

CHAPTER 613

SERVICE INSURANCE CORPORATIONS

SUBCHAPTER I GENERAL PROVISIONS		613 51 Board of directors.	
613 01 Definitions.		613 52 Officers.	
613 02 Scope and purposes.		613 53 Policyholder or public members of board of directors.	
613 03 Applicability of other laws to service insurance corporations.		613 54 Supervision of management changes.	
613 04 Orders imposing and eliminating restrictions.		613 55 Continuity of management in emergencies.	
613 07 General corporate powers and procedures.		613 56 Committees of directors.	
SUBCHAPTER II ORGANIZATION OF CORPORATIONS		613 57 Interlocking directorates and other relationships.	
613 10 Reserved name.		613 58 Policyholders' committee.	
613 11 Incorporators.		613 60 Transactions with affiliates in which directors and others are interested.	
613 12 Articles and bylaws.		613 62 Directors' and officers' liability and indemnification.	
613 13 Certificate of incorporation and authority.		613 63 Executive compensation.	
613 19 Financial and contractual resources.		613 66 Exclusive agency contracts.	
613 20 Alteration of certificate of authority.		613 67 Management contracts.	
613 24 Segregated asset and special accounts.		613 69 Dividends and other distributions.	
613 26 Subsidiaries.		SUBCHAPTER V REORGANIZATION OF CORPORATIONS	
613 28 Changes in business plan.		613 72 Merger and consolidation of service insurance corporations.	
613 29 Amendment of articles.		613 74 Voluntary dissolution of solvent service insurance corporations.	
SUBCHAPTER III SECURITIES OF SERVICE INSURANCE CORPORATIONS		613 75 Conversion of a service insurance corporation into a stock or mutual insurance corporation.	
613 31 Securities regulation.		613 78 Transfer of business or assets.	
613 33 Authorized securities.		SUBCHAPTER VI SUPPLEMENTARY PROVISIONS	
SUBCHAPTER IV MANAGEMENT OF CORPORATIONS		613 80 Hospital service insurance corporations.	
613 40 Members and meetings.		613 81 Tax exemption for hospital service insurance corporations.	
613 41 Communications to members or policyholders and attendance at meetings.		613 90 Vicarious liability.	
		613 92 Administrative agent.	

Cross-reference: See definitions in ss. 600.03, 610.01 and 628.02.

NOTE: Chapter 223, laws of 1975, which created this chapter of the statutes, contained notes explaining the revision. See the 1975 session law volume.

SUBCHAPTER I

GENERAL PROVISIONS

613.01 Definitions. In this chapter, unless the context requires otherwise:

(1) **ARTICLES OF INCORPORATION.** "Articles of incorporation" has the meaning designated under s. 181.02 (1).

(2) **BOARD OF DIRECTORS.** "Board of directors" has the meaning designated under s. 181.02 (2).

(3) **BYLAWS.** "Bylaws" has the meaning designated under s. 181.02 (3).

(4) **DIRECTOR.** "Director" includes "trustee".

(4m) **INSURER.** In any provision of the statutes made applicable to service insurance corporations by this chapter, "insurer" includes service insurance corporations, and the technical terms used in those statutes shall be applicable to service insurance corporations despite the customary use of other parallel terms by service insurance corporations.

(5) **NONPROFIT CORPORATION.** "Nonprofit corporation" has the meaning designated under s. 181.02 (8).

(6) **NONSTOCK CORPORATION.** "Nonstock corporation" has the meaning designated under s. 181.02 (9).

(7) **OFFICER.** "Officer" does not include "director".

(8) **SECRETARY OF STATE.** In any provision of ch. 180 or 181 made applicable to service insurance corporations in this chapter, "secretary of state" means commissioner of insurance.

History: 1975 c. 223; 1979 c. 102; 1983 a. 189 ss. 295, 296, 329 (22).

613.02 Scope and purposes. (1) **SCOPE.** (a) This chapter applies only to corporations incorporated under the laws of this state. Corporations not incorporated under the laws of this state may not do business in this state under this chapter.

(2) **PURPOSES.** The purposes of this chapter are:

(a) To create an effective and flexible legal framework within which insured service benefits may be provided with adequate protection to consumers;

(b) To encourage innovation in insurance organization and marketing and the development of more economical and effective ways of providing services or combinations of indemnity and services;

(c) To meet the special needs of service insurance corporations consistent so far as possible with the general framework of the corporation law of insurance; and

(d) To ease the burden of payment for health care and other essential services by providing a method for creating alternative vehicles for providing them.

History: 1975 c. 223; 1975 c. 224 s. 148m; 1975 c. 375, 422; 1977 c. 339; 1979 c. 102.

613.03 Applicability of other laws to service insurance corporations. (1) **CHAPTER 181 GENERALLY INAPPLICABLE TO SERVICE INSURANCE CORPORATIONS.** Chapter 181 does not apply to service insurance corporations except as specifically made applicable by this chapter.

(2) **INSURANCE CORPORATION LAW.** Whenever in this chapter a section, subsection or paragraph of ch. 611 is made applicable to service insurance corporations the application shall be of those portions of the section, subsection or paragraph of ch. 611 that apply to mutual corporations.

(3) **APPLICABILITY OF INSURANCE LAWS.** Except as otherwise specifically provided, service insurance corporations organized or operating under this chapter are subject to subch. II of ch. 619 and ss. 610.01, 610.11, 610.21, 610.23 and 610.24 and chs. 600, 601, 609, 617, 620, 623, 625, 627, 628, 631, 632, 635 and 645 and to no other insurance laws.

History: 1975 c. 223; 1979 c. 102 ss. 125, 126; 1979 c. 313; 1981 c. 38 s. 26; 1983 a. 215 s. 17; 1989 a. 23; 1991 a. 250.

613.04 Orders imposing and eliminating restrictions. (1) **ORDERS IMPOSING RESTRICTIONS.** The commissioner may subject an individual corporation not otherwise subject thereto to some or all of the restrictions of ss. 613.28, 613.33 (1) (a) and (b) and 611.54 (1) (b) as incorporated by s. 613.54, if the

commissioner finds that its financial condition, management or other circumstance requires such additional regulation for the protection of the interests of insureds or the public.

(2) **ORDERS ELIMINATING RESTRICTIONS.** The commissioner may free a new corporation from any of the restrictions generally applicable only to new corporations under ss. 613.28, 613.33 (1) (a) and (b) and 611.54 (1) (b) as incorporated by s. 613.54, if the commissioner is satisfied that its financial condition, management or other circumstance gives assurance that the interests of insureds and the public will not be endangered thereby.

History: 1975 c. 223, 421.

613.07 General corporate powers and procedures.

(1) **POWERS.** Service insurance corporations have the powers specified under s. 181.04 (1) to (12), (14) and (16).

(2) **EFFECT OF UNAUTHORIZED CORPORATE ACTS.** Section 181.057 applies to service insurance corporations.

(3) **OMISSION OF SEAL.** Section 181.665 applies to service insurance corporations.

(4) **WAIVER OF NOTICE AND INFORMAL ACTION BY SHAREHOLDERS OR DIRECTORS.** Sections 181.70 and 181.72 apply to service insurance corporations.

History: 1975 c. 223; 1979 c. 110; 1987 a. 13.

SUBCHAPTER II

ORGANIZATION OF CORPORATIONS

613.10 Reserved name. A service insurance corporation may reserve a corporate name as provided in s. 181.07.

History: 1975 c. 223.

613.11 Incorporators. Any number of corporate or adult natural persons may organize a service insurance corporation under s. 613.13.

History: 1975 c. 223.

613.12 Articles and bylaws. (1) CONTENTS OF ARTICLES. The articles of a service insurance corporation shall conform to s. 181.31, except that:

(a) The name of the corporation shall include descriptive terms to indicate the general nature of the services or care to be provided, or a trade name that is generally understood as indicating such service or care, and shall comply with s. 181.06 (3);

(b) The purposes of the corporation shall be limited to those permitted in s. 610.21;

(c) The services to be provided or for which indemnity is to be paid shall be generally described and shall be of the same kind as the services ordinarily provided by any members of the corporation in their profession or business, or of the persons entitled to designate members, and services ancillary thereto;

(d) The articles shall state whether members or other providers of services are subject to assessments for the purpose of paying operating costs or financial deficits, the general conditions and procedures for levying such assessments and any limitations on the assessments that may be levied;

(e) The articles shall state, for corporations having members, how persons may become members and that only members may vote; and

(f) The articles of a corporation not having members shall state how the directors of the corporation shall be selected.

(2) **BYLAWS.** The bylaws of a service insurance corporation shall comply with this chapter, and with all except the first sentence of s. 181.13. A copy of any amendments to the bylaws shall be filed with the commissioner within 60 days after adoption.

(3) **PRINCIPAL OFFICERS.** The articles or bylaws shall specifically designate 3 or more offices, the holders of which shall be the

principal officers of the corporation. The principal offices shall be held by at least 3 separate natural persons.

History: 1975 c. 223.

613.13 Certificate of incorporation and authority.

(1) **APPLICATION.** The application for a certificate of incorporation and authority shall be signed and acknowledged by or on behalf of each incorporator, and shall include or have attached:

(a) The names, and for the preceding 10 years, all addresses and all occupations of all incorporators and proposed directors and officers.

(b) For all corporate incorporators, their articles and bylaws, a list of the names, addresses and occupations of all directors and principal officers, and for the 3 most recent years their annual financial statements and reports.

(c) The proposed articles which shall be signed and acknowledged by or on behalf of each incorporator, and the proposed bylaws.

(d) All agreements relating to the corporation to which any incorporator or proposed director or officer is a party.

(e) The amount and sources of the funds available for organization expenses and the proposed arrangements for reimbursement and compensation of incorporators or other persons.

(f) The proposed compensation of directors and officers.

(g) The forms to be used for any contracts between the corporation and its members or other persons concerning the provision of services to insureds.

(h) The proposed minimum permanent surplus, and the proposed initial expendable surplus.

(i) The plan for conducting the insurance business, including:

1. The geographical area in which business is intended to be done in the first 5 years.

2. The types of insurance intended to be written in the first 5 years including specification whether and to what extent indemnity rather than services are to be provided.

3. The proposed marketing methods.

4. To the extent requested by the commissioner, the proposed method for the establishment of premium rates and other charges to policyholders.

(j) A projection of the anticipated operating results of the corporation at the end of each of the first 5 years of operation, based on reasonable assumptions of loss experience, premium and other income, operating expenses and acquisition costs.

(k) Such other relevant documents or information as the commissioner reasonably requires.

(2) **ISSUANCE OF CERTIFICATE OF INCORPORATION AND AUTHORITY.** The commissioner shall issue a certificate of incorporation and authority if:

(a) The commissioner finds that all requirements of law have been met;

(b) The commissioner is satisfied that all natural persons who are incorporators, the directors and principal officers of corporate incorporators, and the proposed directors and officers of the corporation being formed are trustworthy and competent and collectively have the competence and experience to engage in the particular insurance business proposed; and

(c) The commissioner is satisfied that the business plan is consistent with the interests of the corporation's potential insureds and of the public.

(3) **CONTENTS OF CERTIFICATE OF AUTHORITY.** The certificate of authority shall specify any limits placed on the insurance business that may be carried on by the corporation and may, within the powers given the commissioner by law, specify limits on its methods of operation.

(4) **LEGAL EXISTENCE.** Upon the issuance of the certificate of incorporation and authority the legal existence of the corporation shall begin, the articles and bylaws shall become effective and the

proposed directors and officers shall take office. The certificate is conclusive evidence of compliance with this section, except in a proceeding by the state against the corporation.

History: 1975 c. 223, 421; 1979 c. 102.

613.19 Financial and contractual resources.

(1) **MINIMUM PERMANENT SURPLUS.** The commissioner may by rule establish the minimum permanent surplus for a corporation organized under this chapter. In the absence of such a rule, the minimum permanent surplus shall be \$2,000,000 or such greater amount as the commissioner specifies by order.

(2) **INITIAL EXPENDABLE SURPLUS.** A corporation organized under this chapter shall have an initial expendable surplus, after payment of all organizational expenses, of at least 50% of the minimum permanent surplus specified under sub. (1), or such other percentage as the commissioner specifies by order.

(3) **PROVIDERS' CONTRACTS.** A service insurance corporation may make contracts with its members and other persons for the provision of services to policyholders in order to ensure performance of the insurance contracts to be issued. The selection of members and other providers with whom such contracts are made and the terms of the contracts, together with the surplus provided under subs. (1), (2) and (5), shall reflect the benefits and other terms provided in the insurance contracts and the number and distribution of existing and expected policyholders in such a way that it is reasonably to be expected that services will be provided as promised.

(4) **ASSESSMENTS AGAINST POLICYHOLDERS.** There may not be any assessments against policyholders.

(5) **REDUCTION OF MINIMUM SURPLUS.** The commissioner may by order reduce the minimum amounts of surplus required under subs. (1) and (2) if in the commissioner's opinion the extent and nature of providers' contracts under sub. (3), financial guarantees and other support by financially sound private or public corporations, a pressing social need in a particular community for the formation of a service insurance corporation, or other special circumstances, justify the proposed reduction in the required surplus. A person who will directly compete with the proposed insurer is aggrieved within the meaning of s. 601.62 (3) (a).

(6) **HEALTH MAINTENANCE ORGANIZATION INSURER.** This section does not apply to a health maintenance organization insurer that is subject to s. 609.96.

History: 1975 c. 223, 421; 1979 c. 261; 1985 a. 335; 1989 a. 23.

613.20 Alteration of certificate of authority.

(1) **UPON APPLICATION.** A service insurance corporation may at any time apply to the commissioner for a new or amended certificate of authority, removing, altering or adding limits on its business or methods of operation. The application shall contain or be accompanied by so much of the information in s. 613.13 (1) as the commissioner requires. The commissioner shall issue the new certificate as requested if the commissioner finds that the:

(a) Corporation's surplus and providers' contracts are adequate to support the proposed operations under the new certificate; and

(b) Proposed business would not be contrary to the law or to the interests of insureds or the public.

(2) **BY COMMISSIONER.** If the commissioner issues a summary order under s. 645.21 against a corporation, the commissioner may also revoke the corporation's certificate and issue a new one with such limits as deemed necessary.

History: 1975 c. 223, 421.

613.24 Segregated asset and special accounts. Service insurance corporations are subject to ss. 611.24 and 611.25.

History: 1975 c. 223.

613.26 Subsidiaries. Service insurance corporations may act under s. 611.26.

History: 1975 c. 223.

613.28 Changes in business plan. Service insurance corporations are subject to s. 611.28.

History: 1975 c. 223.

613.29 Amendment of articles. (1) RIGHT TO AMEND ARTICLES. A service insurance corporation may amend its articles under ss. 181.35 to 181.37 and 181.39 in any desired respect including substantial changes of its original purposes not inconsistent with this chapter. No amendment may be made contrary to s. 613.12.

(2) **FILING.** For 5 years after the initial issuance of a certificate of authority, proposed amendments of the articles which are not changes in the business plan shall be filed with the commissioner at least 30 days before the amendment is submitted to the members for approval, or if such approval is not required, at least 30 days before the effective date. No amendment may become effective until the articles of amendment have been filed with the commissioner.

(3) **EFFECT OF AMENDMENT.** Section 181.41 applies to service insurance corporations.

History: 1975 c. 223.

SUBCHAPTER III

SECURITIES OF SERVICE INSURANCE CORPORATIONS

613.31 Securities regulation. (1) REGISTRATION. No securities issued by a service insurance corporation may be sold by or for the corporation unless they are registered or exempt from registration under ch. 551.

(2) **APPROVAL BY COMMISSIONER.** Securities of a service insurance corporation may not be registered under ch. 551 without prior approval of the commissioner of insurance.

History: 1975 c. 223.

613.33 Authorized securities. (1) SERVICE INSURANCE CORPORATION BONDS. The articles of a service insurance corporation may authorize service insurance corporation bonds of one or more classes and shall specify the amount of each class of bonds the corporation is authorized to issue, their designations, preferences, limitations, rates of interest and relative rights, subject to the following provisions:

(a) During the first year after the initial issuance of a certificate of authority, the corporation may issue only a single class of bonds with identical rights.

(b) After the first year but within 5 years after the initial issuance of a certificate of authority, additional classes of bonds may be authorized after approval of the commissioner, who shall approve on a finding that policyholders and prior bondholders will not be prejudiced.

(c) The rate of interest shall be fair and reasonable.

(d) The bonds shall bear a maturity date not later than 10 years from the date of issuance, when principal and accrued interest shall be due and payable, subject to sub. (4).

(2) **CONTRIBUTION NOTES.** Any service insurance corporation may issue contribution notes if the commissioner approves. The commissioner may approve only on a finding that:

(a) The notes will not be issued in denominations of less than \$500, and no single issue will be sold to more than 15 persons;

(b) No discount, commission or other fee will be paid or allowed;

(c) The notes will not be the subject of a public offering;

(d) Their terms are not prejudicial to policyholders, holders of service insurance corporation bonds or of prior contribution notes; and

(e) The corporation's articles and bylaws do not forbid their issuance.

(3) **PROHIBITED TRANSACTIONS.** No service insurance corporation may:

(a) If it has any outstanding obligations on service insurance corporation bonds or contribution notes, borrow on contribution notes from, or sell bonds to, any other insurer without approval of the commissioner; or

(b) Make any loan to another insurer except a fully secured loan at usual market rates of interest.

(4) **REPAYMENT.** Payment of the principal or interest on service insurance corporation bonds or contribution notes may be made in whole or in part only after approval by the commissioner. Approval shall be given if all financial requirements of the issuer to do the insurance business it is then doing will continue to be satisfied after payment and if the interests of its insureds and the public are not thereby endangered. In the event of liquidation under ch. 645, unpaid amounts of principal and interest on contribution notes shall be subordinated to the payment of principal and interest on any service insurance corporation bonds issued by the corporation at any time.

(5) **OTHER OBLIGATIONS.** Nothing in this section prevents a service insurance corporation from borrowing money on notes which are its general obligations, nor from pledging any part of its disposable assets therefor.

History: 1975 c. 223, 421; 1979 c. 102

SUBCHAPTER IV

MANAGEMENT OF CORPORATIONS

613.40 Members and meetings. In a service insurance corporation that has members:

(1) **MEETINGS OF MEMBERS.** Sections 181.14 and 181.15 apply to service insurance corporations.

(2) **VOTING AND QUORUM.** Sections 181.16 and 181.71 apply to service insurance corporations and s. 181.17 applies to service insurance corporations except as modified by ss. 613.72 (4) and 613.75 (2).

(3) **DIVISION INTO DISTRICTS.** Section 181.175 applies to service insurance corporations.

History: 1975 c. 223.

613.41 Communications to members or policyholders and attendance at meetings. (1) **COPIES OF COMMUNICATIONS.** The commissioner may by rule prescribe that copies of specified classes of communications circulated generally by a corporation to members or policyholders shall be communicated to the commissioner at the same time.

(2) **ATTENDANCE AT MEETINGS.** The commissioner may attend any members' or policyholders' meeting.

History: 1975 c. 223, 421.

613.51 Board of directors. (1) **GENERAL.** Section 181.18 applies to service insurance corporations.

(2) **NUMBER, SELECTION AND CLASSIFICATION OF DIRECTORS.** Section 611.51 (2) and the first sentence of s. 611.51 (5) apply to service insurance corporations. Sections 181.20 and 181.21 apply to service insurance corporations except as modified by ss. 613.53 and 613.54.

(3) **INSIDE DIRECTORS.** Employees and representatives of a service insurance corporation may not constitute a majority of its board.

(4) **UNLAWFUL DELEGATION.** The board shall manage the business and affairs of the corporation and may not delegate its power or responsibility to do so, except to the extent authorized by ss. 181.25 (2) and 613.56.

(5) **QUORUM OF DIRECTORS.** Section 181.22 applies to service insurance corporations, except as modified by s. 613.60.

(6) **BOOKS AND RECORDS.** Section 181.27 applies to service insurance corporations.

(7) **PLACE AND NOTICE OF DIRECTORS' MEETINGS.** Section 181.24 applies to service insurance corporations.

History: 1975 c. 223.

613.52 Officers. (1) **GENERAL.** Section 181.25 applies to service insurance corporations, as modified by s. 613.12 (3).

(2) **REMOVAL.** Section 181.26 applies to service insurance corporations.

History: 1975 c. 223.

613.53 Policyholder or public members of board of directors. The articles may provide that any number of the directors shall be chosen from among the policyholders, the general public or both, under a plan designed to assure independent directors truly representing the interests of policyholders or the public interest. The persons to be named as directors under this section shall be persons whose experience and existing relationships qualify them to serve responsibly and impartially as independent policyholder or public directors.

History: 1975 c. 223.

613.54 Supervision of management changes. Section 611.54 applies to service insurance corporations.

History: 1975 c. 223.

613.55 Continuity of management in emergencies. Section 611.55 applies to service insurance corporations.

History: 1975 c. 223.

613.56 Committees of directors. (1) **APPOINTMENT.** If the articles or bylaws of a corporation so provide, the board by resolution adopted by a majority of the full board may designate one or more committees, each consisting of 3 or more directors serving thereon at the pleasure of the board. The board may designate one or more directors as alternate members of any committee to substitute for any absent member at any meeting of the committee. The designation of a committee and delegation of authority to it shall not relieve the board or any director of responsibility imposed by law.

(2) **DELEGATION; MAJOR COMMITTEES.** When the board is not in session, a committee satisfying all of the requirements for the composition of a full board under s. 613.51 may exercise any of the powers of the board in the management of the business and affairs of the corporation, including action under ss. 611.60 and 611.61 as applied to service insurance corporations by s. 613.60, to the extent authorized in the resolution or in the articles or bylaws.

(3) **DELEGATION; ORDINARY COMMITTEES.** When the board is not in session, a committee not satisfying the requirements of sub. (2) may exercise the powers of the board in the management of the business and affairs of the corporation to the extent authorized in the resolution or in the articles or bylaws, except action in respect to:

(a) Compensation or indemnification of any person who is a director, principal officer or one of the 3 most highly paid employees, and any benefits or payments requiring member or policyholder approval;

(b) Approval of any contract required to be approved by the board under ss. 611.60 and 611.61 as applied to service insurance corporations by s. 613.60, or of any other transaction in which a director has a material interest adverse to the corporation;

(c) Amendment of the articles or bylaws;

(d) Merger or consolidation under s. 613.72, conversion under s. 613.75, voluntary dissolution under s. 613.74 or transfer of business or assets under s. 613.78;

(e) Any other decision requiring member or policyholder approval;

(f) Amendment or repeal of any action previously taken by the full board which by its terms is not subject to amendment or repeal by a committee;

(g) Dividends or other distributions to members or policyholders, other than in the routine implementation of policy determinations of the full board;

(h) Selection of principal officers; and

(i) Filling of vacancies on the board or any committee created under sub. (1) except that the articles or bylaws may provide for temporary appointments to fill vacancies on the board or any committee, the appointments to last no longer than the end of the next board meeting.

(4) **SUBSEQUENT REVIEW.** The full board or a major committee of the board authorized to do so under sub. (2) shall specifically review any transaction in which an officer has a material financial interest adverse to the corporation, at the next meeting following action by any ordinary committee.

History: 1975 c. 223, 421; 1979 c. 102

613.57 Interlocking directorates and other relationships. Section 611.57 applies to service insurance corporations.

History: 1975 c. 223

613.58 Policyholders' committee. A service insurance corporation's articles or bylaws may provide for a policyholders' committee, to be selected in a manner that will make its membership representative of the interests of policyholders. The policyholders' committee shall at the corporation's expense prepare an annual report to be filed with the commissioner. The corporation shall inform all policyholders of the availability of the report in a manner approved by the commissioner and shall send copies of the report to policyholders upon their request. A summary of the report prepared or approved by the committee and not exceeding 2,000 words shall be included with any annual report issued by the corporation to members or policyholders.

History: 1975 c. 223

613.60 Transactions with affiliates in which directors and others are interested. Sections 611.60 and 611.61 apply to service insurance corporations.

History: 1975 c. 223; 1979 c. 102

613.62 Directors' and officers' liability and indemnification. (1) LIABILITY. Sections 181.283 to 181.29 apply to service insurance corporations.

(2) **INDEMNIFICATION.** Sections 181.041 to 181.051 apply to service insurance corporations but no indemnification may be made until at least 30 days after notice to the commissioner, containing full details about the proposed indemnification.

(3) **INSURANCE.** Section 181.053 applies to service insurance corporations.

History: 1975 c. 223, 421; 1987 a 13

613.63 Executive compensation. (1) ESTABLISHMENT OF COMPENSATION. Section 181.19 applies to service insurance corporations, except as modified by ss. 613.60 and sub. (2).

(2) **RESTRICTIONS.** Sections 181.28 and 611.63 (3) to (6) apply to service insurance corporations.

History: 1975 c. 223; 1979 c. 102 s 237

613.66 Exclusive agency contracts. (1) GENERAL. Except under sub. (2), no service insurance corporation may enter into any contract whereby any person is granted the exclusive right or privilege of soliciting, producing or receiving a fee or commission on all or substantially all of the insurance business of the corporation in this state.

(2) **SUBSIDIARIES.** Subsection (1) does not apply to contracts in which a corporation is the exclusive agent of its insurance subsidiary authorized under s. 611.26 (1) as applied to service insurance corporations by s. 613.26, or in which the subsidiary is the exclusive agent of the corporation.

History: 1975 c. 223

613.67 Management contracts. Section 611.67 applies to service insurance corporations.

History: 1975 c. 223

613.69 Dividends and other distributions. (1) STOCK AND DIVIDENDS. Section 181.28 applies to service insurance corporations.

(2) **NOTICE TO COMMISSIONER.** No payments, other than the contractual compensation for services rendered to policyholders or payments to policyholders, officers and employes in the ordinary course of business, may be made to the members until 30 days after the proposed action has been reported to the commissioner.

History: 1975 c. 223

SUBCHAPTER V

REORGANIZATION OF CORPORATIONS

613.72 Merger and consolidation of service insurance corporations. (1) AUTHORIZATION. Any 2 or more domestic service insurance corporations may merge or consolidate, if they provide services of the same or a related nature, or if the services complement one another or there are other reasons that make it reasonable for a single corporation to render both. A written plan of merger or consolidation shall be prepared, setting forth all the terms of the proposed merger or consolidation and its effect on policyholders and members of both corporations. The plan shall also contain the articles and bylaws of the proposed new corporation.

(2) **COMMISSIONER'S APPROVAL REQUIRED.** No proposed merger or consolidation plan under this section may be submitted to the members until the commissioner approves it.

(3) **GROUND FOR DISAPPROVAL.** The commissioner shall approve the plan unless the commissioner finds, after a hearing, that it is contrary to the law or to the interests of insureds or of the public of this state.

(4) **MEMBERS' APPROVAL REQUIRED.** The plan must be approved separately by two-thirds of the votes cast by the members of each corporation included in the plan.

(5) **APPLICATION OF CH 181.** Except as otherwise provided in this section, ss. 181.42 to 181.48 apply to service insurance corporations.

History: 1975 c. 223, 421; 1979 c. 102

613.74 Voluntary dissolution of solvent service insurance corporations. (1) GENERAL. Sections 181.50 to 181.555 apply to service insurance corporations, except as provided in subs. (2) to (4).

(2) **PLAN OF DISSOLUTION.** At least 60 days prior to the submission to members of any proposed voluntary dissolution of a service insurance under s. 181.50 the plan shall be filed with the commissioner. The commissioner may require the submission of such additional information as will establish the financial condition of the corporation or other facts relevant to the proposed dissolution. If the members adopt the resolution to dissolve, the commissioner shall, within 30 days after the adoption of the resolution, begin to examine the corporation. The commissioner shall approve the dissolution unless the commissioner finds, after a hearing, that it is insolvent or may become insolvent in the process of dissolution. Upon approval, the corporation may dissolve under ss. 181.51 to 181.555, except that the last sentence of s. 181.555 does not apply. Upon disapproval, the commissioner shall petition the court for liquidation or for rehabilitation under ch. 645.

(3) **CONVERSION TO INVOLUNTARY LIQUIDATION.** The corporation may at any time during the liquidation under ss. 181.51 to 181.555 apply to the commissioner to have the liquidation continued under the commissioner's supervision; thereupon the com-

missioner shall apply to the court for liquidation under s. 645.41 (10).

(4) **REVOCATION OF VOLUNTARY DISSOLUTION.** If the corporation revokes the voluntary dissolution proceedings under s. 181.53 a copy of the revocation of voluntary dissolution proceedings shall be filed with the commissioner.

History: 1975 c. 223, 421

613.75 Conversion of a service insurance corporation into a stock or mutual insurance corporation.

(1) **AUTHORIZATION.** Any service insurance corporation may be converted into a stock insurance corporation under ch. 611 upon complying with sub. (2) and as much of s. 611.76 as is applicable, or into a mutual under ch. 611 upon complying with sub. (2) and s. 611.75.

(2) **APPROVAL BY PERSONS ENTITLED TO VOTE.** The commissioner shall not issue an organization permit under s. 611.13 (3) or a certificate of authority under s. 611.22 (3) unless the conversion has been approved by a mail vote of at least two-thirds of those voting, including an affirmative vote of at least half of the members, or by a vote of at least two-thirds of the members present or represented by proxy at a special meeting called for that purpose.

History: 1975 c. 223; 1979 c. 102.

613.78 Transfer of business or assets. (1) GENERAL. Section 181.49 applies to service insurance corporations except as modified by subs. (2) and (3).

(2) **REPORT TO COMMISSIONER.** Any action by which a service insurance corporation proposes to transfer to another person or to reinsure any part of its insurance business, other than in the normal and usual course of business, or to sell, lease, exchange, mortgage, pledge or otherwise dispose of or encumber more than 25% of its assets, shall be reported to the commissioner not less than 30 days in advance of the proposed effective date. The commissioner may defer the effective date for an additional period not exceeding 30 days by written notice to the corporation before expiration of the initial 30-day period.

(3) **DISAPPROVAL.** The commissioner may, within the 30-day period or its extension under sub. (2), prohibit the proposed action if it is contrary to law, the interests of insureds or the public or if it will make possible the circumvention of any of the requirements of ss. 613.72 to 613.75.

History: 1975 c. 223.

SUBCHAPTER VI

SUPPLEMENTARY PROVISIONS

613.80 Hospital service insurance corporations.

(1) **STATEMENT OF PURPOSE.** This subsection is a guide to the interpretation and application of sub. (2). Payment for adequate health care services is a problem of great social importance, with many ramifications. New and better methods of payment for and delivery of health care services are needed. It is hereby stated to be the public policy of this state to encourage the formation of nonprofit hospital service insurance corporations under this chapter, on an economically sound basis, in the hope that they may ease the burden of payment for hospital services and health care for large numbers of the population, without any burden on the public treasury and free from the profit motive. If such corporations can contribute to the solution of such serious social and economic problems, they merit the support of the state. It is the policy of this state that such corporations should develop without changing the status of voluntary hospitals and that, by enabling many citizens to procure adequate hospital services for themselves, they should leave the hospitals more able to provide subsidized services to those unable to pay.

(2) **AUTHORIZATION.** Nonprofit hospital service insurance corporations may be organized under this chapter to establish, maintain and operate service plans to implement sub. (1).

(3) **CONTINUATION.** Any corporation existing under s. 182.032, 1973 stats., prior to May 5, 1976 is deemed to have been organized under this section.

History: 1975 c. 223

613.81 Tax exemption for hospital service insurance corporations. Every nonprofit service insurance corporation organized under s. 613.80 which does not pay any dividends, benefits or pecuniary profits to any members or directors is, except for purposes of the franchise tax measured by net income, a charitable and benevolent corporation.

History: 1975 c. 223; 1985 a. 29; 1987 a. 27.

613.90 Vicarious liability. No member of or other provider for a service insurance corporation is liable, solely by virtue of a relationship with the corporation or of the providers' contract, for any act, omission or default of the corporation or of any other member of or provider for the corporation.

History: 1975 c. 223, 421.

613.92 Administrative agent. Service insurance corporations organized pursuant to the authorization under ss. 148.03, 447.13 and 613.80 may act as administrative agent for a government instrumentality performing an insurance, public assistance or related function.

History: 1975 c. 223.