

## EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

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1. Type of Estimate and Analysis

Repeal     Modification

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2. Administrative Rule Chapter, Title and Number

Ch Ins 3 Casualty Insurance s. Ins 3.17

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

Ins 3.17 - April 1992

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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 proposed rule permits insurers writing accident and sickness insurance to calculate claim and contract reserves for health insurance policies issued prior to January 1, 2017 to comply with either the minimum requirements in the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual (APPM) Appendix A-010 or the existing requirements set forth in s. Ins 3.17 (6) (b) or (8) (b), Wis. Adm. Code, respectively. Section 623.06 (8m), Stats., established s. Ins 3.17, Wis. Admin. Code, as the reserve standard for contracts issued after November 1, 2015 and prior to January 1, 2017. Section Ins 3.17, Wis. Adm. Code, does not currently authorize the use of the 2013 Individual Disability Income Valuation Table and the 2012 Group Long-Term Disability Valuation Table for calculating disability claim reserves. Both the APPM and the Valuation Manual authorize the use of the updated tables. To bridge this gap, the proposed rule will permit insurers to use either the NAIC APPM tables or the standard valuation calculation contained in s. Ins 3.17, Wis. Adm. Code, for claims and contract reserves related to the accident and sickness policies issued prior to January 1, 2017.

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5. Describe the Rule's Enforcement Provisions and Mechanisms

The rule interprets ss. 623.04 and 623.06 (8m), Stats., that are enforced under s. 601.41 (4) and 601.64, Wis. Stats.

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6. Repealing or Modifying the Rule Will Impact the Following  
(Check All That Apply)

State's Economy

Local Government Units

Specific Businesses/Sectors

Public Utility Rate Payers

Small Businesses

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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 rule addresses an unintended consequence of s. 623.06, Stats., that created a gap between valuation tables. The proposed rule will allow disability insurers to smoothly transition to the newest disability valuation tables by providing a bridge between valuation tables. Additionally, the proposed rule permits insurers to use the NAIC APPM table or the standard valuation calculation in s. Ins 3.17. This will reduce burdens for insurers bridging between the tables established in statute and provide consistent treatment of claims.

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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.

The Wisconsin Council of Life Insurers that represent both domestic and non-domestic life insurers licensed in Wisconsin explained the issue and stated that without a change to the regulation companies would not be able to revalue in-force claims consistent with the new valuation table and would result in insurers incurring additional expenses. Under the proposed rule, insurers can calculate reserves following the most updated rules and in a uniform manner with a result reducing insurer costs for functions like computer programming. Therefore the proposed rule will result in a modest reduction in costs for insurers. The American Council of Life Insurers (ACLI), that advocates for 280 member companies, stated that the proposal will update the minimum reserve standard to recognize several NAIC valuation tables. Failure to update would be more costly to insurers over time. The ACLI fully supports the proposed amendment and with updated uniform valuation /reserve standards will help reduce carrier programming costs which could lead to future products being priced incorporating those savings to the benefit of consumers, employers and individuals purchasing disability policies.

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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: While updating the valuation tables the Office added insurer flexibility to minimize any impact on small businesses.

10. Fund Sources Affected

- GPR    FED    PRO    PRS    SEG    SEG-S

11. Chapter 20, Stats. Appropriations Affected

None

12. Fiscal Effect of Repealing or Modifying the Rule

- No Fiscal Effect       Increase Existing Revenues       Increase Costs  
 Indeterminate       Decrease Existing Revenues       Could Absorb Within Agency's Budget  
 Decrease Cost

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

The benefit of the rule is a smooth transition between valuation tables for insurers writing disability insurance and without having to incur costs to adjust claims caught between the timeframes for the valuation tables. Additionally, the changes will create easier and more logical record-keeping and promote consistency with the standards of other states. The overall economic impact is expected to result in a slight reduction in costs for insurers.

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

This rule addresses a finite gap between valuation tables for claims arising from policies issued before January 1, 2017 and policies issued after January 1, 2017, allowing them to be treated consistently by the insurer.

16. Compare With Approaches Being Used by Federal Government

None

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

All neighboring states have statutes that automatically update the valuation tables. This modification will be similar to the requirements in other states by addressing the gap created when the newest valuation tables were adopted.

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