



# KEVIN PETERSEN

STATE REPRESENTATIVE

Chairman Steffen and honorable members of the Assembly Committee on Insurance.

Thank you for the opportunity to testify on Assembly Bill 622– Relating to: various changes to insurance laws, including issuance of funding agreements, granting rule-making authority, and providing a penalty.

Assembly Bill 622 modifies various insurance statutes that are administered by the Office of the Commissioner of Insurance. Some of the changes are listed below.

Requires that OCI maintain accreditation with the National Association of Insurance Commissioners. Allows OCI to adopt minimum education and certification requirements for job classifications that monitor the financial solvency of insurers to meet NAIC accreditation and best practice standards.

Modifies the penalty for violations of insurance statutes and rules. The bill increases this penalty to not more than \$5,000 if the violation specifically involves a consumer who is an adult at risk or at least 60 years of age.

Allows for policyholder meeting requirements that apply to mutual insurance corporations (mutuals) to allow mutuals to hold meetings by means of remote communication and to permit policyholders to participate by means of remote communication

This legislation is the 2021 Office of the Commissioner of Insurance “Technical Bill”. The technical bill is authored by legislators in partnership with the Commissioner-designee’s office to address technical issues in insurance law that are identified by lawmakers, stakeholders, and the agency.

Ultimately, this legislation will benefit both the Commissioner’s office and stakeholders by fixing technical issues and help Wisconsin remain one of the most competitive insurance markets in the country.



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor  
Mark V. Afable, Commissioner

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 267-9586 • Fax: (608) 264-6228  
oci.wi.gov

Wisconsin.gov

Date: October 20, 2021

To: Representative David Steffen, Chair  
Representative Kevin Petersen, Vice Chair  
Members of the Assembly Committee on Insurance

From: Richard Wicka, Chief Legal Counsel  
Office of the Commissioner of Insurance

Subject: Assembly Bill 622

The Office of the Commissioner of Insurance (OCI) submits the following comments for your consideration in support of Assembly Bill 622 relating to the insurance omnibus bill which contains various technical changes to the insurance statutes. OCI appreciates the Committee's consideration of the proposed changes. I will highlight a few of the more significant changes.

### **Accreditation**

The bill creates a statutory duty for OCI to maintain its accreditation with the NAIC. Accredited status means that Wisconsin insurers are only subject to financial examination and oversight by OCI versus oversight in every state and jurisdiction in which they operate. This provides important efficiencies for Wisconsin domiciled insurers. While it has always been OCI's goal to maintain accreditation, specifying this requirement in statute helps show the state's commitment to accreditation when dealing with federal and international regulators. The changes also clarify that OCI may adopt certification standards for the financial examiners that audit insurers as needed to maintain accreditation.

### **Enhanced Penalty for Violations Involving Vulnerable Adults**

The bill amends OCI's statutory forfeiture max from \$1,000 to \$5,000 if the violation involved an adult at risk or a person who is at least 60 years of age. Quite often OCI receives complaints of improper sales practices targeting seniors. This change would give OCI more options for deterring improper marketing scams targeting seniors and vulnerable adults.

### **Remote Meetings**

The bill includes a series of changes to make it clear that stock and mutual insurers can hold stockholder and policyholder meetings through remote participation. To this end, the statutes are amended to reference s. 180.0709, Wis.Stat. to make clear stock insurers can hold shareholder meetings through remote participation. Language is also added to ch. 611 to allow for remote policyholder meetings for mutual insurers.

This language parallels the requirements for such meeting in ch. 180 for stock companies.

### **Funding Agreements**

Funding agreements are a type of insurance product whereby an investor makes a lump sum payment to an insurer in exchange for a guaranteed, fixed rate of return over a time period. OCI has long held these types of agreements to be insurance policies, specifically an annuity without a life contingency. For the sake of clarity and certainty, OCI worked with the life insurance industry to codify OCI's long held position and to adopt some standards for these products based on similar regulations in other states.

### **Group Capital Calculations**

The bill provides OCI with the authority to draft administrative rules related to calculation of capital needs across an entire insurance holding company group and makes clear such calculations are confidential. These changes are related to the covered agreement that the United States Treasury entered into with the European Union (EU). By adopting these standards, OCI will ensure that Wisconsin insurers are subject to the group capital laws of this state and EU countries cannot impose their own capital requirements on Wisconsin insurers in order for them to do business in the EU.

### **Miscellaneous Provisions**

Finally, the bill includes some minor technical changes and clarifications requested by the Injured Patients and Families Compensation Fund and the Wisconsin Security Fund.

Thank you for your consideration of OCI's comments.