



DAVID CRAIG

STATE SENATOR

Senate Committee on Insurance, Financial Services, Constitution and Federalism

14 February 2018

Senate Bill 763

Senator David Craig, 28th Senate District

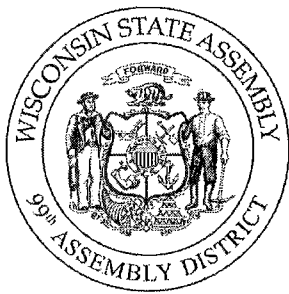
Chair and Committee Members,

Thank you for hearing testimony on Senate Bill 763 - the Office of the Commissioner of Insurance (OCI) Technical Bill.

Senate Bill 763 is a technical update to our laws based on the National Association of Insurance Commissioners (NAIC) model legislation developed as best practices for the oversight and consumer protection agencies in each state and is necessary for Wisconsin to maintain our NAIC accreditation. The bill incorporates three main provisions:

- Updates OCI's confidentiality policies when dealing with sensitive personal information included in reporting documents from insurers. This will assist the agency in quality oversight without risking the dissemination of private information on individuals.
- Eliminates an obsolete and unnecessary annual report which OCI is required to produce on malpractice insurance.
- This bill also modifies the membership of the Wisconsin Compensation Rating Bureau to include representation from local Wisconsin companies to produce broader, more representative ratings for the insurers, business and policy makers.

Again, I appreciate your hearing of this bill today.



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Senate Committee on Insurance, Financial Services, Constitution and Federalism Public Hearing
SB 763
February 14, 2018

Mr. Chairman and members of the Committee, thank you for holding a public hearing on SB 763, relating to disclosures to the commissioner of insurance and other changes to the insurance laws, extending the time limit for emergency rule procedures, providing an exemption from emergency rule-making procedures, and granting rule-making authority.

SB 763 is based on the National Association of Insurance Commissioner's (NAIC) corporate governance model legislation, which allows OCI to gather information annually on corporate governance practices, including highly confidential information on systems of rules, practices and processes by which an insurance company governs itself. This corporate governance annual disclosure addresses the allocation and regulation of power and accountabilities within an insurer, and includes avoiding undue concentration of authority and power. It must be transparent and have appropriate systems, controls and limits to ensure the given authority and power is used protecting the interest of all of the insurance company's stakeholders. This information will be utilized by OCI to understand, review and assess the corporate governance practices of insurers to promote effective oversight on an ongoing basis. Additionally, this is a requirement for OCI to maintain NAIC accreditation, which helps Wisconsin insurers by ensuring OCI has full regulatory authority over its domestic insurers.

This bill also includes updates to OCI's confidentiality provisions. In recent years, several NAIC model reporting requirements have been enacted in Wisconsin with separate confidentiality sections. The changes to OCI's general confidentiality provisions are intended to match these specific provisions and to bring Wisconsin law in line with current NAIC confidentiality standards.

Currently, law requires insurers who are authorized to write medical malpractice insurance to file an annual medical malpractice insurance report with OCI. This report is obsolete and the bill eliminates this filing requirement.

Lastly, the bill modifies the membership on the rating committee of the Wisconsin Compensation Rating Bureau, which establishes rating plans for worker's compensation insurance. Currently, there are four members chosen by stock insurers and four chosen by mutual insurers. The bill adds one additional stock and one additional mutual insurer representative. This change in membership will allow the committee to gain representation for local Wisconsin companies.

It is my hope that the Committee will support SB 763.

Representative Cindi Duchow



Wisconsin Council of Life Insurers

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American Family Life Insurance Company
Catholic Financial Life
CUNA Mutual Insurance
Guardian Life Insurance Company of America
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Northwestern Mutual
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State Farm
Thrivent Financial for Lutherans
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TO: HONORABLE MEMBERS OF THE SENATE INSURANCE,
FINANCIAL SERVICES, CONSTITUTION AND FEDERALISM
COMMITTEE

FROM: CONNIE L. O'CONNELL
WISCONSIN COUNCIL OF LIFE INSURERS

SUBJECT: SENATE BILL 763

DATE: FEBRUARY 14, 2018

The Wisconsin Council of Life Insurers, an organization representing both domestic and nondomestic life insurance companies licensed in Wisconsin, encourages you to support Senate Bill 763 (SB 763) implementing changes to Wisconsin insurance law requested by the Office of the Commissioner of Insurance (OCI).

SB 763 incorporates the National Association of Insurance Commissioners (NAIC) Corporate Governance Model Act (the Model Act) into Wisconsin law. The NAIC is an organization comprised of each state's chief insurance regulator. Wisconsin's Commissioner of Insurance, Ted Nickel, is the NAIC Immediate Past President.

The Model Act is the outcome of approximately five years of efforts by the NAIC to provide regulators additional insight into the governance framework and practices of insurers. SB 763 requires insurers to annually disclose certain information to regulators regarding corporate governance structures and frameworks, and related policies and practices. The Model Act contains the filing requirement and important confidentiality provisions consistent with provisions in Wisconsin law governing similar reports such as the Own Risk Solvency Assessment and Model Holding Company Acts.

The Corporate Governance Annual Disclosure required by this act addresses four key areas:

1. Governance framework and structure.
2. Policies and practices of the Board and Board Committees.
3. Policies and practices for directing senior management.
4. Oversight of critical risk areas.

Adoption of the Corporate Governance Model Act is an accreditation standard for insurance departments and, as such, necessary to ensure that OCI continues to receive deference from other states in regulating Wisconsin companies.

The Wisconsin Council of Life Insurers respectfully requests your support of SB 763. Please do not hesitate to contact us if you have any questions or comments.