

1999 DRAFTING REQUEST

Bill

Received: 10/7/98

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Administration-Budget 7-95446

By/Representing: Jablonsky

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Alt. Drafters:

Subject: Insurance - miscellaneous

Extra Copies:

Topic:

DOA:.....Jablonsky - Insurance fees related to mutual holding companies

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kahlepj 10/7/98	gilfokm 10/7/98		_____			State
/1			jfrantze 10/8/98	_____	lrb_docadmin 10/8/98		State
/2	kahlepj 01/15/99	gilfokm 01/18/99	jfrantze 01/19/99	_____	lrb_docadmin 01/19/99		

FE Sent For:

<END>

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/1		12-1-18-99 kmg	jfrantze 10/8/98	_____	lrb_docadmin 10/8/98		

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JB 1/19 JB /w/lyj
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1?	kahlepj	1-10-97 KMG	JB 10/8	JB/KM 10/8			

FE Sent For:

<END>

Mutual Holding Companies

Changes in Statutory Language Related to Mutual Holding Companies:

- 601.31 Fees. (1) The following fees, unless revised by the commissioner as provided in s. 601.32, shall be paid to the commissioner:
- (a) For filing documents for examination preliminary to initial licensing or for any other initial filing of documents required by law as a prerequisite for operating or otherwise . . .
 - 6. Domestic mutual holding companies, \$400
 - (b) For issuing a permit or certificate of authority:
 - 6. Domestic mutual holding companies, \$400
 - (c) Annually, for continuation of a permit or certificate of authority:
 - 6. Domestic mutual holding companies, \$100
 - (k) For filing an annual statement, except as provided in s. 641.13:
 - 6. Domestic mutual holding companies, \$100

Intent of the Statutory Language Changes:

The Mutual Holding Co law did not provide for the fees needed to effectuate a license and continued certificate of authority. Section 601.31 needs to provide for the above fees.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0507

PJK...

King

DOA:.....Jablonsky - Insurance fees related to mutual holding companies
FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

*SOON
(10-7)*

*do not
get cut*

1 AN ACT relating to: fees to be charged domestic mutual holding companies.

Analysis by the Legislative Reference Bureau

INSURANCE

Under current law, the office of the commissioner of insurance (OCI) regulates mutual insurance holding companies, which may be formed by mutual insurance companies that convert to stock insurance companies in accordance with the procedures set out in the statutes. The bill specifies fees that OCI may charge a mutual insurance holding company for its regulation.

Under the bill

For filing documents with OCI for examination prior to initial licensing, OCI may charge \$400. For issuing a permit or certificate of authority, OCI may charge \$400. For an annual continuation of a permit or certificate of authority, OCI may charge \$100. For filing an annual statement with OCI, OCI may charge \$100.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

2 SECTION 1. 601.31 (1) (a) 6. of the statutes is created to read:

3 601.31 (1) (a) 6. Domestic mutual holding companies, \$400.

**State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE**

Tommy G. Thompson
Governor

Connie L. O'Connell
Commissioner

January 14, 1999

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ocici@mail.state.wi.us
http://badger.state.wi.us/agencies/oci/oc_home.htm

To: Sue Jablonsky, Budget Analyst
State Budget Office

From: Tim Mero, Budget Analyst *TAM*
Division of Administrative Services

Subject: Revision to proposed statutory language regarding mutual holding companies.

The Office of the Commissioner of Insurance would like to revise the proposed statutory language regarding domestic mutual holding companies that was listed on page 247 of its 1999-2001 Biennial Budget Request. Attachment #1 is a copy of the original proposal along with the requested revisions.

The Office of the Commissioner of Insurance has substantial responsibilities in reviewing any plan to form a domestic mutual insurance holding company. With regard to the expenses involved in this restructuring process, Wis. Stat. sec. 644.07(11) allows for the reimbursement of the expenses incurred by the commissioner and the prorated salaries of any involved members of the Office of the Commissioner of Insurance.

Since the Office of the Commissioner of Insurance will be fully reimbursed under Wis. Stat. sec. 644.07(11) for review of the initial formation of domestic mutual holding companies, the originally proposed licensing fees will not be needed. What will still be needed is the fee for filing the annual report of a domestic mutual holding company. Attachment #2 is a copy of a memo that further explains this needed fee and provides a review of the agency's responsibilities related to mutual holding companies.

If you have any questions concerning the information in the attached material, please let me know. Thanks!

Attachments

cc: Connie O'Connell, Commissioner
Randy Blumer, Deputy Commissioner
Peter Farrow, Insurance Administrator
Guenther Ruch, Administrator
Clare Stapleton Concord, Administrator

Changes in Statutory Language Related to Mutual Holding Companies:

601.31 Fees. (1) The following fees, unless revised by the commissioner as provided in s. 601.32, shall be paid to the commissioner:

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Intent of the Statutory Language Changes:

The Mutual Holding Co law did not provide for the fees needed to effectuate a license and continued certificate of authority for filing an annual statement for a domestic mutual holding company. Section 601.31 needs to provide for the above fees.

**State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE**

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Commissioner

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ocioci@mail.state.wi.us
http://badger.state.wi.us/agencies/oci/oci_home.htm

DATE: January 13, 1999
TO: Matthew C. Mandt
FROM: Steven J. Junior
SUBJECT: Domestic and Nondomestic Mutual Insurance Holding Companies
Review of OCI Responsibilities and their Funding

Summary

This memo outlines each significant regulatory act or responsibility that OCI could have as a result of the new mutual holding company law, and what fee or other charge may be collected to defray the related expenses.

The new law has excellent funding provisions for the initial review of domestic mutual conversions. OCI may obtain reimbursement for all expenses, including prorated salaries, incurred by office staff from the insurance company that is seeking to restructure.

After conversion, routine fees apply to many actions with no change in existing law. While there is exposure to the cost of research to support subsequent holding company decisions and financial review, OCI does not generally charge fees for this activity.

I have only one fee to recommend. Section 601.31(1)(k) 6, Wis. Stats., should be created to establish a \$100 annual fee for filing the report of a domestic mutual holding company. This filing is required by s. 644.21, Wis. Stats.

Nondomestic Mutual Insurance Holding Companies

There is no enabling legislation in Wisconsin that calls for routine oversight of nondomestic mutual insurance holding companies. Nondomestic insurers do not file holding company registration statements with Wisconsin. A mutual holding company is the ultimate parent of a holding company system. Wisconsin does not incorporate or license nondomestic mutual insurance holding companies, nor do we receive annual financial reports or amendments to their articles and bylaws. Nondomestic mutual insurance holding companies may file such information as a courtesy, but there is no standing requirement that they do so. There is ample authority for this office to inquire about all such matters, but we have tended to defer to the state of domicile on holding company regulation, unless we are conducting a financial investigation.

There is work involved in the initial review of a nondomestic mutual insurer's adoption of a mutual insurance holding company structure. For this work, we are already authorized to charge both a \$400 application fee and a \$400 initial certificate of authority fee pursuant to ss. 601.31(1)(a) 1 and 601.31(1)(b) 1, Wis. Stats., respectively.

Mr. Matthew C. Mandl

January 13, 1999

Page 2

If a nondomestic mutual insurance holding company desires to change its domicile to Wisconsin, it may apply for a certificate of incorporation. However, s. 644.12(1)(c), Wis. Stats., requires that the converted insurance company subsidiary be redomiciled to Wisconsin prior to, or simultaneously with, any redomestication of the mutual insurance holding company. This means that the \$400 application fee and \$400 initial certificate of authority fee would have been collected in connection with the review of the insurance company. It is reasonable to anticipate that the insurance company and the mutual insurance holding company would redomicile simultaneously.

If a nondomestic mutual holding company and a converted nondomestic insurance company were to revert to a traditional mutual plan, or if a nondomestic mutual insurance holding company were to merge with a Wisconsin mutual insurance holding company, we would collect a \$100 fee for filing the articles of merger pursuant to s. 601.31(1)(f), Wis. Stats. This same fee would apply if a foreign mutual insurance company were restructured into a domestic mutual insurance holding company system.

Domestic Mutual Insurance Holding Companies

Review of Initial Formation

The office has substantial responsibilities for the review of any plan to form a domestic mutual holding company. Sections 20.145(1)(h) and 644.07(11), Wis. Stats., in combination, and only in combination, assure that the office may obtain reimbursement for all expenses, including prorated salaries, incurred by the commissioner and office staff in review of domestic mutual holding company conversions. These statutes also apply to restructuring of domestic mutual insurers with existing domestic mutual holding companies. The process of review and approval imposes the following responsibilities on OCI, among others:

- If the plan is consummated, pursuant to s. 644.07(10), Wis. Stats., the commissioner is to issue a new certificate of authority to the converting insurance company and a certificate of incorporation to the mutual insurance holding company. While the existence and role of any intermediate stock holding company would have to be approved by the commissioner as part of the plan of restructuring, the commissioner does not issue the certificate of incorporation.
- This office must review the initial articles and bylaws of the mutual insurance holding company and any intermediate stock holding companies, together with the revised articles and bylaws to be used by the insurance company after its conversion.

With the statutory provision for comprehensive reimbursement for the cost of the initial review, fees do not need to be considered for any aspect of initial formation.

Fees Authorized under Current Law

Once converted from a mutual plan to a stock company, premium taxes and fees would apply to the insurance company just as before the conversion.

This office will have some responsibility for regulating the mutual insurance holding company after its formation. The following fees apply with no change to existing law:

- Under ss. 644.09(2) and (3), Wis. Stats., mutual insurance holding companies must file any amendments to their articles and bylaws with the commissioner. As written, s. 601.31(1)(d), Wis. Stats., authorizes a \$25 fee for amendments to articles of incorporation. There is no fee for filing amendments to bylaws.
- If a domestic mutual holding company is converted to a stock corporation, s. 601.31(1)(d), Wis. Stats., authorizes a \$25 fee for filing the necessary amendments to the articles of incorporation.

Mr. Matthew C. Mandl
January 13, 1999
Page 3

- If the mutual holding company structure is reorganized to revert back to the traditional mutual plan under s. 644.24, Wis. Stats., then s. 601.31(1)(f), Wis. Stats., authorizes collection of a \$100 fee for filing the necessary articles of merger. If the articles of incorporation of the re-mutualized insurer are restated in a separate document, we are authorized to collect a \$25 fee.
- Section 644.27, Wis. Stats., requires the commissioner to review mergers and consolidations of mutual insurance holding companies. Section 601.31(1)(f), Wis. Stats., authorizes a \$100 fee for filing articles of merger.
- Under s. 644.06, Wis. Stats., this office is an agent for service of process on mutual insurance holding companies. Section 601.31(p), Wis. Stats., authorizes collection of a \$10 fee for this service.

Review Subsequent to Initial Formation for Which No Fees Exist

The office has responsibility for regulatory oversight of the domestic mutual insurance holding company in the following situations for which there is no authorization of a fee or reimbursement:

- If the initial plan did not include a plan for the sale of voting stock in the converted insurance company or in any intermediate stock holding company, the mutual insurance holding company may file such a plan under ss. 644.15(1)(a) 2 and (b), Wis. Stats. Among other responsibilities, this office would have to approve the initial price of the stock or the procedure for setting and determining the price of the stock.
- Under s. 644.19(3), Wis. Stats., the commissioner may, by rule, establish reporting requirements for officer, director, and employee compensation plans.
- Under s. 644.21, Wis. Stats., each domestic mutual insurance holding company must file an annual report with this office.
- Under s. 644.28, Wis. Stats., plans for the voluntary dissolution of a domestic mutual holding company must be reviewed and approved by the commissioner.

While the responsibility involved with some of the foregoing transactions would be very involved if they were to occur, this office does not charge for review of holding company transactions generally.

Fee Recommended

A fee should be established for filing the annual report of a domestic mutual holding company. I recommend the creation of s. 601.31(1)(k) 6 to read as follows:

"Domestic mutual holding companies, \$100"

This fee would be consistent with the fees of other for-profit organizations. A lower, preferential fee of \$25 is charged for gift annuities and continuing care providers. The typical \$100 fee is the least that could be justified.

For the estimate of budgetary impact, I would suggest a figure of zero, unless OCI management has been advised by an insurer to expect such a filing.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0507/2
PJK:kmg:jf

in is run

DOA:.....Jablonsky - Insurance fees related to mutual holding companies
FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

*SOON
(1-15)*

*do not
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Analysis by the Legislative Reference Bureau

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Insert A

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Under the bill, for filing documents with OCI for examination prior to initial licensing, OCI may charge \$400. For issuing a permit or certificate of authority, OCI may charge \$400. For an annual continuation of a permit or certificate of authority, OCI may charge \$100. For filing an annual statement with OCI, OCI may charge \$100.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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~~SECTION 1. 601.81 (1)(a) 6. of the statutes is created to read:~~

1 601.31 (1) (a) 6. Domestic mutual holding companies, \$400.

2 SECTION 2. 601.31 (1) (b) 6. of the statutes is created to read:

3 601.31 (1) (b) 6. Domestic mutual holding companies, \$400.

4 SECTION 3. 601.31 (1) (c) 6. of the statutes is created to read:

5 601.31 (1) (c) 6. Domestic mutual holding companies, \$100.

6 SECTION 4. 601.31 (1) (k) 6. of the statutes is created to read:

7 601.31 (1) (k) 6. Domestic mutual holding companies, \$100.

8

(END)

insurance

**1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0507/2ins
PJK:kmg:jf

INSERT A

w0 CI The statutes do not provide for fees that OCI may charge for its regulation of mutual insurance holding companies; however, the statutes require a converting insurance company to reimburse OCI for expenses that OCI incurs in the restructuring process. The statutes also require a mutual insurance holding company to file an annual report with OCI, which is, of course, not part of the restructuring process. The bill provides that OCI may charge a mutual insurance holding company a \$100 fee for filing its annual report.

(END OF INSERT A)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0507/2

PJK:kmg:jf

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