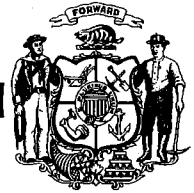




# Frank Lasee

WISCONSIN STATE SENATOR  
FIRST SENATE DISTRICT



## Senator Lasee's Testimony

*Senate Bill 618*

*Renewing Insurance Policies by an Affiliated Insurer  
and Rules for Insurance Certificates*

The last thing anyone wants to receive in the mail from their insurance company is a "notice of non-renewal" or "drop notice". Currently the law requires insurers to send a drop notice to their customers even when they intend to renew their customer's policy through an affiliated insurer.

This bill will eliminate the requirement for a notice of non-renewal when a policy is renewed in an affiliated insurance company as long as there wouldn't be an interruption in coverage, the terms and conditions will be substantially the same.

Insurers are required to give 60 days notice for this new process, so if the customer does not wish to proceed with the renewal with the affiliated insurer, they will have 60 days under their current insurance plan to make a change.

This bill also addresses a problem that has arisen recently where third parties are seeking changes to a "certificate of insurance". Changing the certificate of insurance doesn't actually change the insurance policy, so the false certificate creates the illusion that an insurance policy covers something that might not be covered at all.

By making it clear that how certificates of insurance are to be used and how they are to be prepared, we will eliminate problems that have recently occurred with improper insurance certificates.

Please support this legislation.



---

# RON TUSLER

STATE REPRESENTATIVE • 3<sup>rd</sup> ASSEMBLY DISTRICT

**Testimony Before the  
Assembly Committee on Insurance  
on  
Senate Bill 618  
December 13, 2017**

Mr. Chairman and members of the committee, thank you for the opportunity to comment on Senate Bill 618. This bill seeks to eliminate confusion and bolsters consumer protections.

First, under current law a policy holder has a right to renew their insurance policy.<sup>1</sup> If an insurer chooses not to renew a policy, it must give at least 60 days' notice to the policyholder.<sup>2</sup> This notice is not required if the policyholder "has insured elsewhere, has accepted replacement coverage or has requested or agreed to nonrenewal, or if the policy is expressly designated as nonrenewable."<sup>3</sup> Occasionally insurers will renew a policy with an affiliate company on substantially the same terms as a current policy. To do so though, the insurer must give notice to the policyholder that it is *not* renewing the policy, even though for all intents and purposes they will renew the policy without making a substantive change to the "new" policy with its affiliate. This non-renewal-renewal process can lead to consumer confusion and alarm thinking that their policy, often one having been held for some time, is not being renewed when it actually is being renewed.

To lessen this confusion, this bill creates an exception to the required non-renewal notice. An insurer may renew a policy with an affiliate without notice if:

- The affiliate is controlled by the same person or persons in the same insurance holding company that includes the insurer;
- The affiliate may validly operate and issue the policy in Wisconsin; and
- The insurer notifies the policyholder that the policy will be renewed with an affiliate with at least 60 days' notice.

If a plan being renewed with an affiliate contains terms less favorable than the original policy the insurer still must give notice to the policyholder according to current law.<sup>4</sup>

Second, the bill strengthens protections against insurance fraud. Current law enumerates

---

<sup>1</sup> See Wis. Stat. 631.36(4)(a).

<sup>2</sup> *Id.*

<sup>3</sup> Wis. Stat. 631.36(4)(b).

<sup>4</sup> Wis. Stat. 631.36(5).

various prohibited practices in the insurance industry.<sup>5</sup> This bill adds to the list of prohibited practices ways to fraudulently use or furnish a certificate of insurance. Under the bill a document used for evidence of insurance cannot be used to mislead someone about, or alter the terms of, a policy or be used to fulfil the insurance or indemnification requirements of a specific contract. Further, the bill prohibits the alteration of a certificate of insurance.

Thank you for your time. Sen. Lasee and I ask for your support of this bill to protect consumers from fraud and lessen confusion when renewing a policy with an affiliate.

---

<sup>5</sup> See Wis. Stat. 628.34.

**Testimony of Jodi Cordes**  
**President, Professional Insurance Agents of Wisconsin**

**Subject: PIA Support of 2017 Senate Bill 618**

**Presented To: Senate Committee on Insurance, Housing and Trade**

**Attachments: Analysis of SB 618 and a model Certificate of Insurance**

I. A few words about the Professional Insurance Agents of Wisconsin

My name is Jodi Cordes. I am the President of the PIA of Wisconsin. Ours is a membership organization consisting of licensed intermediaries, otherwise known as insurance agents, doing business in the State of Wisconsin. Our agent and agency members are primarily property and casualty insurance agents. However, we also market and service life, health, workers compensation and unemployment compensation insurance.

II. The PIA of Wisconsin supports Senate Bill 618

PIA of Wisconsin is strongly supportive of this legislation. We thank Senator Lasee for being the lead author of the bill and thank the co-authors, both in the Senate and the Assembly. It is gratifying to see that the legislation has received strong bi-partisan co-sponsorship.

III. Why does the PIA support this bill?

There are two primary reasons why the PIA is supportive of this legislation:

1. **The 60-day notice.** The bill preserves the 60-day notice given to the insured customer when a policy is not going to be renewed by the insuring company, but is going to be continued by an affiliate of that company. The retention of the 60-day notice in this instance is exceptionally important to agents and to their insurance customers.
2. **Certificate of Insurance.** The bill supplements the existing obligation to be truthful in a certificate of insurance by expanding those obligations to the insurance customers. Currently, those obligations only apply to agents and insurance companies.

Allow me to elaborate on the above two points.

1. **The 60-day notice.** I've attached to the copy of my testimony a highlighted copy of the Analysis of the bill. I have marked the 60-day

notice as item A. The retention of the 60-day notice period is most important to agents and insureds.

The 60-day notice of nonrenewal is needed to enable the agent to better serve the customer. It allows the agent to evaluate whether the agent believes it's in the best interest of the customer to have the affiliate be, in effect, the new insurer. For example, the affiliate might not have a well-known track record in providing service that's going to be important to the customer and the agent in servicing the policy. The affiliate might prove to be a more expensive insurer for the customer than was the parent insurance company. The agent might determine that it feels it would be in the best interest of the policy holder to be insured with an entirely different insurer. The 60 days provided is just barely enough time to evaluate the offerings of other insurers, as to price, terms and quality of service and place the business with a company other than the affiliate.

In summary, the retention of the 60 days to act on the proposed non-renewal continues to be exceptionally important to the insureds in the State of Wisconsin.

2. **Certificate of insurance.** A second feature of the bill addresses the obligations to be truthful in a certificate of insurance. I have marked on the Analysis, as item B, the key provisions related to the certificate. I have also provided an example with a copy of a model certificate with my testimony.

A certificate of insurance is, very simply, a summary of the policy. Insurance policies are complex. It's not always the easiest thing to actually summarize a complex policy, but nonetheless certificates of insurance serve a very useful purpose. They provide the opportunity, say at a real estate closing, to have evidence that insurance is in place and some details regarding that insurance policy, even though the policy itself is not available for review.

So, certificates are useful, but the potential for abuse of the use of a certificate is real.

Current law recognizes the potential for abuse by making it a Class A misdemeanor for our agents, or the insurance company, to misrepresent

the terms of the insurance policy in a certificate of insurance. However, the current law *does not* discourage our customers who, on very rare occasions, demand that we do that very thing.

Let me emphasize that this is not a common practice by our customers. It happens rarely, but when it happens it is very unnerving for the agent to, in effect, be asked by the client to violate the law.

The agent does not want to violate the law, but the agent also wants to keep the customer. This bill addresses this problem. As you will note on page 2 of the analysis, “under the bill, *no person* may issue or *require* a certificate of insurance that contains false, misleading, deceptive...” information. Existing law extends that obligation only to a person who *prepares* the false certificate. That’s us. The bill extends that obligation to include the insurance customer.

So, after this bill is law, in the rare case that a customer asks us to misrepresent the policy, we will be able to forward a copy of section 628.34(14) to our customer with a note that says “This statute, recently passed by the Wisconsin Legislature, has made it unlawful and a Class A misdemeanor for the agent or the insurance customer to make this request.” We are therefore telling the customer, for his or her own good, that he or she should withdraw the request that we misrepresent the policy in the certificate of insurance.

We believe this provision of law is going to be helpful and provide us with a diplomatic way of addressing this very rare, but extremely unnerving problem.

For these reasons we encourage you to recommend this bill for passage.



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-3793/1  
AJM:amn/emw/ahe

## 2017 SENATE BILL 618

November 30, 2017 - Introduced by Senators LASEE, CRAIG, BEWLEY, DARLING, L. TAYLOR, HANSEN and JOHNSON, cosponsored by Representatives TUSLER, STEFFEN, NYGREN, BERCEAU, DOYLE, GENRICH, GOYKE, RIEMER, FELZKOWSKI, HORLACHER, KUGLITSCH, MURPHY and VORPAGEL. Referred to Committee on Insurance, Housing and Trade.

1 AN ACT to amend 631.36 (4) (b); and to create 628.34 (14) and 631.39 of the  
2 statutes; relating to: insurance policy renewal in an affiliate and the use and  
3 contents of certificates of insurance.

### *Analysis by the Legislative Reference Bureau*

This bill exempts renewals of insurance policies, including policies that provide worker's compensation insurance, in an affiliate from certain requirements if certain other requirements are satisfied. The bill also specifies certain restrictions on the use of certificates of insurance.

Current law provides that, with certain exceptions, such as for substantial contractual breaches, a policyholder has the right to have an insurance policy renewed at the end of a term for an additional period of time that is the same as the expiring term, unless the insurer gives the policyholder at least 60 days' notice that the policy will not be renewed. Exceptions to this notice requirement include if the policyholder has insured elsewhere, has accepted replacement coverage, or has requested or agreed to nonrenewal, or if the policy is expressly designated as nonrenewable.

Under the bill, an insurer is not required to comply with those renewal requirements if the insurer renews a property or casualty insurance policy in an affiliate and certain other requirements are satisfied, including that the affiliate is authorized to write the type of policy being renewed, that all of the stock of, interest in, or control of the affiliate is held by one or more persons in the same insurance holding company system that includes the insurer, and that the insurer, at least 60

#  
Renewal  
in an  
Affiliate

**SENATE BILL 618**

days before the renewal date, sends the policyholder notice of the renewal in the affiliate. The notice must provide the affiliate's name, contact information, and A.M. Best or similar rating if lower than the insurer's rating and must specify that there will be no interruption of coverage, that, except for the rates, the terms and conditions will be substantially the same as the current policy's terms and conditions, and that the premiums will be determined according to the affiliate's rating plan.

B. Certificate of Insurance

The bill specifies that a certificate of insurance or other document used for evidence of insurance (certificate of insurance) is subject to certain restrictions with regard to its use and the information it contains. Under current law, an insurer, the insurer's agent or employee, and other certain specified persons are prohibited from providing any false or misleading information relating to an insurance contract. Current law prohibits an insurance intermediary, such as a person who negotiates for insurance on behalf of an insurer, from providing a misleading certificate of insurance. Current law also provides that a person who prepares, makes, or subscribes to a false or fraudulent document, such as a certificate of insurance, knowing that the document may be presented or used in support of an insurance claim is guilty of a Class A misdemeanor if the value of the claim does not exceed \$2,500 and a Class I felony if the value of the claim exceeds \$2,500.

The bill specifies that a certificate of insurance may not warrant that the certificate fulfills an insurance or indemnity requirement in a specific contract. Under the bill, no person may issue or require a certificate of insurance that contains false, misleading, deceptive, or unfairly discriminatory information or that otherwise violates public policy or law. Similarly, no person may prepare, issue, request, or require a certificate of insurance that purports to alter, amend, or extend insurance coverage.

---

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

1           **SECTION 1.** 628.34 (14) of the statutes is created to read:

2           **628.34 (14) EVIDENCE OF INSURANCE.** (a) No person may prepare, issue, request,  
3 or require a certificate of insurance or other document used for evidence of insurance  
4 to do any of the following:

- 5           1. Contain information concerning the policy referenced by the certificate of  
6 insurance or other document that is false, misleading, deceptive, unfairly  
7 discriminatory, or that otherwise violates public policy or law, as determined by the  
8 commissioner.





# CERTIFICATE OF LIABILITY INSURANCE

OP ID: JL

DATE (MM/DD/YYYY)

12/06/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	
	PRODUCER CUSTOMER ID:	
	INSURER(S) AFFORDING COVERAGE	
INSURED	NAIC #	
	INSURER A:	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	
INSURER F:		

**COVERAGES**

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY						EACH OCCURRENCE \$
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE \$
	<input type="checkbox"/> POLICY	<input type="checkbox"/> PRO-JECT	<input type="checkbox"/> LOC				PRODUCTS - COMP/OP AGG \$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS						BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS						PROPERTY DAMAGE (PER ACCIDENT) \$
	<input type="checkbox"/> HIRED AUTOS						\$
	<input type="checkbox"/> NON-OWNED AUTOS						\$
	UMBRELLA LIAB						EACH OCCURRENCE \$
	<input type="checkbox"/> EXCESS LIAB						AGGREGATE \$
	<input type="checkbox"/> OCCUR						\$
	<input type="checkbox"/> CLAIMS-MADE						\$
	DEDUCTIBLE						\$
	RETENTION \$						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						WC STATUTORY LIMITS
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						OTH-ER
	If yes, describe under DESCRIPTION OF OPERATIONS below			N/A			E.L. EACH ACCIDENT \$
							E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

**CERTIFICATE HOLDER****CANCELLATION**

--

<p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</p> <p>AUTHORIZED REPRESENTATIVE</p>
--

© 1988-2009 ACORD CORPORATION. All rights reserved.