

## Chapter Ins 16

### REGULATORY STRUCTURES

Ins 16.01 Annual billings for the examination of domestic insurers

Ins 16.02 Annual audited financial reports and examinations

**Ins 16.01 Annual billings for the examination of domestic insurers.** (1) **PURPOSE.** The purpose of this rule is to develop a framework for the regular annual billing of domestic insurers, except for town mutuals, to fund the costs of administering examinations as prescribed by s. 601.44, Stats., and to interpret and implement s. 601.45, Stats.

(2) **SCOPE.** The billing structure established by subsection (4) shall apply to all domestic insurers as defined by s. 600.03 (27) (c), Stats., with the exception of town mutuals.

(3) **BILLING FOR EXAMINATION CHARGES.** (a) On February 1, 1981, and annually thereafter, each domestic insurer subject to the provisions of this rule shall be billed an amount equivalent to such insurer's share of the estimated cost of conducting the insurer examinations program during that year.

(b) All other insurers, including town mutual insurers, shall be billed on a charge-back basis for the full cost of their examinations, including actual salaries and expenses of examinations and other apportionable expenses.

(4) **BILLING STRUCTURE.** (a) The commissioner shall annually, prior to the first day of each calendar year, estimate the cost of administering the insurer examinations program for the next calendar year. This amount shall be based on the biennial budget as approved by the legislature. Included in the estimated cost of administering the insurer examinations program shall be:

1. Salaries, fringe benefits and expenses of insurer examinations staff, including office overhead;

2. Supplies, office space, training costs, related data processing charges; and,

3. A contingency fund for hiring outside consulting or technical services.

(b) Excluded from this amount shall be the estimated share of the costs of the examination function which shall be provided through funding by insurers who will be charged for their examinations on a charge-back basis.

(c) In the event that the sum of a year's billings under this rule exceeds the actual cost of administering the insurer examinations program, the amount of the excess shall be applied as an offset to the estimated cost for the next year's examinations program.

(5) **ACCOUNTING SUMMARY.** On or before January 31 of each year, an accounting summary of the previous calendar year's examination costs

shall be prepared. This summary will be furnished upon request to those insurers subject to this rule.

(6) **DETERMINATION OF INDIVIDUAL BILLINGS.** The amount to be billed each domestic insurer subject to this rule shall be determined so that the billing is equal to a constant of proportionality times the square root of the insurer's premiums, where the constant of proportionality is determined each year so that the total of all billings equals the estimated cost of administering the insurer examinations program described in sub.

(4). The formula is stated algebraically as follows:

$$A = k \times \sqrt{P}$$

where A = Annual Amount to be billed each domestic insurer

k = Constant of Proportionality

P = Net Premiums Earned or Premiums and Annuity Considerations Reported in the applicable annual statement listed in s. Ins 7.01 (5), Wis. Adm. Code, for business of the second calendar year preceding the year of billing.

(7) **LIMITATIONS ON AMOUNT OF BILLINGS.** The annual bill for each insurer subject to this rule shall be determined utilizing the formula developed for its proportionate share of cost of the examination function, except that:

(a) The maximum annual billing for any insurer shall be 1% of Net Premiums Earned or Premiums & Annuity Considerations reported in the applicable annual statement listed in s. Ins 7.01 (5), Wis. Adm. Code, for business of the second calendar year preceding the year of billing, subject to a requirement that the minimum bill for any insurer be \$300.

(b) The annual bill for any insurer billed the previous year shall not exceed 1.2 times the immediately preceding year's bill adjusted for premium growth by multiplying by a factor equal to the second prior year's premium divided by the third prior year's premium. In calculating this adjustment, the year a billing is due shall be considered the current year.

(8) **ANNUAL HEARING.** The commissioner shall annually schedule a hearing under s. 601.41 (5), Stats., to review problems in the area of examinations, and the formulas established under sub. (6).

(9) **DUE DATE.** Amounts billed to domestic insurers under sub. (3) shall be due and payable to the commissioner no later than March 1 of each year.

**Note:** Any approach for development of a billing structure for examination costs must, of necessity, contain elements of arbitrariness and human judgment. The parameters established in the rule are attempts to provide for adjustments in billings related only to changes in insurer's premiums.

**History:** Cr. Register, December, 1977, No. 264, eff. 1-1-78; r. and recr., Register, December, 1980, No. 300, eff. 1-1-81.

Register, December, 1980, No. 300