
Paul J. Rogan	Ladysmith	November 1, 1955		July 2, 1959
Charles Manson	Wausau	July 2, 1959		September 15, 1965
Robert D. Haase	Marinette	September 15, 1965		September 7, 1969
S. C. DuRose	Madison	October 1, 1969		April 8, 1975
Harold R. Wilde	Madison	April 8, 1975		March 18, 1979
Susan M. Mitchell	Madison	March 19, 1979		July 31, 1982
Ann J. Haney	Madison	August 1, 1982		February 28, 1983
Thomas P. Fox	Madison	March 1, 1983		April 27, 1987
Robert D. Haase	Marinette	April 28, 1987		December 31, 1992
Josephine W. Musser	Madison	March 8, 1993		January 2, 1998
Randy Blumer	Madison	January 6, 1998		January 2, 1999
Connie L. O'Connell	Sun Prairie	January 4, 1999		January 6, 2003
Jorge Gomez	Milwaukee	February 17, 2003		

\*By chapter 56, section 32, General Laws of 1870, the Secretary of State was Commissioner of Insurance ex officio until 1878. The Office of the Commissioner of Insurance was made elective in 1881. In 1911 the office was made appointive instead of elective.



## Introduction

Every individual and business in Wisconsin depends upon insurance. Whether it is auto, home, life, or health, insurance plays an important role in people's lives. The Office of the Commissioner of Insurance (OCI) was created by the legislature in 1870 and vested with broad powers to ensure that the insurance industry meets the insurance needs of Wisconsin citizens responsibly and adequately.

The importance of fair, effective, and timely regulation of the insurance industry, as well as continuing efforts toward health care reforms offer OCI a special challenge in meeting its public mission of leading the way in informing and protecting the public and responding to their insurance needs.

The major functions of the office include:

- Reviewing insurance policies that are sold in Wisconsin to determine if they meet the requirements of Wisconsin's laws.
  - Conducting financial examinations of domestic and foreign insurers to assure compliance with Wisconsin regulations and rules.
  - Monitoring the financial status of licensed companies and applicant companies to provide early warning of financial difficulty.
  - Issuing licenses to companies, agents, brokers, surplus lines brokers, managing general agents, reinsurance brokers and managers, and organizations including employee benefit plan administrators.
  - Examining and analyzing rates filed by insurance companies to determine if they are excessive, inadequate, or unfairly discriminatory.
  - Investigating and processing consumer complaints against agents and insurance companies and attempting to bring the matter to a fair and reasonable conclusion.
  - Researching special insurance problems through data collection and analysis and publishing conclusions and recommendations in special reports.
  - Developing legislation and promulgating administrative rules that ensure a strong insurance market through proactive policy and skillful enforcement.
  - Investigating and pursuing administrative actions against agents and insurers who violate Wisconsin insurance laws and regulations. Penalties include suspension or revocation of licenses and fines.
  - Conducting a comprehensive program of consumer education and public information to educate consumers about insurance through public speaking and distribution of information booklets and comparison guides.
  - Operating a state life insurance fund, a property fund for the property owned by local units of government, and a patients compensation fund insuring health care providers for medical malpractice.
-

**Table of Contents**

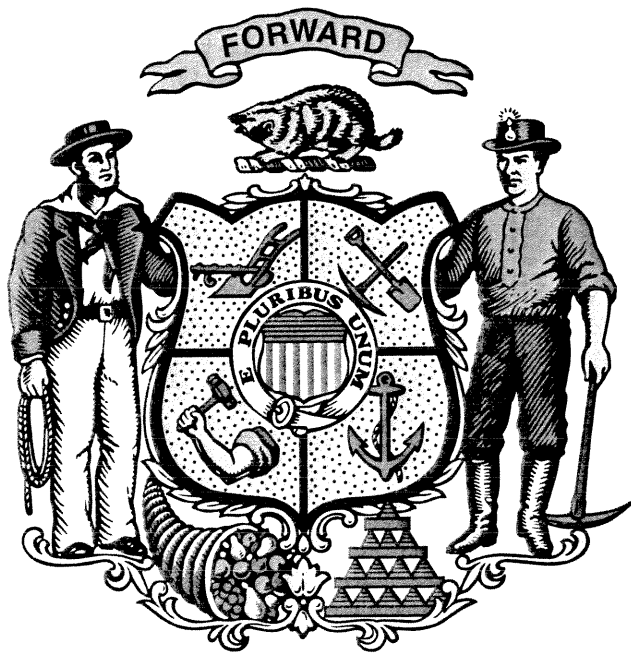
	Page
<b>I. Administration of the Office .....</b>	<b>9</b>
Organizational Chart .....	11
Organizational Structure .....	12
Management Staff .....	13
Office Personnel .....	16
Office Finances .....	19
<b>II. Executive Initiatives .....</b>	<b>21</b>
Regulatory Developments and Trends .....	23
Legislation .....	25
Administrative Rules .....	26
National Association of Insurance Commissioners' (NAIC) Activities .....	29
Advisory Boards and Councils .....	30
Bulletins to Insurers .....	32
Administrative Actions .....	33
<b>III. Segregated Funds .....</b>	<b>53</b>
Injured Patients and Families Compensation Fund .....	55
Local Government Property Insurance Fund .....	59
State Life Insurance Fund .....	62
<b>IV. Division of Administrative Services .....</b>	<b>63</b>
Information Services Section .....	65
Services Section .....	67
Business Services Section .....	69
Human Resources Section .....	70
Alternative Work Patterns .....	71
<b>V. Division of Regulation and Enforcement .....</b>	<b>73</b>
Bureau of Financial Analysis and Examinations .....	75
Companies Examined .....	76
Changes in Corporate Licenses .....	77
Companies in Liquidation .....	82
Bureau of Market Regulation .....	84
Agent Licensing Section .....	94
Commercial Liability Insurance Reports .....	95
Medical Malpractice Insurance Reports .....	99
Product Liability Insurance Reports .....	101
Independent Review Process .....	103
Consumer Publications .....	104

*Wisconsin Insurance Report Business of 2005*  
*Table of Contents*

---

<b>VI. Financial and Statistical Data .....</b>	<b>107</b>
Notes to Tables .....	109
Explanation of Terms Used in Tables .....	110
Table A Insurers Authorized to Write Insurance in Wisconsin .....	111
Table B Wisconsin Operations of All Insurers by Type of Company .....	111
Table C Nationwide Financial Operations of Wisconsin Insurers .....	112
Table D Wisconsin Operations of All Insurers by Line of Insurance .....	113
Table E Wisconsin Market Shares .....	115
Table F Property and Casualty Insurers .....	129
Table G Life Insurers .....	155
Table H Other Health Insurers .....	171
Table I Town Mutual Insurers .....	175
<b>VII. Directory of Licensed Insurers .....</b>	<b>179</b>
<b>VIII. Directory of Insurance Commissioners .....</b>	<b>281</b>

---



## Peer, Adam

---

**From:** Inabnet, Kay  
**Sent:** Wednesday, November 01, 2006 8:28 AM  
**To:** Lawrence, Minette; Ruby, Erin; Popp, Sarah; Griffiths, Terri; Matzen, David; Hub, Brad; Nowlan, Andrew; Emerson, Anne; Guzman, Jared; Langan, Casey; Cady, Dean; Raschka, Adam; Dicks, Jacque; Harmelink, Diane; Rostan, Jason; Gary, Tim; Hilgemann, Luke; Hough, Michelle; Bauknecht, Jason; Becher, Scott; Peer, Adam; Usealman, Kevin; Mikalsen, Mike; Michaelsen, Mark; Reineking, Marlene; Bruhn, Mike; Waldrop, Joyce; Parrott, Douglas; Handrick, Diane; Junck, Linda; Hein, Tanya; Pleva, Brian; Colvin, Alan; Redell, Carol; Grothman, Jeffrey; Mueller, Virginia (Legislature); Blodgett, Tony; Machtan, Ken; Kikkert, Becky; Austin, Michael  
**Subject:** Materials from Committees  
**Categories:** Committee

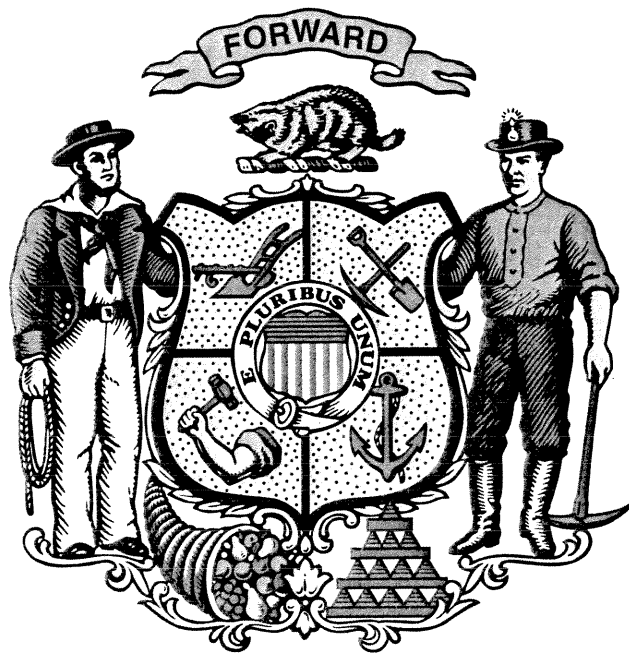
Hello everyone,

As we wind down the final two months of the 2005-2006 session, you may be starting to clear out your files from your committee. The LRB Library is interested in any materials you might be thinking of throwing away. This would include attendance sheets, roll call sheets, minutes, committee records, committee reports, written testimony, tape recordings, correspondence and any other miscellaneous materials. You may compile this information and send it to LRB Library, 200 EM, attention to Allen Marty.

Certainly, you may wish to keep copies of some materials because the same issues seem to resurface from session to session. This is especially true if you keep the same committee. Another possibility, if you don't keep the same committee, is that your successor will want this session's records to study. Please tell me what action you will take with your files: 1) keep them, 2) send them to LRB, or 3) pass them on to the new committee chair.

State Records Center boxes are available for you to use in packing up the files. They can be obtained by contacting myself in the Chief Clerk's Office. Thank you to everyone for your hard work this last session. I have enjoyed working with you, and look forward to the next session.

Kay Inabnet  
Records Clerk  
Assembly Chief Clerk's Office  
6-5550



Dr. Nesse

No  
Date  
Cor  
bill #

Chairman Kapanke and members of the Committee on Agriculture and Insurance. My name is Rob Nesse. I am a Family Physician and the President and CEO of Franciscan Skemp Healthcare a 3 hospital 13 clinic system in Western Wisconsin.

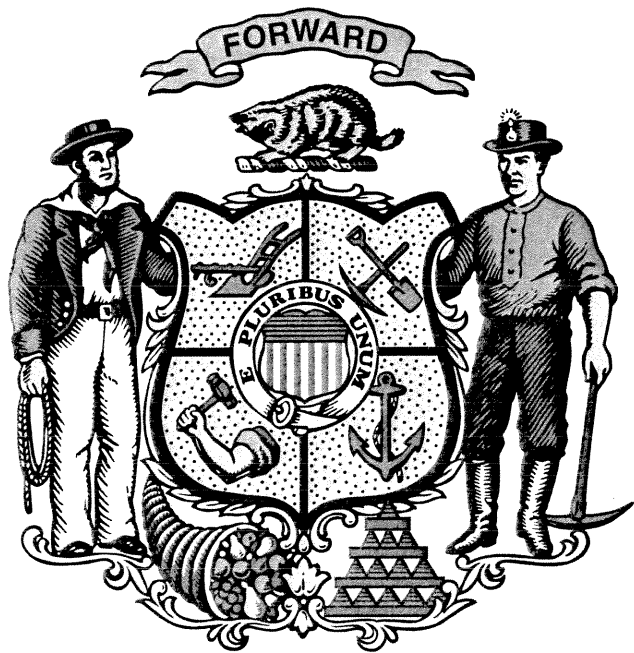
I know you have already heard and will hear much more from opposing sides about this legislation. One side will tell you about the increases in the cost of medical care due to rising malpractice premiums and the costs related to excessive diagnostic testing and care related to defensive medical practice. The other side will report that claims are not increasing and the cost increases are due to poor insurance company investment policy and poor medical practice. The victims of malpractice get a just reward for their suffering and the high attorney fees are justified due to the need for an incentive to become involved in cases with a protracted course of litigation.

You can choose to find merit where you wish but I want to share some facts with you and facts are stubborn things.

Fact 1 Malpractice costs are lower in states with caps on non-economic damages for malpractice. Specifically data from 2004 tell us that Malpractice premiums are 17% lower in states with caps in place. In addition the range of premiums is dramatically different. In the year prior to The Florida legislature establishing damage caps; a Florida general surgeon's malpractice premiums ranged from 65 thousand to 159 thousand dollars/year. In California that same year the premium range for general surgeons was 14 thousand dollars to 42 thousand dollars. Insurance company investment returns and/or surgeon credentials can't account for this difference. The difference is due to the malpractice climate.

Fact 2. Malpractice damage caps are associated with an improved supply of physicians in the states with these caps in place. 27 states have non-economic damages caps in place. Since 2002 Mississippi, Nevada, Florida, Ohio, Texas, Oklahoma and South Carolina have put caps in place. They did this because of concerns about physician supply. We all have heard about the neurosurgeons but a change in Wisconsin's malpractice climate will also threaten the viability of the community hospitals in your district. In May 2005 researchers from the US Agency for Health Care Research and Quality published an article titled "Have State Caps on Malpractice Award improved the supply of physicians?" States without malpractice caps in place had 2 % fewer physicians per capita than states with damage caps in place. Rural counties in states without malpractice caps in place had 5.4 % fewer OB/Gyn and 5.5% fewer general surgeons. Rural hospitals have a higher percentage of Medicare pts. If this legislation does not pass Wisconsin will experience a double whammy, government payments well below the true cost of care and higher costs for surgical and specialty services. Consolidating these services will make sense and the viability of your rural and small town hospital will be called into question.

If you do not choose to support non-economic damage caps for malpractice cases and your community loses hospital services I suspect that people will first ask me why this happened. I will explain the facts to them and I will then refer them to you.







**Hospital Sisters**  
Health System

No date

*Belleville, IL  
St. Elizabeth's Hospital*

*Breese, IL  
St. Joseph's Hospital*

*Decatur, IL  
St. Mary's Hospital*

*Effingham, IL  
St. Anthony's  
Memorial Hospital*

*Higbland, IL  
St. Joseph's Hospital*

*Litchfield, IL  
St. Francis Hospital*

*Springfield, IL  
St. John's Hospital*

*Streator, IL  
St. Mary's Hospital*

*Chippewa Falls, WI  
St. Joseph's Hospital*

*Eau Claire, WI  
Sacred Heart Hospital*

*Green Bay, WI  
St. Mary's Hospital  
Medical Center  
St. Vincent Hospital*

*Sheboygan, WI  
St. Nicholas Hospital*

My name is Sister Jomary Trstensky and I am President of Hospital Sisters Health System, a multi-hospital system located in Springfield, Illinois with eight hospitals in Illinois and five hospitals in Wisconsin. Our organization has been involved in active health ministry in Illinois and Wisconsin since 1875. We constitute a tightly managed regional system of acute care hospitals. (Slide 1)

In Wisconsin we operate the following hospitals: Sacred Heart Hospital- Eau Claire, St. Joseph's Hospital - Chippewa Falls; St. Vincent Hospital - Green Bay; St. Mary's Hospital Medical Center - Green Bay; and St. Nicholas Hospital - Sheboygan. As a demonstration of our collective presence in Wisconsin, I offer some statistics from our recent audited financial statements showing evidence of the work we do with the people of this fine state. (Slide 2)

On an annual basis we treat 34,000 people in our hospitals and another 456,277 as outpatients. We believe that we are, not only essential providers of state of the art health care to citizens in these communities, but also significant economic contributors because of the dollars flowing into the four communities by virtue of our hospital payrolls which came to \$213,000,000 last year. (Also Slide 2) We take pride in being good citizens as well as good healthcare providers.

What I have to share today is a tale of two states: Illinois and Wisconsin. (Slide 3). Our two-state location gives us a unique opportunity to compare things, in this case, medical malpractice expense for the hospitals. I present myself, not as the accounting wizard or an insurance professional, but as a steward of important resources put at our disposal for the care of people who come to us.

Because Wisconsin has had a limit on pain-and-suffering damages and Illinois has not, the two states have been a case study on controlled versus uncontrolled liability costs.

(Slide 4) Wisconsin hospitals have purchased primary coverage from WHKLIP or from commercial companies for the past 20 years. Excess coverage comes from the Patient Compensation Fund. Illinois, because of unfavorable insurance markets, has been self-insured for primary coverage and then protected by a purchased excess policy. (Slide 5)

Using audited data for calendar year 2005 we are able to show that Illinois costs exceed Wisconsin's costs by a factor of 3.5 to 1 on an adjusted patient day basis. If we adjust this to add the WHCLIP Rebates, the picture is even more dramatic, 4.2 – 1. It costs Illinois \$35.63 per adjusted occupied bed per day to obtain medical liability coverage. The cost to Wisconsin is \$8.41 per adjusted bed per day. These expenses do not include physician insurance policies, since our hospitals do not own or employ physicians. There is no plausible reason for this disparity other than the rational control in Wisconsin and the absence of that control in Illinois. The money saved in Wisconsin has been used for the development of new programs and services as well as new technology for our five Wisconsin hospitals. On the other hand, the extra expense in Illinois has been passed on to those who pay for health care, creating an extra burden.

My remarks are limited to hospital medical liability expense, but physicians have been

impacted by this phenomenon, so much so that Illinois has experienced an exodus of physicians from communities where their services are needed. For the sake of credibility, I limit my comments to the experiences of my own hospitals.

Because of the large expense associated with medical liability coverage for physicians, insurance companies have refused to write policies for doctors or have increased premiums beyond the doctors' ability to pay. (Slide 6) Doctors have left Illinois, moving to friendly markets.

A single hospital near the Missouri border in downstate Illinois, as of December, 2004, lost 30 physicians (average age 46) to this crisis. The hospital, very similar in size to St. Vincent Hospital in Green Bay, lost 1700 inpatient admissions, 12,000 outpatient admissions, 4000 surgical procedures, and \$18 million dollars in revenue because of the defection of these 30 physicians. These doctors crossed the boundaries of primary care and all specialty services.

Their stated reasons for leaving were: excessive premium increases or cessation of coverage entirely, coupled with the added threat of escalating tail coverage when they found an insurance company to cover them. This may sound like a problem of the insurance industry, but the root cause is excessive awards, excessive numbers of settlements which give rise to anxiety among insurers and among practitioners.

To clarify, I have said that our Illinois hospitals self-fund medical liability insurance. Because of the large awards given in court, organizations like ours have to make a calculated guess as to the merit of settling out of court versus trying the case. In many cases we opt for settlement in order to limit litigation costs. Therefore, one has to consider settlement costs as well as award costs in calculating the liability expense.

This tale of two States has direct bearing on AB 766 that recently received the support of the Assembly. I am here today to ask that you do your part to restore Wisconsin to a stable

medical liability environment. I believe that if providers make a mistake, we should be held accountable. People who feel victimized should have an avenue of recourse. But it must be reasonable. Unless a cap is reinstated on noneconomic damages, Wisconsin will experience what Illinois has endured. We used this same information in Illinois to help convince legislators there that some kind of control is necessary. We used Wisconsin's experience as a great success story! Unless action is taken to restore caps, there will be an increase in the cost of conducting business in Wisconsin, there will be a loss of needed physicians, access to care will suffer, employee compensation will be negatively affected, and funds will be diverted from new investments into paying for insurance.

Thank you for giving me the opportunity to share our story.