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☛ Details: Miscellaneous committee correspondence and documents

(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

## 1995-96

(session year)

## Assembly

(Assembly, Senate or Joint)

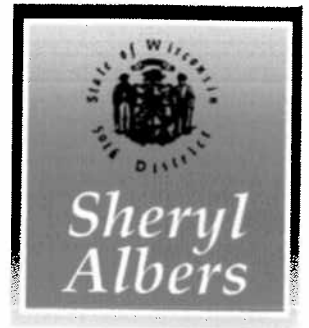
## Committee on Insurance, Securities and Corporate Policy...

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                      (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**



TO: Representative Marlin D. Schneider  
FROM: Representative Sheryl K. Albers  
RE: Committee Hearings on AB129 and AB227  
DATE: May 3, 1995

Dear Marlin:

This letter is in response to your letter dated April 28, 1995. Thank you for expressing your concerns on Assembly Bills 129 and 227. With regard to AB 129, relating to requiring insurers to cover treatment of a condition by an acupuncturist if there is coverage for treatment of the condition by a physician, this issue has been raised repeatedly in the past and my position on the issue has not changed and I am, therefore, not inclined to hold public hearings on the issue at this time. It is contrary to the interests of policyholders to increase mandates which inevitably increase premium costs.

Additionally, while I originally agreed to co-author AB 227, relating to the use of genetic tests by insurers, I had my name removed after further reviewing the language and purpose of the proposal. As you know, Wisconsin is one of only four states to have existing statutory prohibition on the use of genetic testing by insurers. As such, while I am inclined to share similar concerns on this issue, the current state of the law sufficiently protects the interests of policyholders. Finally, this bill would effectively circumvent the dialogue on the subject of guaranteed issue; an issue which the assembly will explore in further detail when discussing Senator Rosenzweig's health care reform proposal. For the above stated reasons I am not inclined to hold public hearings on AB 227 at this time.

Once again, I respectfully acknowledge your position on these issues and thank you for bringing them to my attention.

Sincerely,

Sheryl K. Albers  
State Representative  
50th Assembly District

ska/jmk

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708-8952 • (608) 266-8531  
Message Hotline: (800) 362-9472

Home: S6896 Seeley Creek Rd. • Loganville, WI 53943 • (608) 727-5084

  
Printed on recycled paper  
with soy base ink.

**MARLIN D. SCHNEIDER**  
**State Representative**  
72nd Assembly District

**Office:**

State Capitol  
P.O. Box 8953  
Madison, Wisconsin 53708  
(608) 266-0215

**Home:**

3820 Southbrook Lane  
Wisconsin Rapids, WI 54494  
(715) 423-1223

**Legislative Hotline:**



**WISCONSIN**  
**STATE ASSEMBLY**

**Chairman:**  
Committee on Education

**Vice Chairman:**  
Committee on Trade, Science & Technology  
Legislative Council

**Member:**  
Committee on Judiciary  
Committee on Transportation  
Committee on Veterans & Military Affairs  
State Capitol & Executive Residence Board  
National Conference of State Legislatures  
State-Federal Assembly  
Assembly on the Legislature  
Council of State Governments

April 28, 1995

Representative Sheryl Albers, Chair  
Committee on Insurance, Securities, &  
Corporate Policy  
136 South, Capitol  
Madison, WI 53702

Dear Sheryl:

The following bills have been referred to your Committee:

Assembly Bill 129 -- relating to requiring insurers to cover treatment of a condition by an acupuncturist if there is coverage for treatment of the condition by a physician.

Assembly Bill 227 -- relating to the use of genetic tests by insurers.

I am respectfully requesting that you hold a public hearing on these bills as soon as possible.

I would appreciate your immediate attention to my request. Thank you in advance for your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Marlin D. Schneider".

MARLIN D. SCHNEIDER  
State Representative

mep/k

MAY 1 0 1995

Page 1

(Untitled)

May 17, 95.  
Albany wisconsin  
53502

Honorable Sheryl Albers;

I understand you are the chairperson of A committee that has A bill no. 129.on payment of acupunture services by insurance companys. I would like to ask for your support of this bill. My wife has torticullis, we have tried medical doctors, chiorpractors, etc. Ihave seen three other patients cured or in remission by acupunture treatments. On april 10 95 I developed A severe pain, swelling and numbness on the right side of my head and face. On the 14th I went to A medical doctor his diagnosis was "bell's palsy" an he couldn't do anything for me except tell me to take tylenol also I came in to late.I was in too much pain to get A second opinion but it cost me \$55.00 for his. So I got hold of Acupunture Center Madison A Dr. Dave Hassert treated me after four days the pain went down to A minimum. A week after the first treatment hardly no pain at all. Also the swelling is going down. I have found out old neighbors of mine had the same thing one had so much pain that he had the nerve cut. The other slept in A recliner all the time. I too slept in A recliner for three nights because of severe pain. I would like very very much for support of this bill no.129. My tel. 608 862 3547. thanking you for your time.



cc Mike Powers  
Allied brewers trust co.

RUSSELL & CAROL ALBRIGHT  
W2934 PURINTUN RD.  
ALBANY, WISCONSIN 53502

**MARLIN D. SCHNEIDER**  
**State Representative**  
72nd Assembly District

**Office:**  
State Capitol  
P.O. Box 8953  
Madison, Wisconsin 53708  
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**WISCONSIN  
STATE ASSEMBLY**

**Chairman:**  
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Committee on Judiciary  
Committee on Transportation  
Committee on Veterans & Military Affairs  
State Capitol & Executive Residence Board  
National Conference of State Legislatures  
State-Federal Assembly  
Assembly on the Legislature  
Council of State Governments

March 8, 1995

David & Susi Hassert  
Acupuncture Centre of Madison  
6506 Schroeder Road  
Madison, WI 53711

Dear David & Susi:

Enclosed is a copy of Assembly Bill 129 relating to acupuncture and a list of the members of the Assembly Committee on Insurance, Securities and Corporate Policy, the Committee to which AB 129 was referred.

You will want to begin coordinating your patients and supporters of acupuncture as you attempted last session, so when the bill is scheduled for a hearing you and your supporters will be ready to testify in favor of it. Now would be a good time for you to get supporters to write letters requesting a hearing on the bill and asking the committee members for their support. You will also eventually want to contact the acupuncture clinics in the legislative districts of the committee members.

My office will contact you when the bill is scheduled for a hearing.

Sincerely,

A handwritten signature in cursive script that reads "Marlin D. Schneider".

MARLIN D. SCHNEIDER  
State Representative

ksw/k

Enclosures

**MARLIN D. SCHNEIDER**  
State Representative  
72nd Assembly District

Office:  
State Capitol  
P.O. Box 8953  
Madison, Wisconsin 53708  
(608) 266-0215

Home:  
3820 Southbrook Lane  
Wisconsin Rapids, WI 54494  
(715) 423-1223

Legislative Hotline:

*Acupuncture bill  
is committed*

APR 20 1995



**WISCONSIN  
STATE ASSEMBLY**

**Chairman:**  
Committee on Education

**Vice Chairman:**  
Committee on Trade, Science & Technology  
Legislative Council

**Member:**  
Committee on Judiciary  
Committee on Transportation  
Committee on Veterans & Military Affairs  
State Capitol & Executive Residence Board  
National Conference of State Legislatures  
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My office will contact you when the bill is scheduled for a hearing.

Sincerely,  
*Marlin Schneider*

MARLIN D. SCHNEIDER  
State Representative

ksw/k

Enclosures

4-18-95

Gratiot, wi.

To assembly Committee member on Insurance,

I am writing to ask for a hearing on Assembly Bill 129, regarding acupuncture.

I would appreciate your support on this bill.

Acupuncture and massage therapy are both healthy alternatives to drugs prescribed by M.D.'s. It is the medicine of the future for Americans, but as old as ancient China.

Let's be a leader on this therapy & treatment in Wisconsin, for ins. coverage.

Thank you for your consideration!

respectfully,

Clare Bell

5904 78th

Gratiot, wi. 53541

Phone (608) 922-3374

April 19, 1995

To assembly Committee member on Insurance,

I am writing to ask for a hearing on Assembly Bill 129, regarding acupuncture. I would appreciate your support on this bill.

Acupuncture and message therapy are both healthy alternatives to drugs prescribed by M.D. doctors. It is the medicine of the future for Americans, but as old as ancient China.

Let's be a leader on this therapy and treatment in Wisconsin, for insurance coverage.

Thank you for your consideration.

Sincerely,

Ruby Rygh  
7315 State Hwy 78  
South Wayne, Wi. 53587

Phone No (608) 968-3396



Nina Mae Lundin  
1507 Wiesner Street  
Green Bay, Wisconsin 54304

April 6, 1995

Sheryl Albers, Representative  
P.O. Box 8952, Room 136 S. State Capitol  
Madison, Wisconsin 53708

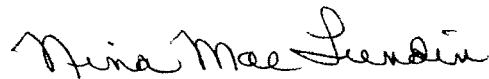
Dear Representative

I am writing to you requesting a hearing on Assembly Bill  
AB 129 relating to acupuncture.

I am asking for your support for the bill. I am currently  
seeing David Hassert at the Acupuncture Centre of Madison  
and because of him have been able to avoid a drastic surgery  
that was not guaranteed to help my situation. The surgery  
would have been covered by our insurance, however, unfortunately,  
our policy does not recognize acupuncture even though I re-  
ceived a referral from my medical physician.

I will be waiting to hear from you.

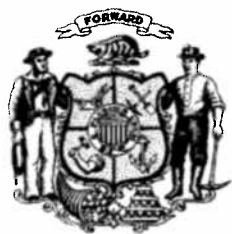
Sincerely,



Nina Mae Lundin



WISCONSIN STATE LEGISLATURE



# WISCONSIN INSURANCE ALLIANCE

44 EAST MIFFLIN STREET • SUITE 205  
MADISON, WISCONSIN 53703-2800  
(608) 255-1749  
FAX (608) 255-2178

**DATE:** May 3, 1995

**MEMO TO:** Joint Finance Committee

**FROM:** WI Insurance Alliance - Eric Englund  
American Family - Owen Schwerdtfeger  
Sentry Insurance - Lee Fanshaw

**RE:** Arson Bureau Funding (Justice/DILHR)  
Fiscal Bureau paper #626

On behalf of the property and casualty insurance industry, we ask that you not increase the current 2% tax on property insurance to fund the Arson Bureau.

Arguments against a tax increase include:

- (1) As you deem the efforts of the Arson Bureau to be a necessary police service, they should be funded as we do all other law enforcement functions with general tax revenues...not a hidden tax paid by property owners who buy property insurance.
- (2) We have spent substantial time surveying a variety of property insurers, and can find none who believe there is a significant effect in reducing amounts paid as a result of the activities of the Arson Bureau.
- (3) Under current reciprocal and retaliatory state and insurance tax laws, any increase in the tax on property insurance would only be borne by Wisconsin based (domiciled) insurance companies. This increase places Wisconsin companies at a competitive disadvantage.

**Please say "no" to new taxes on insurance to pay for the Arson Bureau as proposed in Alternative 2 in the Fiscal Bureau briefing paper.**

Eric Englund  
President

Tom Holman  
Chairperson  
GRE Insurance Group

Dan Riedl  
Vice-Chairperson  
Milwaukee Insurance

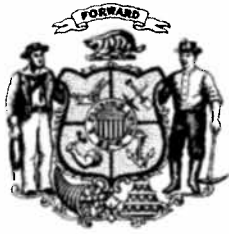
Bill O'Reilly  
Secretary/Treasurer  
Sentry Insurance

Members:

Alpha Property & Casualty Insurance  
American Family Insurance  
American Standard Insurance  
Badger Mutual Insurance  
Baraboo Mutual Fire Insurance  
Capitol Indemnity Corporation  
Church Mutual Insurance  
City of Waukesha Mutual Insurance  
Cuna Mutual Insurance Group  
Dairyland Insurance  
1st Auto & Casualty  
General Casualty Insurance  
Germantown Mutual Insurance  
GRE Insurance Group  
Hartland Cicero Mutual Insurance  
Heritage Insurance  
IDS Property Casualty Insurance  
Integrity Mutual Insurance  
Jewelers Mutual Insurance  
Lakeland Mutual Insurance  
Manitowoc Cty. Mutual Insurance  
Maple Valley Mutual Insurance  
Midwest Security Insurance  
Milwaukee Insurance  
Northwestern National Casualty  
Old Republic Surety Company  
Partners Mutual Insurance Company  
Retail Lumbermens Mutual Insurance  
Rural Mutual Insurance Company  
Secura Insurance  
Sentry Insurance  
Sheboygan Falls Insurance  
Threshermen's Mutual Insurance  
United Heartland Insurance  
Viking Insurance Company  
Waukesha Co. Mutual Insurance  
Wausau Insurance Companies  
West Bend Mutual Insurance  
Western Wisconsin Mutual Insurance  
Wilson Mutual Insurance  
Wisconsin American Mutual  
Wisconsin Mutual Insurance



# WISCONSIN STATE LEGISLATURE



TO: Representative Jeannette Bell

FROM: Representative Sheryl Albers  
Chair: Assembly Committee on Insurance,  
Securities and Corporate Policy

DATE: August 3, 1995

RE: Request for hearing on AB 84

AB 84 is in the Assembly Committee on Insurance, Securities and Corporate Policy. However, I regret to inform you that we will not be holding a public hearing on this issue at this time.

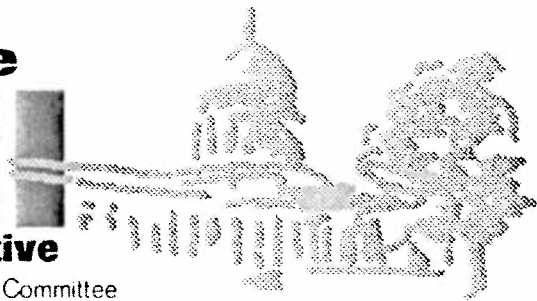
There are several pressing issues in the committee which require attention and action this session. These issues involve Federal Securities, Continuing Education for insurance agents, and Service Corporations. Furthermore, I have two bills which the Speaker has authored which have not had hearings yet.

Because of these concerns we will not have a hearing on AB 84.

# Jeannette Bell

State Representative

Chair, Assembly Ways & Means Committee



TO: Rep. Albers, Chair  
Insurance, Securities and Corporate Policy

FROM: Rep. Jeannette Bell

RE: Request for hearing for AB 84

DATE: July 25, 1995

It has come to my attention that AB 84 has been referred to your committee. I would very much appreciate a hearing on the bill.

AB 84 allows a person up to age 70 to purchase credit life or accident insurance. Currently, eligibility for this type of insurance ends at age 65.

Thank you for your consideration. I look forward to hearing from you.

*Repeat of last session -*

*~~if you what happened w/ it~~*

*Give me list of bills in committee*

*author issue which havent had a hearing*

*What's their position -*

*Tom Hanson  
Finance Co  
256-5299  
over*

*Call Michael Youngman  
Michael Youngman  
Michael Youngman  
Binkley  
257-7101*

w/ prohibits underwrites to chg 31 or 32<sup>¢</sup> / \$100 credit  
life - ins.

Loss ratio forced price down, no profits

39-49<sup>¢</sup> / 100

Rule from OCI on this

Jim Valentine will call -

Wally Kunkel - 312 939-2242

Exec. Dir. Credit Life Ins. Ill.

# New York State Senate Standing Committee on Insurance

Senator Guy J. Velella, Chairman  
Senior Assistant Majority Leader



**PRESS CONTACT:** Rosemary Schermerhorn  
(518) 455-3264

**FOR RELEASE:**  
September 26, 1995

## **VELELLA: THE NAIC...IS IT FISH OR FOWL?**

"I believe that the NAIC is in violation of this nation's anti-trust laws." Senator Guy J. Velella, Chairman of the NYS Senate Standing Committee on Insurance, said recently. "And I have formally requested that Attorney General, Janet Reno, carry out an investigation of the Association so that we may clearly delineate these violations."

The National Association of Insurance Commissioners (NAIC) is a private association of state insurance commissioners which maintains an independent staff of over 300 to develop 'model' legislation. The NAIC board meets behind closed doors and approves this legislation.

"And that is where the trouble begins." Velella said. "Once approved, the NAIC requires that this 'suggested' legislation is adopted by each of its member states. The Association goes so far as to impose sanctions should the legislation not be adopted. These sanctions can and do have an adverse affect on a state's domestic insurance industry and market. Once the 'suggested' legislation is adopted, the sanctions are removed and the state begins to function normally, once more. I don't know about you, but it sounds an awful lot like blackmail to me."



"This is unacceptable." The Senator continued. "What we have here is a private organization dictating policy to officials elected by the people. . . . a situation which is not included under any definition of Democracy I have ever read or experienced. The NAIC has a foot in both camps."

"The NAIC admits that it is a private association." Velella explained. "As such, it is subject to none of the safeguards imposed on public organizations such as open meetings, disclosure of staff salaries, itemizing of its budget and imposition of mandated guidelines. The NAIC functions behind tightly closed doors and it likes it that way."

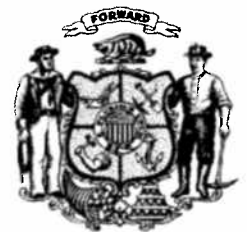
"Nevertheless and incomprehensibly," the Senator continued, "the NAIC functions as a public policy maker, a role no private company has ever, previously dared to assume. And not only does the NAIC decide public policy, it imposes those decisions upon an electorate which has not had and never will have one single word to say in the matter. I find this shocking, appalling and even a little frightening. What would happen to the governing principles of this nation if such practices were allowed to spread?"

Velella said that, in his opinion, the Association has, in a collusive manner, restrained trade and commerce, lessened competition and created a controlled market.

"It is, in short, a monopoly." Velella concluded. "I have no further tolerance for this situation and I would be doing a disservice to the people of New York State and of the nation if I allowed it to continue. I have asked all of my colleagues in the State Legislature to join me in requesting a full and thorough investigation of the NAIC's practices by the office of the Attorney General of the United States. I await the outcome with eager anticipation."



# WISCONSIN STATE LEGISLATURE





## ASSEMBLY CHIEF CLERK'S OFFICE

Suite 402, One East Main Street

DATE: August 17, 1995

TO: Committee on Insurance, Securities and Corporate Policy  
Rep. Albers, Room 127 West

FROM: Charles R. Sanders  
Assembly Chief Clerk

SUBJECT: Referral of Commissioner of Insurance Report

In accordance with the following Section of the Wisconsin Statutes, the Chief Clerk, as directed by the Speaker, is hereby referring the following Report –to your committee. Unless otherwise stated in the statutes, this report is for your information only and no further action is required. The receipt of this report by the Chief Clerk, in addition to all reports – even those not required to be referred – is printed in the Assembly Journal for the information of the membership. Extra copies of these reports can be obtained from the agency. Copies of reports not referred to committee are kept on file in the Chief Clerk's Office. Questions should be directed to Jeff Renk at 266-5550.

### ss. 619.15 – Board of Governors

“(2) Annually, the board shall make a report to the members of the plan and to the chief clerk of each house of the legislature, for distribution to the appropriate standing committees under s. 13.172 (3), summarizing the activities of the plan in the preceding calendar year. The annual report shall define the cost burden imposed by the plan on all policyholders in this state.”

### ss. 13.172 – State Agency Reports

“(3) Notwithstanding any other law, any agency which is required, by statute, to submit a report to the speaker of the assembly or the president of the senate; to appropriate standing committees of the legislature, as determined by the speaker or president; to any specified standing committee except the joint committee on finance; to standing committees with specified subject matter jurisdiction; or to standing committees with specified subject matter jurisdiction, as determined by the speaker or president, shall submit the report to the chief clerk of each house of the legislature. The chief clerks shall publish notice of receipt of the report in the journals of the respective houses. The chief clerks of the assembly and the senate shall also notify the speaker and president, respectively, that the report has been received and shall distribute the report to standing committees in that house or other persons, as directed by the speaker or president.”



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tommy G. Thompson  
Governor

Josephine W. Musser  
Commissioner

121 East Wilson Street  
P.O. Box 7873  
Madison, Wisconsin 53707-7873  
(608) 266-3585

June 30, 1995

MR THOMAS MELVIN  
ASSEMBLY CHIEF CLERK  
1 E MAIN STE 402  
MADISON WI 53702

Dear Mr. Melvin:

In accordance with s. 619.15 (2), Wis. Stat., I am pleased to submit the annual Report of the Wisconsin Health Insurance Risk-Sharing Plan (HIRSP). The plan was established in 1981 and now offers health insurance to 11,264 Wisconsin residents.

The major issue on the HIRSP agenda continues to be cost containment. In addition, the HIRSP Board of Governors and the Wisconsin Office of the Commissioner of Insurance (OCI) have also taken several steps toward policyholder education. Highlights of the past year include:

**ENROLLMENT**

- As of December 31, 1994, there were 11,264 Wisconsin citizens enrolled in HIRSP, compared to 11,514 at the same time last year. A table summarizing enrollment trends for the eighteen month period ending December 31, 1994 is included as Attachment 1.
- Enrollment has been on the decline due to small group insurance reform, as well as a steady increase in premiums. A survey of policyholders who voluntarily terminated HIRSP coverage during 1994 indicated that approximately 50 percent had obtained other insurance coverage.
- 34% of enrollees receive a subsidy to lower their premiums and deductibles, compared to 32% in 1993. Premium and deductible subsidy payments during the year totaled \$2.8 million.
- 70% of HIRSP policyholders are age 45 and older. 30% of all policyholders are between ages 60-64.

**INCOME**

- Assessments on insurers totaled \$20,140,000 in calendar year 1994, an increase of 12 percent over 1993 collections. A table summarizing assessment trends is included as Attachment 2.
- \$24,871,927 in premiums were collected for calendar year 1994, a decrease of 3 percent over 1993 collections.

### CLAIMS

- Total plan expenses during the year were \$45,201,903. Administrative costs account for less than 5 percent of total plan expenses.
- \$48,184,458 was paid in claims for 1994 versus \$46,257,835 in 1993. Of this amount, \$19,484,733 was for inpatient claims, \$21,661,656 was for professional services, and \$7,038,069 was for outpatient claims.
- Psychosis, diagnostic related group (DRG) number 430, continues to be ranked first by total inpatient payments, but accounted for less than 10% of the total admissions for HIRSP policyholders.
- Circulatory disorders continue to be the most costly major diagnostic category for HIRSP enrollees accounting for 25 percent of total inpatient payments.
- The average per member per month cost of the Plan in 1994 was \$356.00. Twenty-five percent of all outpatient services were for Drugs/Supplies, which averaged \$45.06 per member per month.
- The most expensive hospitalization was for a primary diagnosis of bone marrow disorder/surgery for which a total payment of \$157,806 was made.
- The most utilized hospital in the state was University Hospital in Madison, accounting for 8 percent of total inpatient days. St. Luke's Medical Center in Milwaukee received the highest total payments for inpatient care.

### COST CONTAINMENT

- Starting May 1994, HIRSP entered into a contract with Meridian Resource Corporation to audit high cost inpatient and outpatient hospital claims. During the first year of operation, the contractor reviewed 205 claims. Of these, sixteen claims were selected for audit with total estimated savings to HIRSP of \$7500.
- A drug card program, expected to save HIRSP funds was authorized by the Board for implementation during 1995. Total estimated savings for the two programs is approximately \$800,000 annually.

### POLICYHOLDER EDUCATION

- The Consumer Affairs Committee created by the Board of Governors (Board) to assure policyholders that the Board receives input from policyholders continued to meet. During the year, the plan published three editions of a quarterly newsletter to inform policyholders about changes in the plan, health care reform, etc. Topics addressed during the past year included introduction of key personnel at Blue Cross/Blue Shield, information on how plan premiums are determined, responsible plan usage, and an explanation of the subsidy program.

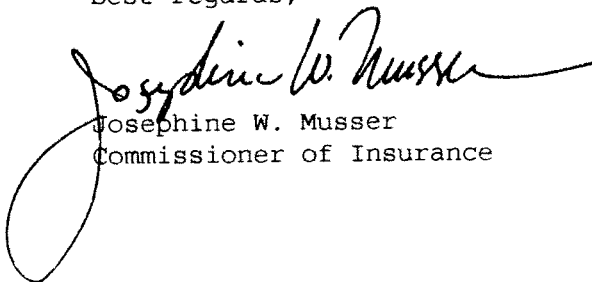
Thomas Melvin  
June 30, 1995  
Page 3

- During the year, the Blue Cross customer service area received 65,436 calls. The call abandonment rate declined from 8.8 percent to 4 percent during the year.

I am confident that the HIRSP Board of Governors will continue to explore additional cost-containment options for the plan, which will prove to be beneficial to both HIRSP enrollees and the state of Wisconsin.

The data continues to show that HIRSP remains as a viable alternative for health insurance for Wisconsin citizens. Please contact Eileen Mallow of my staff if you have any questions.

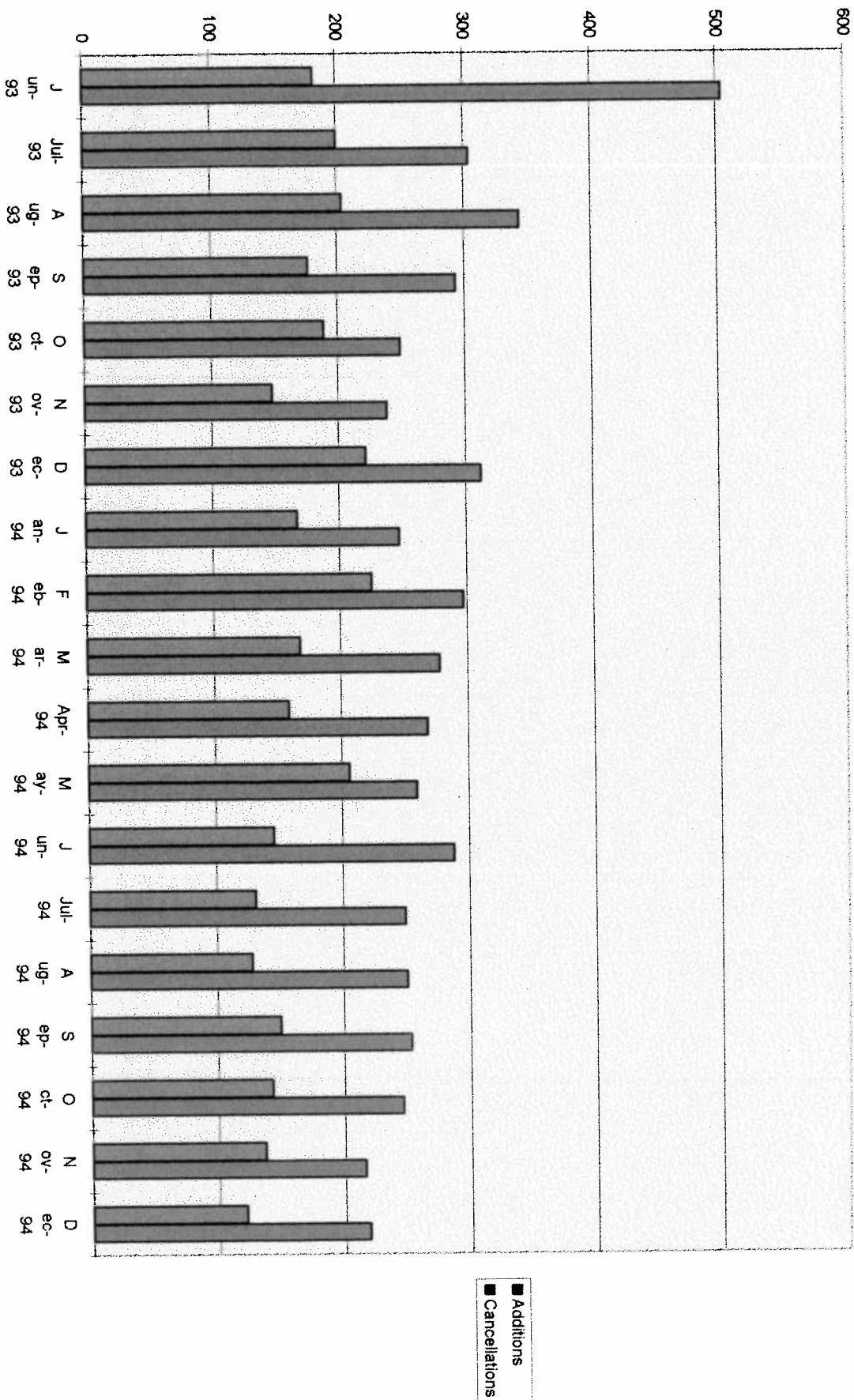
Best regards,



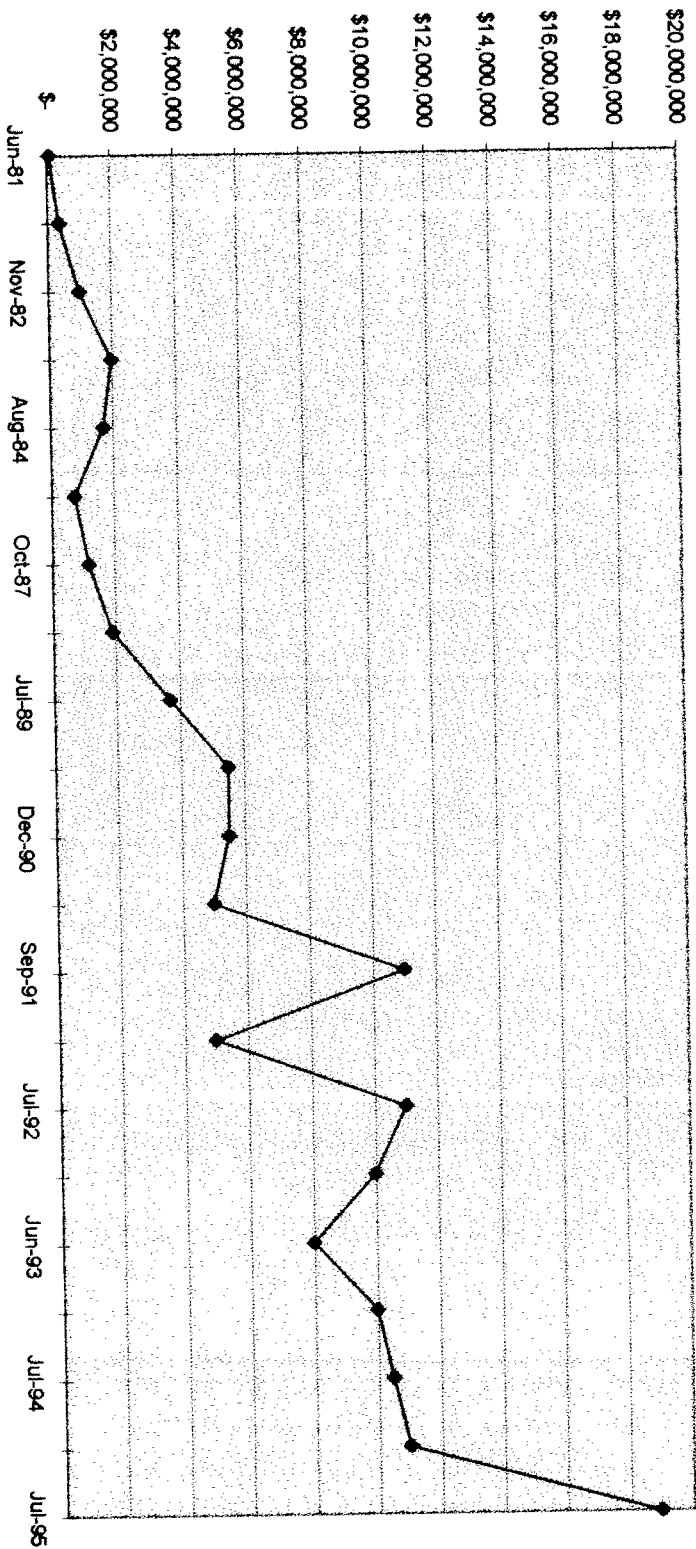
Josephine W. Musser  
Commissioner of Insurance

attach  
JWM:ekm  
Wrd.hirsp.legcorr.office

HIRSP Enrollment Trends



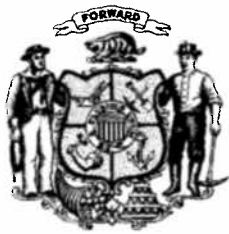
HIRSP ASSESSMENTS







# WISCONSIN STATE LEGISLATURE





**Richard Grobschmidt**  
State Representative

August 17, 1995

State Representative Sheryl Albers, Chairperson  
Assembly Committee on Insurance,  
Securities and Corporate Policy  
Room 127 West, State Capitol  
Madison, WI 53702

Dear Chairperson Albers,

I would like to take this opportunity to request that Assembly Bill 170 be scheduled for a public hearing before the Assembly Committee on Insurance, Securities and Corporate Policy.

Assembly Bill 170 provides for a reduction in automobile insurance premiums for persons age 55 and older who complete an accident prevention course. The goal of this legislation is to provide an incentive discount on automobile insurance premiums to encourage older drivers to take driver improvement courses, and to reduce the chances of accidents and claim filings within this group.

Under this proposal, an "appropriate" reduction in the premium is given for those who complete a course which is approved by the Department of Transportation and meets a number of standards including curriculum and minimum number of hours.

Thank you in advance for your consideration of this request. Please feel free to contact me if you would like to discuss Assembly Bill 170 further.

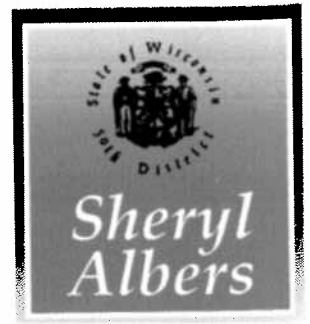
Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Grobschmidt".

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

RG:lm





TO: Representative Grobschmidt  
FROM: Representative Sheryl Albers  
DATE: August 21, 1995  
RE: Request for hearing on AB 170

I am in receipt of your request for a hearing on AB 170, reduction in automobile insurance premiums for persons 55 and older who complete an accident prevention course.

At this time I am not considering giving this bill a hearing because I believe that this sort of legislation is nothing more than a shift in premiums. Once we give one sector of insured drivers a discount, the insurance companies simply raise premiums in another sector to cover the loss of revenue.

However, if you can show me that this inevitable cost shift will not happen if this bill is passed and enacted, I will certainly give a public hearing more thought.

Thank you and I look forward to hearing from you.

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708-8952 • (608) 266-8531  
Message Hotline: (800) 362-9472

Home: S6896 Seeley Creek Rd. • Loganville, WI 53943 • (608) 727-5084

  
Printed on recycled paper  
with soy base ink.



# Assembly Committee Travel Approval Form

Chairperson's Name Representative Allers

Room # 127 West Building Capitol Phone 366-8531

Name of committee Insurance, Securities & Corporate Policy

City and date (If more than one hearing outside of Madison is being scheduled, please list each of them.)

City Milwaukee Date Aug. 31, 1995

Purpose of hearing (Please include Bill and LRB numbers.)

Informational - Joint with Senate Insurance  
regarding Territorial Insurance Rating.

- Is a page requested to attend?  Yes  No  
Is an overnight stay required?  Yes  No  
Will a state car be needed?  Yes\*  No \*(If yes, contact Mary Ellis at 266-1108)

Date of this request August 16, 1995  
(approval MUST be granted prior to trip)

Date Aug 16, 1995

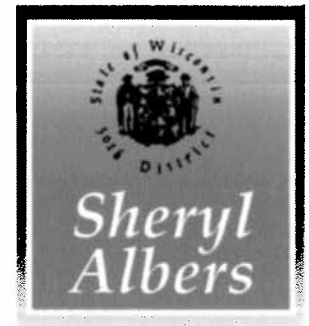
Shay Allers  
Chairperson's signature

Approved  Disapproved

Date 8-17-95 David Prosser Jr.  
David Prosser, Speaker



COPY



September 7, 1995

Representative Marlin Schneider  
204 N, Capitol  
INTERDEPARTMENTAL

Dear Representative Schneider:

As a follow-up to my correspondence regarding scheduling a hearing on your bill, AB482, I hope you are willing to address a couple of questions I have.

First, is this legislation specifically geared toward insurers seeking access to grades as part of the application of underwriting process or could it be argued it is to restrict an insurers access to information in certain types of first-party claims, specifically Uninsured Motorists and Under-insured Motorists claims?

Second, is it possible that fraudulent claims could be made easier given the limited access by insurers to previous grades in claims made by individuals of loss of future earnings based on a decreased mental capacity?

I look forward to your response.

Sincerely,

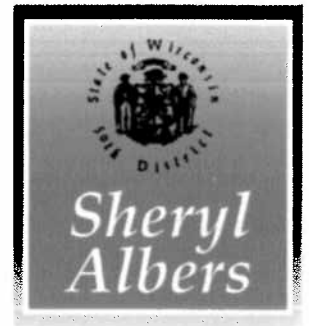
151

Sheryl K. Albers  
State Representative  
50th Assembly District

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708-8952 • (608) 266-8531  
Message Hotline: (800) 362-9472

Home: S6896 Seeley Creek Rd. • Loganville, WI 53943 • (608) 727-5084

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September 6, 1995

Representative Marlin Schneider  
204N, Capitol  
INTERDEPARTMENTAL

Dear Representative Schneider:

I am in receipt of your request to hold a hearing on your bill AB 482.

I do not have a problem with holding a hearing on this issue however finding a date and time is difficult for the immediate future.


My committee clerk will inform you as soon as possible after a hearing date has been set.

Sincerely,

Sheryl K. Albers  
State Representative  
50th Assembly District

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708-8952 • (608) 266-8531  
Message Hotline: (800) 362-9472

Home: S6896 Seeley Creek Rd. • Loganville, WI 53943 • (608) 727-5084

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with soy base ink.



**MARLIN D. SCHNEIDER**  
**State Representative**  
72nd Assembly District

**Office:**  
State Capitol  
P.O. Box 8953  
Madison, Wisconsin 53708  
(608) 266-0215

**Home:**  
3820 Southbrook Lane  
Wisconsin Rapids, WI 54494  
(715) 423-1223

**Legislative Hotline:** 1-800-362-9472



**WISCONSIN LEGISLATURE**  
**ASSEMBLY CHAMBER**

**Member:**

Committee on Rules  
Committee on Assembly Organization  
Joint Committee on Information Policy  
Joint Committee on Legislative  
Organization  
Joint Legislative Council  
Educational Communications Board  
Committee on Education  
State Capitol & Executive Residence  
Board  
Committee on Government Operations  
Committee on Mandates  
National Conference of State  
Legislatures  
Council of State Governments

August 10, 1995

Representative Sheryl Albers, Chair  
Committee on Insurance, Securities &  
Corporate Policy  
127 West, Capitol  
Madison, WI 53708

Dear Sheryl:

The following bill has been referred to your Committee:

Assembly Bill 482 -- relating to restrictions on insurer access  
to pupils' grades.

I am respectfully requesting that you hold a public hearing on this bill as soon  
as possible.

I would appreciate your immediate attention to my request. Thank you in advance  
for your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Marlin D. Schneider".

MARLIN D. SCHNEIDER  
Assistant Minority Leader

*I have don't  
have a problem w/  
mep/p holding a hearing  
on this issue -  
finding a date & time is  
difficult. sent 9-6-95  
DSB*

*"Your representative owes you, not his industry only, but his judgment; and he betrays,  
instead of serving you, if he sacrifices it to your opinion." -Edmund Burke Nov. 3, 1774*



### Credit Insurance Proposed Rule

Pursuant to Wis. AB960 passed by both houses on a voice vote and signed by Governor Thompson in 1994, the Legislature intended to give rate relief to insurers underwriting credit life insurance. The Office of the Commissioner of Insurance proposes to adopt a rule which appears to grant this relief but, in fact, does not, for two reasons:

1. The rule proposes a loss ratio requirement of 43%, reduced from 50%. This has the effect of increasing rates from 33 cents to 39 cents, thus giving insurers enough to cover expenses and make a reasonable profit. But the rule mandates no underwriting for amounts of insurance up to \$20,000. Actuarial studies project the cost of this requirement to insurers to be 4 cents of the 6 cents rate increase, wiping out the Legislative intent of AB960; and
2. The rule contains a loss ratio to determine the rate. This is no longer appropriate. A rate is made up of various components: expenses, compensation to selling agents, taxes, return on equity as well as claim costs. All elements have a mathematical value easily calculated from time to time as evidenced by the Summary of the Proposed Rule published by the OCI on page one and two of the Notice of Hearing. These elements should be part of the Rule, not just part of the Summary.

We respectfully request the OCI to:

1. Eliminate the \$20,000 guaranteed issue (no underwriting) requirement since there is no legislative intent for this in AB960 and no authority for it in any Wisconsin statute; and
2. Include all the elements of the rate in the Rule rather than merely in the Summary.

**NOTICE OF HEARING**

**STATE OF WISCONSIN, OFFICE OF THE COMMISSIONER OF INSURANCE**

The Commissioner of Insurance, pursuant to the authority granted under s. 601.41 (3), Stats., and according to the procedures under s. 227.18, Stats., will hold a public hearing in Room 23, 121 East Wilson Street, Madison, Wisconsin, on September 27, 1995 at 10:00 a.m., or as soon thereafter as the matter may be reached, to repeal ss. Ins 3.25 (19) (a) and (b), (21), and APPENDIX B; to amend ss. Ins 3.25 (13) (e) (intro.) and L., (13) (d), (14) (e) 1. and 2. b., (15) (b) 2. b., and (19); to repeal and recreate s. Ins 3.25 (20) (f); and to create s. Ins 3.25 (14) (e) 3., relating to credit life and credit accident and sickness insurance rates and limitations.

**SUMMARY OF THE PROPOSED RULE**

This proposed rule makes several modifications to the credit life and credit accident and sickness rule. One reason for these changes is to reflect the changes made to s. 424.209(1), Stats., by 1994 Act 325. This Act allows the commissioner to designate a lower loss ratio than the 50% specified in the statute, making allowance for expenses, that fulfills the presumption that benefits are reasonable in relation to the premiums to be charged.

OCT's actuary has reviewed an analysis of expense components related to credit life insurance. Based on this review, a new credit life basic loss ratio of 42% producing a prima facie single premium uniformly decreasing single life credit life rate of \$.39 per \$100 of initial indebtedness per year would be specified. The current system of recalculating the rate every three years would continue. The standard conversion factors in the rule are used to develop level life and monthly outstanding balance rates. Net decreasing life rates would continue to be developed by the filed conversion formulas.

The expense factors, some expressed in cents and others as a percentage of premium, were used in the development of the new loss ratio for single premium decreasing gross life coverage. The "cents" components are claim costs, general insurer expenses and compensation. The "percentage of premium" components are premium and miscellaneous taxes, investment income and return on equity.

The formula considered is:

$$\text{Prima Facie Rate} = \frac{(\text{claim costs}) + (\text{general insurer expenses}) + (\text{compensation})}{1 + (\text{investment income}) - (\text{taxes}) - (\text{return on equity})}$$

The assumptions used are:

- Claims cost = 16.3/\$100/year (3 years WI data)
- General insurer expenses = 8.0/\$100/year (1993 industry study)
- Compensation = 11.6/\$100/year (current WI marketplace level)
- Value of investment income (single premium only) = 5% of premium

Premium, miscellaneous taxes, and guaranty fund assessments - 3% of premium  
Return on required equity - 5% of premium  
Return on equity to support surplus strain - 5% of premium (single premium only)

The resulting rate is:

$$\text{Prima Facie Rate} = \frac{15.34 + 8.04 + 11.64}{1 + .05 - .03 - .05 - .05} = 39.04/\$100/\text{year}$$

As insurers have tightened underwriting requirements, the credit life insurance prima facie rates have decreased. In order to make coverage available to more Wisconsin debtors, sub. (14) has been expanded to require that credit life insurance for initial amounts of coverage of \$20,000, or less, be provided on a guaranteed issue basis, subject only to any maximum age limitations.

The changes in the maximum age provisions are being made to clarify that maximum age limits higher than age 65 or 66 are permitted. In the past, OCI has allowed this under the "no more restrictive" language contained in sub. (12). However, a few insurers have told Wisconsin accountants and consumers that they would like to use higher maximums such as age 70, but they viewed the current rule language as not permitting it.

APPENDIX B is meant to be the current version of the annual statement Credit Insurance Experience Exhibit and has changed. The current annual statement form has been expanded to collect additional information in addition to the data collected on APPENDIX B. The rule is being changed to repeal Appendix B and instead incorporate the annual statement Credit Insurance Exhibit to avoid the necessity of future rule changes whenever this form is revised.

#### SUMMARY OF FISCAL ESTIMATE

There is no fiscal effect on state and local governments.

#### INITIAL REGULATORY FLEXIBILITY ANALYSIS

This rule will not have an effect on small businesses.

#### CONTACT PERSON

A copy of the text of the proposed rule and fiscal estimate may be obtained from Meg Gunderson, Services Section, Office of the Commissioner of Insurance, 121 East Wilson Street, P. O. Box 7873, Madison, Wisconsin 53707-7873, (608) 266-0110.

**PROPOSED ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE  
REPEALING, AMENDING, REPEALING AND RECREATING, AND CREATING A RULE**

To repeal ss. Ins 3.25 (19) (a) and (b), (21), and APPENDIX B; to amend ss. Ins 3.25 (13) (c) (intro.) and 1., (13) (d), (14) (e) 1. and 2. b., (15) (b) 2. b., and (19); to repeal and recreate s. Ins 3.25 (20) (7); and to create s. Ins 3.25 (14) (e) 3., relating to credit life and credit accident and sickness insurance rates and limitations.

**ANALYSIS PREPARED BY THE COMMISSIONER OF INSURANCE**

Statutory authority: ss. 424.602, 601.41 (3), and 601.415 (9), Stats.

Statutes interpreted: ss. 424.209, 601.01, 601.47, 623.06, 625.03 (7), 625.11, 625.12, and 625.34, Stats.

This proposed rule makes several modifications to the credit life and credit accident and sickness rule. One reason for these changes is to reflect the changes made to s. 424.209(1), Stats., by 1994 Act 325. This Act allows the commissioner to designate a lower loss ratio than the 50% specified in the statute, making allowance for expenses, that fulfills the presumption that benefits are reasonable in relation to the premiums to be charged.

OCT's actuary has reviewed an analysis of expense components related to credit life insurance. Based on this review, a new credit life basic loss ratio of 42% producing a prima facie single premium uniformly decreasing single life credit life rate of \$.39 per \$100 of initial indebtedness per year would be specified. The current system of recalculating the rate every three years would continue. The standard conversion factors in the rule are used to develop level life and monthly outstanding balance rates. Net decreasing life rates would continue to be developed by the filed conversion formulas.

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The formula considered is:

$$\text{Prima Facie Rate} = \frac{(\text{claim costs}) + (\text{general insurer expenses}) + (\text{compensation})}{1 + (\text{investment income}) - (\text{taxes}) - (\text{return on equity})}$$

The assumptions used are:

- Claims cost = 16.3/\$100/year (3 years WI data)
- General insurer expenses = 8.0/\$100/year (1993 industry study)
- Compensation = 11.6/\$100/year (current WI marketplace level) -
- Value of investment income (single premium only) = 5% of premium
- Premiums, miscellaneous items, and guaranty fund assessments = 5% of premium
- Return on required equity = 5% of premium
- Return on equity to support surplus strain = 5% of premium (single premium only)

The resulting rate is:

$$\text{Prima Facie Rate} = \frac{16.34 + 8.04 + 11.64}{1 + .05 - .03 - .05 - .05} = 39.04/\$100/\text{year}$$

As insurers have tightened underwriting requirements, the credit life insurance prima facie rates have decreased. In order to make coverage available to more Wisconsin debtors, sub. (14) has been expanded to require that credit life insurance for initial amounts of coverage of \$20,000, or less, be provided on a guaranteed issue basis, subject only to any maximum age limitations.

The changes in the maximum age provisions are being made to clarify that maximum age limits higher than age 65 or 66 are permitted. In the past, OCI has allowed this under the "no more restrictive" language contained in sub. (12). However, a few insurers have told Wisconsin accounts and consumers that they would like to use higher maximums such as age 70, but they viewed the current rule language as not permitting it.

APPENDIX B is meant to be the current version of the annual statement Credit Insurance Experience Exhibit and has changed. The current annual statement form has been expanded to collect additional information in addition to the data collected on APPENDIX B. The rule is being changed to repeal Appendix B and instead incorporate the annual statement Credit Insurance Exhibit to avoid the necessity of future rule changes whenever this form is revised.

SECTION 1. Ins 3.25 (13) (c) (Intro.), (a) 1., (13) (d), (14) (a) 1. and 2.b. are amended to read:

**Ins 3.25 (13) (c) (Intro.)** On or before October 1, 1990 January 1, 1996 for credit life, on or before October 1, 1996 for credit accident and sickness, on or before October 1, 1999 for both and each three years after that the commissioner shall give written notice to all authorized insurers specifying the prima facie premium rates to be effective for the three-year period beginning on the next January 1. Such rates shall be determined based on experience data submitted by all insurers pursuant to sub. (19) for the immediately preceding 3 calendar years and shall be calculated as follows:

1. For each category of coverage specified in Appendix B on the annual statement credit insurance experience exhibit form total prima earned premium and total incurred claims shall be calculated for each year for all insurers.

(13) (d) The basic loss ratio for credit life insurance shall be .50 until January 1, 1996, when the basic loss ratio will be .42. The basic loss ratio for credit accident and sickness insurance shall vary by plan as follows:

(14) (e) 1. For initial amounts of credit life insurance in excess of \$20,000, if evidence of individual insurability is not required, the policy shall contain no exclusion for pre-existing conditions except for those conditions which manifested themselves to the insured debtor by requiring medical advice, diagnosis, consultation or treatment, or would have caused a reasonably prudent person to have sought medical advice, diagnosis, consultation or treatment, within 6 months preceding the effective date of coverage and which causes loss within 6 months following the effective date of coverage. Under open-end credit plans, the effective date of coverage applies separately with respect to each purchase or loan to which the coverage relates.

(14) (e) 2.b. Either no age restrictions, or age restrictions making ineligible for coverage debtors not less than age 65 or over at the time the indebtedness is incurred, or debtors who will have attained at least age 66 on the maturity date of the indebtedness. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance, classes of debtors determined by age, and may provide for the cessation of the insurance or a reduction in the amount of insurance upon attainment of not less than age 65.

SECTION 2. Ins 3.25 (14) (e) 3. is created to read:

Ins 3.25 (14) (e) 3. Credit life insurance provided on debts where the initial amount of credit life insurance would be \$20,000, or less, shall be provided on a guaranteed issue basis, provided that the debtor is not ineligible for coverage due to age.

SECTION 3. Ins 3.25 (15) (b) 2.b., and (19) are amended to read:

Ins 3.25 (15) (b) 2.b. Either no age restrictions, or age restrictions making ineligible for coverage debtors not less than age 65 or over at the time the indebtedness is incurred, or debtors who will have attained at least age 66 on the maturity date of the indebtedness. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age, and may provide for the cessation of the insurance or a reduction in the amount of insurance upon attainment of not less than age 65.

(19) FILING OF EXPERIENCE INFORMATION. Every insurer having credit life insurance or credit accident and sickness insurance in force in this state shall report Wisconsin experience data annually in the form of Appendix B on the annual statement Credit Insurance Experience Exhibit form. The experience data for each calendar year shall be submitted as specified in the instructions to the annual statement and shall be accompanied by the following: and according to the requirements of sub. 20.

SECTION 3. Ins 3.25 (19) (a) and (b) are repealed.



**SECTION 4.** Ins 3.25 (20) (f) is repealed and recreated to read:

**Ins 3.25 (20) (f) Unearned premium reserves shall be computed as follows:**

1. Unearned premiums shall be reported consistently as of the beginning and the end of each year, and shall be based on the premium that would be charged for the remaining amount and term of coverage using the premium rate or schedule of premium rates in effect at the time the coverage became effective. The following calculation bases shall be deemed to comply with this requirement in lieu of a precise calculation:

a. For single premium uniformly decreasing credit life insurance coverage, the "sum of the digits" method, commonly known as the "Rule of 78";

b. For single premium credit accident and sickness coverage with substantially equal monthly benefits and with contemporaneous coverage and benefit periods, the arithmetic mean of the unearned premium calculated according to the "sum of the digits" method and the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

c. For premiums payable on a monthly outstanding balance basis, single premium level life coverage or any other coverage where the benefit amount remains constant throughout the remaining coverage period, the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

d. For decreasing credit life insurance coverage provided for the full term of the indebtedness where the benefit is equal to the actual or scheduled net amount necessary to liquidate the indebtedness, the unearned premium calculated as the original premium multiplied by the ratio of the scheduled remaining dollar-months of coverage to the scheduled initial dollar-months of coverage. Dollar-months of coverage may be approximated using an assumed interest rate that is reasonably representative of the interest rates applicable to all indebtedness with respect to which coverage is provided on this basis;

e. For credit life insurance coverage providing a combination of level and decreasing benefits, or providing a truncated coverage period or providing full-term coverage of an indebtedness that requires a balloon payment, an appropriate combination of methods described in this paragraph; or

f. Any other reasonable approximation method approved by the commissioner.

g. In this paragraph, a "dollar-month of coverage" means one dollar of coverage for one month.

2. Unearned premium for partial months may be calculated on an exact daily basis, on a basis assuming that the valuation date occurs in the middle of each installment period or using the method commonly known as the "15 day 16 day rule" in which the value at the beginning of the month is used if less than 16 days have elapsed in the current month and the value at the end of the month is used if more than 15 days have

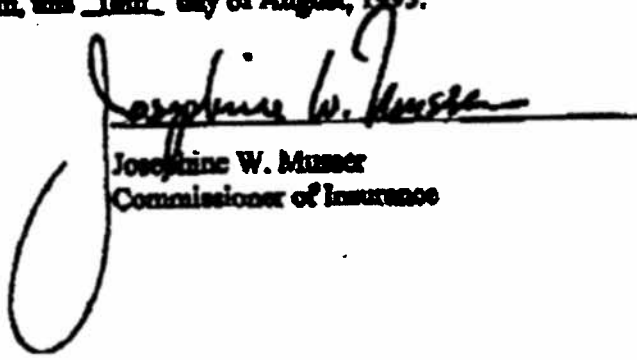
elapsed in the current month. For the purpose of the "15 day-16 day rule," the current month shall be deemed to begin on the day following the most recent payment due date of the indebtedness and end on the next succeeding payment due date. The valuation date shall be counted as a full day.

3. Claim reserves and liabilities shall be reported on a consistent basis from year to year. Any change in the basis of calculation shall be disclosed, together with a recalculation of all items as of the end of the preceding calendar year according to the revised basis.

SECTION 5. Ins 3.25 (21) and APPENDIX B are repealed.

SECTION 6. EFFECTIVE DATE: Pursuant to s. 227.22 (2) (b), Stats., this rule shall take effect on January 1, 1996.

Dated at Madison, Wisconsin, this 16th day of August, 1995.

  
Josephine W. Musser  
Commissioner of Insurance



GUY J VELELLA  
SENATOR 14TH DISTRICT  
SENIOR ASSISTANT  
MAJORITY LEADER

CHAIRMAN  
INSURANCE COMMITTEE  
MEMBER COMMITTEES ON  
CIVIL SERVICE & PENSIONS  
CODES  
EDUCATION  
FINANCE  
JUDICIARY  
LABOR  
RULES



THE SENATE  
STATE OF NEW YORK

PLEASE RESPOND TO

SENATE OFFICE  
 ROOM 915  
LEGISLATIVE OFFICE BLDG  
ALBANY NEW YORK 12247  
TEL 518-455-3264  
FAX 518-426-6951

DISTRICT OFFICE  
 2019 WILLIAMSBRIDGE RD  
BRONX NY 10461  
TEL 718-792-7180  
FAX 718-792-3924  
914-969-2210

September 27, 1995

The Honorable Janet Reno  
U. S. Attorney General  
Main Justice Building  
10th & Constitution, NW  
Washington, D.C. 20530

Dear General:

I am writing to formally request that your office look into a possible violation of the anti-trust laws of the United States by a private organization that exerts sizable influence on the national insurance industry and market.

As you may be aware, there is an organization called the National Association of Insurance Commissioners (NAIC). This is a private association of state insurance commissioners which has an independent staff of over 300 individuals who develop "model" legislation to regulate all aspects of the insurance market. Once model legislation is developed and approved by the NAIC Board behind closed doors, this organization then requires each state to adopt a law to implement the "suggested" change. Should a state refuse to adopt a "suggested" change, the NAIC and its member states can impose sanctions to adversely affect that state's domestic insurance industry and market until the "suggested" change is implemented.

As a New York State Senator, I resent the fact that important policies concerning the regulation of the insurance industry are being set by a private board that is not open to the public, elected by no one, and not subject to public disclosure. The NAIC, which by the admission of its own counsel and as stated in its by-laws, is in fact a private association which, in my opinion, directs the operation of the insurance market to the detriment of the public welfare. The NAIC has demonstrated that it possesses monopoly power many times over by requiring all states to adopt laws which, in certain instances, individual states have opposed, but were forced to adopt anyway because of the NAIC's economic power.

DD  
Send letter to  
Committee  
members  
JA

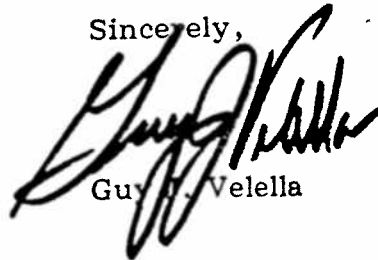


The NAIC is a private organization that has, in my opinion, operated in a collusive manner, restrained trade and commerce among the several states in the insurance industry. Further, by its activities, it has apparently substantially lessened competition and by its directives to state governments and insurance companies tended to create a controlled market or monopoly situation in the insurance market. I believe the NAIC's actions to establish a controlled and cohesive market are in direct violation of the Sherman Anti-Trust Act and Clayton Anti-Trust Act.

Therefore, as a representative of the people of the 34th Senatorial District of the State of New York and as Chairman of the New York State Senate Standing Committee on Insurance, I respectfully request that the United States Attorney General investigate the activities of the NAIC and determine whether it is in violation of federal law either by its actions or mere existence.

Please feel free to contact me if you need background material on the NAIC or its activities. I look forward to hearing from you on this most important matter.

Sincerely,



Guy J. Velella

cc: The Honorable Bill Clinton  
President of the United States of America  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

The Honorable Mary Jo White  
U.S. Attorney for New York, Southern District  
One Saint Andrews Place  
New York, New York 10007

The Honorable Stephen L. Hill, Jr.  
U.S. Attorney for Missouri, Western District  
1201 Walnut, Suite 2300  
Kansas City, Missouri 64106



THE SENATE  
STATE OF NEW YORK

PLEASE RESPOND TO

SENATE OFFICE  
 ROOM 915  
LEGISLATIVE OFFICE BLDG  
ALBANY NEW YORK 12247  
TEL 518-455-3264  
FAX 518-426-6951

DISTRICT OFFICE  
 2019 WILLIAMSBRIDGE RD  
BRONX, NY 10461  
TEL 718-792-7180  
FAX 718-792-3924  
914-969-2210

GUY J. VELELLA  
SENATOR, 34TH DISTRICT  
SENIOR ASSISTANT  
MAJORITY LEADER

CHAIRMAN  
INSURANCE COMMITTEE  
MEMBER COMMITTEES ON  
CIVIL SERVICE & PENSIONS  
CODES  
EDUCATION  
FINANCE  
JUDICIARY  
LABOR  
RULES

September 27, 1995

The Honorable Leo W. Fraser, Jr.  
New Hampshire State Senate  
State House, Room 302  
Concord, New Hampshire 03301

Dear Senator Fraser:

Enclosed is a letter I have written to U.S. Attorney General Janet Reno to formally request an inquiry into the possible violation of federal anti-trust laws by the National Association of Insurance Commissioners (NAIC).

The NAIC, which by their own admission is a private association, assumes the role of a public entity by developing "model" legislation that must be adopted by each state to regulate all aspects of the insurance market. However, the NAIC operates without any of the safeguards placed on other public organizations such as open meetings, disclosure of staff salaries, itemizing of its budget and imposition of ethics guidelines.

As a State Senator, I ask you to join me in protecting the authority of each and every State Legislature to regulate its domestic insurance market for the benefit of our citizens. I respectfully request that you support my petition by writing a letter of support for this inquiry to:

The Honorable Janet Reno  
U.S. Attorney General  
Main Justice Building  
10th & Constitution, NW  
Washington, D.C. 20530

In addition, I would appreciate receiving a copy of any correspondence you send to Attorney General Reno.

Thank you in advance for your assistance on this most critical issue. I look forward to hearing from you.

Sincerely

Guy J. Vellella

GJV:jsc:ss





To: Rep. Sheryl Albers

Sheryl,

FYI. Another one of Marlin's  
recent topics...

possible  
future  
bill  
draft

- Pete





State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tommy G. Thompson  
Governor

Josephine W. Musser  
Commissioner

121 East Wilson Street  
P.O. Box 7873  
Madison, Wisconsin 53707-7873  
(608) 266-3585

**MEMORANDUM**

TO: Rep. Cloyd Porter

FROM: Peter Farrow  
Insurance Administrator, ext. 4-6239

DATE: October 4, 1995

RE: Unique Patient Identifier ( s. 632.725 Wis. Stat.)

This memo is in response to your request for an update on OCI's unique patient identifier proposal. Attached is a copy of the decision item narrative (DIN) for the unique patient identifier proposal as required under s. 632.725(3) Wis. Stat. This proposal was made by the Commissioner as part of OCI's 1995-97 biennial budget request, but was not included in the Governor's budget. To date, the proposal has not received active legislative attention.

The Commissioner shares the overriding concern of the Governor and many members of the Legislature regarding the need for guaranteed confidentiality of patient records. The attached proposal reflects that concern.

I would be happy to answer any questions you, or other members of the Legislature may have on this subject.

*Do we  
need to draft a  
bill or what?*

## LEGISLATIVE LANGUAGE REQUEST

Office of the Commissioner of Insurance  
1995-97 Biennial Budget Request

Appropriation No: \_\_\_\_\_ Bureau/Unit: Office of Health Care Information  
Use of Unique Patient  
Title of Request: Identifiers and Other Data DI No. \_\_\_\_\_

## NARRATIVE JUSTIFICATION

## I. Request/Objective

Statutory language to accomplish the following is sought:

Relating to Unique Patient Identifiers:

1. An encrypted social security number shall be the unique patient identifier for Wisconsin.
2. No transaction between parties entitled to exchange patient medical records without informed consent shall include an unencrypted social security number. This includes transactions between providers and payers, payers and subcontractors such as utilization review firms and between providers and payers and the Office of Health Care Information.
3. Insurers shall be prohibited from using an unencrypted social security number on a health insurance identification card.
4. The state of Wisconsin shall be responsible for developing and maintaining the confidentiality of an algorithm used to encrypt social security numbers.
5. Authorized persons will have access to an automated system that will directly or indirectly be overseen by the state. This system will provide either on-line real time or batch processing "encryption services" to authorized users. Initial start-up costs will be the responsibility of the state. Ongoing costs will be the responsibility of the users of the system.
6. OCI shall have rule-making authority to carry out the intent of the statute.

Health Insurance Identification Cards:

1. Require insurers who issue machine-readable cards to insureds prior to July 1, 1997, to follow the standard for a Uniform Health Care Identification Card developed by ANSI SAC X12 TG2 Special Workgroup.
2. Require all insurers to issue machine-readable ANSI standard cards to all insureds whose policies are issued or renewed after July 1, 1997. These cards shall include an encrypted patient ID number.

Electronic Data Interchange (EDI):

1. Wisconsin should require by July 1, 1997, all providers to be capable of submitting claims electronically using ANSI ASCX12 Standard 837. (Submission of health care claims.)
2. Require all insurers by July 1, 1997, to be capable of making a payment to providers and sending a remittance advice electronically using ANSI ASCX12 Standard 835.
3. Require insurers by July 1, 1998, to receive and respond to inquiries relating to health care eligibility and benefits electronically using ANSI ASCX12 Standard 270/271.
4. Require insurers by July 1, 1998, to be capable of exchanging information electronically with health care sponsors (employers) relating to benefit enrollment and maintenance using ANSI ASCX12 Standard 834.
5. Direct OCI to establish an EDI Advisory Council consisting of insurers, providers, and consumers to develop recommendations on the implementation of EDI in the health care industry.
6. Direct OCI to facilitate EDI education in the Wisconsin health care industry. OCI will coordinate and ensure the availability of quality EDI education and training, oversee the development of a cohesive EDI education curriculum, administer a resource center, and provide technical assistance.

**II. Background**

In order to actively track health care cost of patients, s. 632.725 (2) (c), Wis. Stat., requires OCI to establish a uniform patient identification system in which each individual who receives health care services in this state is assigned an identification number, and s. 632.725 (3), Wis. Stat., requires OCI to develop proposals for safeguarding patient confidentiality. We propose an encryption system.

In addition, requiring providers and payers to transmit and receive claims electronically, and insurers to issue machine-readable cards will reduce administrative costs in the health care sector as will nonexclusionary health information networks.

### III. Analysis of Need

Previous attempts to institute some of these measures by administrative rules were not successful because legislative language was requested on how patient identifiers were to be used.

Providers and payers will benefit because of more efficient and faster claims processing, increased ability to coordinate benefits, and privacy protection for health care records.

All will benefit from improved ability to track costs of episodes of illness, and reassurance about confidentiality of medical records vis a vis other records that contain a social security number.

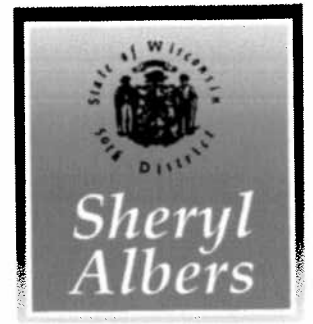
### IV. Alternatives

If no statutory language is introduced, administrative cost for claims will remain high and exclusive network and arrangements will continue among payers and providers creating increased complexity of systems and administrations.

### V. Statutes Affected/Statutory Language

These statutes could be created in ch. 53, Wis. Stat., governing OHCI.





TO: Assembly Insurance, Securities and Corporate Policy  
Committee members

FROM: Representative Sheryl Albers

RE: For your information

DATE: October 13, 1995

Attached for your information please find an agenda for Thursday's hearing. We will not hold an executive session on AB 285 Thursday.

Also for your information, I have attached a letter from Senator Guy Velella of New York to U.S. Attorney General Janet Reno regarding anti-trust laws.

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