



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-4555/1
CMH:amn

2019 SENATE BILL 482

1 **AN ACT** *to repeal* 618.416 (1) (c); *to amend* 600.03 (23), 610.80 (8), 614.19 (3) (b),
2 616.54 (8), 655.27 (3) (b) 2. and 655.275 (2); and *to create* 601.465 (1m) (c) 10.,
3 614.78 and 614.79 of the statutes; **relating to:** various changes to insurance
4 laws.

Analysis by the Legislative Reference Bureau

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

5 **SECTION 1.** 600.03 (23) of the statutes is amended to read:
6 600.03 (23) A “group insurance policy” is a policy covering a group of persons,
7 and issued to a policyholder ~~in~~ on behalf of the group for the benefit of group members
8 who are selected under procedures defined in the policy or agreements collateral
9 thereto, with or without members of their families or dependents.
10 **SECTION 2.** 601.465 (1m) (c) 10. of the statutes is created to read:

SENATE BILL 482**SECTION 2**

1 601.465 **(1m)** (c) 10. A fund or other entity in another state, or an association
2 acting on behalf of the fund or other entity, that is organized for the same purpose
3 as the security fund created under ch. 646.

4 **SECTION 3.** 610.80 (8) of the statutes is amended to read:

5 610.80 **(8)** INITIAL FILING DEADLINE. ~~Notwithstanding the June 1 deadline under~~
6 ~~sub. (2) (a), an An insurer, or the insurance holding company system of which the~~
7 insurer is a member, that is required to file a corporate governance annual disclosure
8 under this section shall file its first corporate governance annual disclosure no later
9 than ~~60 days~~ the first June 1 that occurs after the date the final rules implementing
10 this section are promulgated.

11 **SECTION 4.** 614.19 (3) (b) of the statutes is amended to read:

12 614.19 **(3)** (b) Except as provided in s. 614.24 (1m), every fraternal shall contain
13 in its laws and in each certificate of insurance it issues, a provision, to which every
14 certificate of insurance issued by the fraternal shall be subject, that if the financial
15 position of the fraternal becomes impaired, the board of directors or the supreme
16 governing body may, on an equitable basis, apportion the deficiency among the
17 members of the fraternal, the insured employees or the owners, or any combination
18 thereof. A member, insured employee or owner may then either pay the member's,
19 insured employee's or owner's share of the deficiency, or accept the imposition of a
20 lien on the certificate of insurance, to bear interest at the rate charged on policy loans
21 under the certificate, compounded annually until paid, or may accept a proportionate
22 reduction in benefits under the certificate. The fraternal may specify the manner of
23 the election and which alternative is to be presumed if no election is made. No
24 assessment of shares of a deficiency under this paragraph may take effect until 90
25 days after the date the commissioner is notified of the assessment, unless the

SENATE BILL 482

1 commissioner approves an earlier effective date. The commissioner may disapprove
2 the assessment of shares of a deficiency under this paragraph if the commissioner
3 finds that the assessment is not adopted in conformity with this chapter or is
4 contrary to the interests of the members of the domestic fraternal.

5 **SECTION 5.** 614.78 of the statutes is created to read:

6 **614.78 Maintenance of solvency. (1) ORDER DECLARING HAZARDOUS**
7 **CONDITION.** When a domestic fraternal has an authorized control level event, as
8 defined by the commissioner by rule, under circumstances the commissioner
9 determines will not be promptly remedied, the commissioner, in addition to taking
10 any other action required or allowed by law, may issue an order declaring the
11 domestic fraternal to be in a hazardous condition and may order the fraternal to
12 remedy the authorized control level event. This order may include authorization to
13 the fraternal to negotiate an agreement to transfer, subject to sub. (2), all members,
14 certificates, and other assets and liabilities of the fraternal to another fraternal or
15 other insurer through merger, consolidation, assumption, or other means.

16 **(2) SPECIFICATIONS REGARDING TRANSFER.** (a) Any transfer under sub. (1) shall
17 constitute a novation of the transferring fraternal's certificates that is effective on
18 the date of transfer. The fraternal shall ensure the transfer is concluded within the
19 time agreed to by the commissioner and subject to the approval by the commissioner.
20 The transfer agreement under this paragraph is considered to be fully approved by
21 the domestic fraternal upon a majority vote of the fraternal's board of directors,
22 notwithstanding s. 614.73 and any other law or regulation that requires notice to or
23 approval by the fraternal's members or supreme governing body. Any law of a
24 fraternal requiring notice to or approval by the fraternal's members or supreme
25 governing body shall be suspended by this section. The transferring fraternal shall

SENATE BILL 482**SECTION 5**

1 provide notice to its members of the transfer by mail or in the manner provided by
2 s. 614.41 (1) no later than 30 days after the transfer is approved by the commissioner.

3 (b) If the fraternal seeks to make a transfer under sub. (1) to an organization
4 that does not have a certificate of authority in this state, the commissioner may grant
5 the organization a limited certificate of authority to service the existing certificates
6 and fulfill all obligations owed to certificate holders following the transfer but not to
7 otherwise transact insurance business in this state.

8 (c) By order of the commissioner and notwithstanding any law or rules to the
9 contrary and any laws of the fraternal, the board of directors of the fraternal may
10 suspend or modify the qualifications for membership in the fraternal as necessary
11 to facilitate a transfer under sub. (1).

12 (d) Upon the effective date of a transfer to an organization that is not a fraternal
13 and in consideration for the transfer, each member of the fraternal is considered to
14 agree that any terms of a certificate subjecting the certificate to the laws of the
15 fraternal or providing for the maintenance of the fraternal's solvency, except to the
16 extent of any outstanding lien not released by the terms of the transfer, shall be null
17 and void and the assuming organization shall endorse the certificate accordingly.

18 **SECTION 6.** 614.79 of the statutes is created to read:

19 **614.79 Rehabilitation and liquidation. (1) GROUNDS FOR REHABILITATION**
20 **OR LIQUIDATION.** In addition to the grounds for rehabilitation under s. 645.31 and the
21 grounds for liquidation under s. 645.41, any of the following is grounds for
22 rehabilitation under s. 645.31 or liquidation under s. 645.41:

23 (a) Failure by a domestic fraternal to comply with an order of the commissioner
24 under s. 614.78.

SENATE BILL 482

1 (b) Failure by a domestic fraternal to remedy within the time specified by the
2 commissioner a hazardous condition as determined by the commissioner under s.
3 614.78.

4 **(2) CRITERIA FOR REHABILITATION.** For purposes of a proceeding commenced
5 under this section, rehabilitation under s. 645.31 is presumed to be futile and to serve
6 no useful purpose, unless the commissioner reasonably believes that rehabilitation
7 has a high probability of returning the fraternal to long-term viability or will
8 facilitate a transfer to another fraternal or insurer.

9 **(3) ASSESSMENTS UNDER LIQUIDATION.** Notwithstanding ss. 614.19 (3) and
10 645.68, after a petition for liquidation of a fraternal is filed, the fraternal may not
11 assess payment of shares of a deficiency under s. 614.19. (3) (b), unless the
12 commissioner determines that the assessment is for the purpose of satisfying the
13 obligations of the fraternal to creditors described in s. 645.68 (1) and (3). The
14 fraternal may not make an assessment for the purpose of any deficiency related to
15 other claims including those described in s. 645.68 (3c), (3m), (3r), (4), (5), (6), (7), (8),
16 (9), (10), or (11).

17 **(4) CONDUCT OF LIQUIDATION PROCEEDINGS.** Liquidation proceedings under this
18 section for a fraternal shall be conducted consistent with the purposes of s. 645.01
19 (4) (c) in a manner designed to conserve assets, limit liquidation expenses, and avoid
20 any assessment of shares of a deficiency.

21 **(5) TRANSFER BY LIQUIDATOR.** The liquidator of a fraternal under this section
22 shall attempt to transfer policies or certificates of the liquidating fraternal under s.
23 645.46 (8) by way of assignment, assumption, or other means to a qualified fraternal,
24 either domestic or foreign, or, if no qualified fraternal will accept the transfer, to an
25 insurer authorized to transact life insurance business in this state. In determining

SENATE BILL 482**SECTION 6**

1 whether a fraternal or insurer is qualified to accept a transfer under this subsection,
2 the liquidator shall consider the solvency of the fraternal or other insurer among
3 other things. No fraternal shall be obligated to accept a transfer under this
4 subsection. Upon the effective date of a transfer under this subsection to an insurer
5 that is not a fraternal and in consideration for the transfer, each member of the
6 fraternal and owner of a policy or certificate being transferred is considered to agree
7 that any terms of the insurance policy or certificate that provide for the maintenance
8 of the fraternal's solvency or that subject the policy or certificate to the policies of the
9 fraternal shall be null and void and to agree to any other changes to terms of the
10 policy or certificate that are determined by the liquidator to be necessary to
11 effectuate the transfer. The insurer accepting transfer shall endorse the policy or
12 certificate accordingly. Any transfer under this subsection is a novation of the policy
13 or certificate that is effective on the date of transfer.

14 **SECTION 7.** 616.54 (8) of the statutes is amended to read:

15 616.54 (8) FINANCIAL STATEMENTS. A provider using a deposit or irrevocable
16 letter of credit as specified in sub. (7) to satisfy sub. (5) shall, by the end of the 5th
17 month following the end of each fiscal year of the provider each March 31, submit
18 financial statements for the most recent fiscal year to the commissioner that are
19 prepared on an accrual basis in accordance with generally accepted accounting
20 principles and that are audited by an independent certified public accountant.

21 **SECTION 8.** 618.416 (1) (c) of the statutes is repealed.

22 **SECTION 9.** 655.27 (3) (b) 2. of the statutes is amended to read:

23 655.27 (3) (b) 2. With respect to fees paid by physicians, the commissioner shall
24 provide for ~~not more~~ no fewer than 4 payment classifications, based upon the amount

SENATE BILL 482

1 of surgery performed and the risk of diagnostic and therapeutic services provided or
2 procedures performed.

3 **SECTION 10.** 655.275 (2) of the statutes is amended to read:

4 655.275 (2) APPOINTMENT. The board of governors shall appoint the members
5 of the council. Section 15.09, except s. 15.09 (4) and (8), does not apply to the council.
6 The board of governors shall designate the chairperson who shall be a physician, vice
7 chairperson and secretary of the council and the terms to be served by council
8 members. The council shall consist of 5 persons, not more than 3 of whom are
9 physicians who are actively engaged in the practice of licensed and in good standing
10 to practice medicine in this state and one of whom is a nurse anesthetist who is
11 licensed and in good standing to practice nursing in this state. The chairperson ~~shall~~
12 ~~be a physician and~~ or another peer review council member designated by the
13 chairperson shall serve as an ex officio nonvoting member of the medical examining
14 board and may attend meetings of the medical examining board, as appropriate.

15

(END)