

**SENATE BILL 386 (LRB -0842)**

An Act to repeal 646.35 (6) (c) 1. a. and 646.35 (6) (c) 2. a.; to renumber 646.33 (3), 646.35 (4) (a) and 646.35 (4) (b); to renumber and amend 601.465, 605.02, 631.61 (1) (c), 646.12 (1) (a) and 646.31 (11); to consolidate, renumber and amend 646.35 (6) (c) 1. (intro.) and b. and 646.35 (6) (c) 2. (intro.) and b.; to amend 25.17 (3) (a), 76.68 (2), 76.68 (4), 601.41 (8) (b), 605.21 (4), 611.26 (3) (a), 611.26 (4) (a), 611.26 (4) (b), 611.72 (2), 632.745 (18) (b), 646.01 (1) (b) 14., 646.11 (4), 646.11 (5), 646.12 (1) (b), 646.12 (2) (a), 646.51 (3) (am) (intro.) and 646.51 (4) (a); to create 25.14 (1) (a) 19., 600.03 (25) (a) 4., 601.465 (1m) (title), 601.465 (2m), 605.02 (2), 631.61 (1) (c) 1., 631.61 (1) (c) 2., 631.61 (1) (c) 3., 632.07, 646.12 (1) (a) 2., 646.12 (1) (a) 3., 646.13 (3) (d), 646.31 (11) (a), 646.31 (11) (c) and 646.51 (3) (b) of the statutes; and to affect 2003 Wisconsin Act 261, section 162 (1); relating to: the definition of a late enrollee; making group insurance certificates available electronically; prohibiting a lender from requiring property insurance in an amount that exceeds the replacement value of improvements; premium tax statute of limitations; miscellaneous changes to the insurance security fund; investments of the local government property insurance fund by the State of Wisconsin Investment Board, other miscellaneous insurance-related modifications; and granting rule-making authority.

**2008**

- 01-14. S. Introduced by Senator **Erpenbach**; cosponsored by Representative **F. Lasee**.
- 01-14. S. Read first time and referred to committee on Health, Human Services, Insurance, and Job Creation ..... 500
- 01-24. S. Public hearing held.
- 02-20. S. Executive action taken.
- 02-21. S. Report passage recommended by committee on Health, Human Services, Insurance, and Job Creation,  
Ayes 7, Noes 0 ..... 607
- 02-21. S. Available for scheduling.
- 02-26. S. Placed on calendar 2-28-2008 by committee on Senate Organization.
- 02-28. S. Read a second time ..... 636
- 02-28. S. Senate amendment 1 offered by Senator Erpenbach (**LRB a1416**) ..... 637
- 02-28. S. **Senate amendment 1 adopted** ..... 637
- 02-28. S. Ordered to a third reading ..... 637
- 02-28. S. Rules suspended ..... 637
- 02-28. S. Read a third time and **passed** ..... 637
- 02-28. S. Ordered immediately messaged ..... 639
- 03-11. A. Received from Senate.
- 03-11. A. Read.
- 03-11. A. Rules suspended and taken up.
- 03-11. A. Read a second time.
- 03-11. A. Referred to joint committee on Finance.
- 03-11. A. Withdrawn from joint committee on Finance and taken up.
- 03-11. A. Ordered to a third reading.
- 03-11. A. Rules suspended.
- 03-11. A. Read a third time and **concurred in**.
- 03-11. A. Ordered immediately messaged.
- 03-12. S. Received from Assembly concurred in.

CD

**2007**  
**ENROLLED BILL**

07en S B-386

**ADOPTED DOCUMENTS:**

Orig     Engr         SubAmdt     

07 0842 / 6

Amendments to above (if none, write "NONE"): SAI - a 1416/1

Corrections - show date (if none, write "NONE"): None

**Topic** investing the local government property insurance fund; definition of late enrollee in a group health benefit plan; prohibiting a lender from requiring property insurance that <sup>exceeding</sup> exceeds the replacement value of improvements; <sup>and</sup> venue for certain actions

3-12-08

Date

JRMilz

Enrolling Drafter

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**2007 SENATE BILL 386**

January 14, 2008 - Introduced by Senator ERPENBACH, cosponsored by Representative F. LASEE. Referred to Committee on Health, Human Services, Insurance, and Job Creation.

1     **AN ACT to repeal** 646.35 (6) (c) 1. a. and 646.35 (6) (c) 2. a.; **to renumber** 646.33  
2           (3), 646.35 (4) (a) and 646.35 (4) (b); **to renumber and amend** 601.465, 605.02,  
3           631.61 (1) (c), 646.12 (1) (a) and 646.31 (11); **to consolidate, renumber and**  
4           **amend** 646.35 (6) (c) 1. (intro.) and b. and 646.35 (6) (c) 2. (intro.) and b.; **to**  
5           **amend** 25.17 (3) (a), 76.68 (2), 76.68 (4), 601.41 (8) (b), 605.21 (4), 611.26 (3) (a),  
6           611.26 (4) (a), 611.26 (4) (b), 611.72 (2), 632.745 (18) (b), 646.01 (1) (b) 14., 646.11  
7           (4), 646.11 (5), 646.12 (1) (b), 646.12 (2) (a), 646.51 (3) (am) (intro.) and 646.51  
8           (4) (a); **to create** 25.14 (1) (a) 19., 600.03 (25) (a) 4., 601.465 (1m) (title), 601.465  
9           (2m), 605.02 (2), 631.61 (1) (c) 1., 631.61 (1) (c) 2., 631.61 (1) (c) 3., 632.07, 646.12  
10          (1) (a) 2., 646.12 (1) (a) 3., 646.13 (3) (d), 646.31 (11) (a), 646.31 (11) (c) and  
11          646.51 (3) (b) of the statutes; and **to affect** 2003 Wisconsin Act 261, section 162  
12          (1); **relating to:** the definition of a late enrollee; making group insurance  
13          certificates available electronically; prohibiting a lender from requiring  
14          property insurance in an amount that exceeds the replacement value of

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1 improvements; premium tax statute of limitations; miscellaneous changes to  
2 the insurance security fund; investments of the local government property  
3 insurance fund by the State of Wisconsin Investment Board, other  
4 miscellaneous insurance-related modifications; and granting rule-making  
5 authority.

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*Analysis by the Legislative Reference Bureau*

***Insurance security fund***

The bill makes various changes to the insurance security fund provisions of the statutes. In general, the insurance security fund (fund), which is created as a nonprofit organization and funded through assessments paid by insurers covered under the fund, pays claims made against insolvent insurers.

Under current law, the board of directors of the fund (board) includes between 7 and 14 members, consisting of the state attorney general, the state treasurer, the commissioner, and representatives of insurers who are chosen under procedures specified by the commissioner by administrative rule. The chairperson of the board is elected by members of the board under a rule promulgated by the commissioner. Under the bill, the board consists of the state attorney general, the state treasurer, the commissioner, and between nine and 11 representatives of insurers who are appointed by the commissioner for three-year terms; a member who is an insurer representative may designate an alternate representative, who has all of the powers and responsibilities of the designating representative, to represent the insurer at any meeting of the board; and the chairperson of the board is elected annually by the members at the first meeting after June 1.

Under current law, generally, the fund has no liability for payment of a claim that is not filed by the date set by the liquidator or court. The bill provides that the fund is not liable for any claim that is filed after 18 months after the order of liquidation is entered if no date for filing is set by the liquidator or court. The bill also specifies the circumstances under which an insurer, reinsurer, insurance pool, or underwriting association that has paid a claim for health care costs and is subrogated to an insurer in liquidation may assert a claim for reimbursement against the fund.

Under current law, the fund is not responsible for paying benefits under a life or disability insurance policy or an annuity contract to the extent that the rate of interest on which the benefits are based, or the interest rate, crediting rate, or similar factor determined by use of an index, exceeds the smaller of the minimum guaranteed rate specified in the contract or a rate of interest determined in relation to Moody's corporate bond yield average. The bill changes this so that the fund's responsibility for payment is based only on whether the interest rate on which the benefits are based exceeds the applicable Moody's corporate bond yield average.

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Under current law, assessments paid by insurers to support the fund are based on premium written in this state for the year preceding either the year the liquidation order was entered or the year in which the assessment is authorized by the board, depending on when the assessment is authorized. This bill retains that provision for all types of insurance except life or disability insurance policies and annuity contracts. For those types of insurance, assessments are based on average annual premium received in this state for the three most recent years preceding the year the liquidation order was entered. In addition, the bill changes the maximum amount that an insurer may be assessed in any calendar year. Under current law, the maximum assessment amount is 2 percent of average annual premium received in this state during the three calendar years preceding the year in which the liquidation order is entered. The bill changes the maximum assessment amount to 2 percent of the insurer's assessable premiums on which an insurer's assessment is based.

Current law provides a number of types of insurance or insurance-like products or arrangements that are not covered by the fund, including a policy issued by an insurer to the Department of Health and Family Services (DHFS) under a specific state statute to provide prepaid health care to medical assistance recipients. The bill expands that to include not only policies but also contracts between an insurer and DHFS or other entities under any state statute to provide prepaid health care to medical assistance recipients.

***Investments of the State of Wisconsin Investment Board***

Under current law, the State of Wisconsin Investment Board (SWIB) has authority to invest and manage certain assets, including moneys of the local government property insurance fund (LGPIF). As with most of the funds under SWIB's investment control, LGPIF is invested as part of the state investment fund, which is comprised of fixed income investments with a short-term investment objective. In contrast, SWIB has broader investment authority over assets of the state life fund, the veterans trust fund, the injured patients and families compensation fund, and the core retirement investment trust (containing most Wisconsin Retirement System contributions), which may be invested with a longer-term investment objective in specific classes of investments enumerated by statute (authorized list).

This bill removes LGPIF from the state investment fund and allows SWIB to invest LGPIF in an authorized list of investments that includes both fixed income and equity securities.

***Miscellaneous insurance provisions***

The bill makes various other insurance-related changes. The bill:

1. Prohibits a lender with a security interest in real property from requiring the borrower to insure the real property against risks to improvements in an amount that exceeds the lesser of the replacement value or market value of the improvements.

2. Authorizes an insurer that provides group or blanket insurance to make the certificates available to certificate holders electronically as an alternative to

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delivering or mailing the certificates to the policyholder. However, any certificate holder may receive a paper copy of the certificate upon request.

3. Makes the definition of a late enrollee, for purposes of group health benefit plan requirements, consistent with the federal Health Insurance Portability and Accountability Act of 1996. The definition of a late enrollee affects the length of time that may be required for an affiliation period and for a preexisting condition exclusion.

4. Clarifies that the level of investment allowed in an insurance corporation subsidiary applies to all subsidiaries of the insurance corporation in the aggregate, not to each separate subsidiary.

5. Provides that the only remedy for recovering a license fee or assessment paid by an insurer is to commence an action in the circuit court for Dane County.

6. Specifies requirements for property that may be covered under the local government property insurance fund that is not actually owned by a local governmental unit.

7. Provides that the commissioner of insurance (commissioner) must consult with the appropriate advisory council or committee designated by the commissioner, rather than the Life and Disability Advisory Council, when developing a uniform employee application form for use by small employer insurers.

8. Provides some clarifications with respect to investigation and examination information that the Office of the Commissioner of Insurance has a privilege to refuse to disclose.

9. Specifies that coverage that is provided to an employer or plan sponsor relating to claims incurred under the employer's or plan sponsor's self-funded employee welfare benefit plan (self-funded, or self-insured, health care plan) is "insurance" for purposes of the insurance statutes.

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

1           **SECTION 1.** 25.14 (1) (a) 19. of the statutes is created to read:

2           25.14 (1) (a) 19. The local government property insurance fund.

3           **SECTION 2.** 25.17 (3) (a) of the statutes is amended to read:

4           25.17 (3) (a) Invest the core retirement investment trust, state life fund, local  
5 government property insurance fund, veterans trust fund, and injured patients and  
6 families compensation fund in loans, securities, and any other investments  
7 authorized by s. 620.22, and in bonds or other evidences of indebtedness or preferred  
8 stock of companies engaged in the finance business whether as direct lenders or as

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1 holding companies owning subsidiaries engaged in the finance business.  
2 Investments permitted by sub. (4) are permitted investments under this subsection.

3 **SECTION 3.** 76.68 (2) of the statutes is amended to read:

4 76.68 (2) No suit may be brought to restrain or enjoin the collection of any  
5 license fee or tax imposed or provided for by this subchapter, and the fees required  
6 by s. 601.31. Any insurer aggrieved by the payment of any such license or other fee  
7 or tax may maintain a suit against the state for the recovery thereof action to recover  
8 any license fee or tax imposed or provided for by this subchapter or any fee required  
9 under s. 601.31, shall be brought in the circuit court for Dane County within 6  
10 months from the time of the payment. The state may be served in the suit as provided  
11 in s. 801.11 (3). This subsection is the exclusive remedy by which to recover any  
12 license fee or tax imposed or provided for by this subchapter or any fee required under  
13 s. 601.31.

14 **SECTION 4.** 76.68 (4) of the statutes is amended to read:

15 76.68 (4) The attorney general shall institute suit in the circuit court for Dane  
16 County to recover any license fees or tax not paid within the time prescribed by this  
17 subchapter, and the fees required by s. 601.31. ~~Nothing in this subsection shall be~~  
18 ~~construed as amending or modifying in any respect ch. 775.~~

19 **SECTION 5.** 600.03 (25) (a) 4. of the statutes is created to read:

20 600.03 (25) (a) 4. Coverage, including stop-loss coverage, of an employer or  
21 plan sponsor relating to claims incurred under the employer's or plan sponsor's  
22 self-funded employee welfare benefit plan, as defined in 29 USC 1002 (1).

23 **SECTION 6.** 601.41 (8) (b) of the statutes is amended to read:

24 601.41 (8) (b) In consultation with the ~~life and disability advisory council~~  
25 ~~established~~ appropriate advisory council or committee designated by the

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1 commissioner, the commissioner shall by rule develop a uniform employee  
2 application form that a small employer insurer must use when a small employer  
3 applies for coverage under a group health benefit plan offered by the small employer  
4 insurer. The commissioner shall revise the form at least every 2 years.

5 **SECTION 7.** 601.465 of the statutes is renumbered 601.465 (1m), and 601.465  
6 (1m) (c) (intro.) and 6., as renumbered, are amended to read:

7 601.465 (1m) (c) (intro.) Testimony, reports, records, communications, and  
8 information that are obtained by the office from, or provided by the office to, any of  
9 the following, under a pledge of confidentiality or for the purpose of assisting or  
10 participating in monitoring activities or in the conduct of an inquiry, investigation,  
11 or examination:

12 6. An agent or employee of an agency described in ~~par. (e)~~ subd. 5.

13 **SECTION 8.** 601.465 (1m) (title) of the statutes is created to read:

14 601.465 (1m) (title) TYPES OF INFORMATION.

15 **SECTION 9.** 601.465 (2m) of the statutes is created to read:

16 601.465 (2m) WAIVER AND APPLICABILITY OF THE PRIVILEGE. All of the following  
17 apply to the privilege under this section:

18 (a) The privilege may be waived only by the affirmative written and specific  
19 consent of the commissioner.

20 (b) The privilege may not be constructively waived.

21 (c) The privilege applies to testimony, reports, records, communications, and  
22 information obtained, created, or provided by any official, employee, or agent of the  
23 office for the purpose of assisting or participating in monitoring activities or in the  
24 conduct of an inquiry, investigation, or examination by, or coordinated through, the  
25 National Association of Insurance Commissioners.



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1 (d) The privilege applies to testimony, reports, records, communications, and  
2 information in existence on or after the effective date of this paragraph .... [revisor  
3 inserts date].

4 **SECTION 10.** 605.02 of the statutes is renumbered 605.02 (1) and amended to  
5 read:

6 605.02 (1) PROPERTY OF LOCAL GOVERNMENTAL UNITS. Any local governmental  
7 unit may insure in the property fund its property or, subject to sub. (2), property for  
8 which it may be liable in the event of damage or destruction. Property insured under  
9 this section by a local governmental unit may not also be insured in any other  
10 manner unless the manager certifies that additional insurance is necessary, or  
11 unless the local governmental unit by resolution, a certified copy of which is filed  
12 with the manager, decides to insure specified personal property with insurers  
13 authorized to do business in this state.

14 **SECTION 11.** 605.02 (2) of the statutes is created to read:

15 605.02 (2) REQUIREMENTS FOR NONOWNED PROPERTY. The property fund may  
16 cover a building or structure specified in sub. (1) that is not owned by a local  
17 governmental unit only if all of the following conditions are met:

18 (a) The building or structure is listed and described as a nonowned building or  
19 structure in the local governmental unit's statement of values.

20 (b) The local governmental unit is contractually liable in the event that the  
21 building or structure is damaged or destroyed.

22 (c) The building or structure is in the local governmental unit's care, custody,  
23 or control.

24 (d) The building or structure is used for a legitimate governmental purpose.

25 **SECTION 12.** 605.21 (4) of the statutes is amended to read:

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1           605.21 (4) INSURANCE OF PERSONAL PROPERTY. All personal property of the local  
2 governing unit is insured and premiums therefor must be paid under this section  
3 except to the extent that coverage is excluded by resolution under s. 605.02 (1).

4           **SECTION 13.** 611.26 (3) (a) of the statutes is amended to read:

5           611.26 (3) (a) *Authorization.* An insurance corporation may form or acquire  
6 subsidiaries to perform functions or provide services that are ancillary to its  
7 insurance operations. It may have up to 10% of its assets invested in such  
8 subsidiaries, unless the commissioner by order or rule provides otherwise.

9           **SECTION 14.** 611.26 (4) (a) of the statutes is amended to read:

10           611.26 (4) (a) Invest in a ~~subsidiary~~ one or more subsidiaries more than 10  
11 percent of its assets or 50 percent of its capital and surplus, whichever is less.

12           **SECTION 15.** 611.26 (4) (b) of the statutes is amended to read:

13           611.26 (4) (b) Invest in a ~~subsidiary~~ one or more subsidiaries to the extent that  
14 the insurer's capital and surplus with regard to policyholders will not be reasonable  
15 in relation to the insurer's outstanding liabilities or adequate to meet the insurer's  
16 financial needs.

17           **SECTION 16.** 611.72 (2) of the statutes is amended to read:

18           611.72 (2) APPROVAL REQUIRED. No proposed plan of merger under s. 180.1101  
19 or 180.1104 or other plan for acquisition of control ~~may be submitted to the~~  
20 ~~shareholders~~ of any domestic stock insurance corporation or its parent insurance  
21 holding corporation participating in the transaction ~~or~~ may be executed unless it has  
22 been approved by the commissioner.

23           **SECTION 17.** 631.61 (1) (c) of the statutes is renumbered 631.61 (1) (c) (intro.)  
24 and amended to read:

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1           631.61 (1) (c) *Method of providing certificates.* (intro.) The certificate shall be  
2 provided in a manner reasonably calculated to bring it to the attention of the  
3 certificate holder. The insurer may deliver or mail it directly to the certificate holder  
4 or may deliver or mail the certificates in bulk to the policyholder to transmit to  
5 certificate holders, unless the insurer has reason to believe that the policyholder will  
6 not promptly transmit the certificates. An affidavit by the insurer that it has mailed  
7 the certificates in the usual course of business creates a rebuttable presumption that  
8 it has done so. As an alternative to delivering or mailing the certificate, the insurer  
9 may make the certificate available electronically through an online internet or  
10 policyholder network Web site. If the insurer makes the certificate available  
11 electronically, the insurer shall do all of the following:

12           **SECTION 18.** 631.61 (1) (c) 1. of the statutes is created to read:

13           631.61 (1) (c) 1. Request the policyholder to post the information, as well as  
14 instructions on how to access the certificate, in the policyholder's place of business  
15 or to publish the information and access instructions in a house organ that is  
16 reasonably calculated to bring the information to the attention of the certificate  
17 holders.

18           **SECTION 19.** 631.61 (1) (c) 2. of the statutes is created to read:

19           631.61 (1) (c) 2. Provide notice to the policyholder of any subsequent change  
20 in the certificate and request the policyholder to notify the certificate holders of the  
21 change in the manner specified in subd. 1.

22           **SECTION 20.** 631.61 (1) (c) 3. of the statutes is created to read:

23           631.61 (1) (c) 3. Provide a paper copy of the certificate to any certificate holder  
24 upon request.

25           **SECTION 21.** 632.07 of the statutes is created to read:

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## SECTION 21

1           **632.07 Prohibiting requiring property insurance in excess of**  
2 **replacement value.** A lender may not require a borrower, as a condition of  
3 receiving or maintaining a loan secured by real property, to insure the property  
4 against risks to improvements on the real property in an amount that exceeds the  
5 replacement value or market value of the improvements, ~~whichever is less.~~

6           **SECTION 22.** 632.745 (18) (b) of the statutes is amended to read:

7           632.745 (18) (b) A special enrollment period under s. 632.746 (6) or (7).

8           **SECTION 23.** 646.01 (1) (b) 14. of the statutes is amended to read:

9           646.01 (1) (b) 14. A policy issued by an insurer to, or a contract entered into by  
10 an insurer with, a care management organization, as defined in s. 46.2805 (1), or the  
11 department of health and family services or any other governmental entity under s.  
12 49.45 (2) (b) 2. any state law to provide prepaid health care to medical assistance  
13 recipients.

14           **SECTION 24.** 646.11 (4) of the statutes is amended to read:

15           646.11 (4) **LIABILITY.** No contributor to the fund ~~or~~, person acting on its the  
16 fund's behalf, insurer representative on the board, or alternate representative  
17 designated under s. 646.12 (1) (a) 3. is personally liable for any obligations of the  
18 fund. The rights of creditors are solely against the assets of the fund.

19           **SECTION 25.** 646.11 (5) of the statutes is amended to read:

20           646.11 (5) **IMMUNITY.** No cause of action of any nature may arise against and  
21 no liability may be imposed upon the fund or its agents, employees, directors,  
22 including alternate representatives designated under s. 646.12 (1) (a) 3., or  
23 contributor insurers, or the commissioner or the commissioner's agents, employees,  
24 or representatives, for any act or omission by any of them in the performance of their  
25 powers and duties under this chapter.

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1           **SECTION 26.** 646.12 (1) (a) of the statutes is renumbered 646.12 (1) (a) 1. and  
2 amended to read:

3           646.12 (1) (a) 1. The fund shall be administered by a board of directors which  
4 ~~that shall consist of not fewer than 7 nor more than 14 members. The the attorney~~  
5 ~~general, the state treasurer, and the commissioner are members with, each of whom~~  
6 ~~shall have full voting rights. Other members shall be chosen from representatives~~  
7 ~~of insurers subject to this chapter under procedures specified by the commissioner~~  
8 ~~by rule, provided that one member is a representative of a service insurance~~  
9 ~~corporation. The rule may provide that, instead of natural persons, specific insurers~~  
10 ~~or associations of insurers may be selected as members of the board and may act~~  
11 ~~through any duly authorized representative, and at least 9 but not more than 11~~  
12 ~~insurer representatives of domestic, foreign, and alien insurers subject to this~~  
13 ~~chapter.~~

14           **SECTION 27.** 646.12 (1) (a) 2. of the statutes is created to read:

15           646.12 (1) (a) 2. The commissioner shall appoint the insurer representative  
16 members for 3-year terms, after considering recommendations of the other board  
17 members currently serving terms. In recommending candidates to fill the positions,  
18 the board shall consider whether all insurers subject to this chapter are fairly  
19 represented, including property and casualty insurers, life and health insurers,  
20 health maintenance organizations and service insurance corporations, and domestic  
21 and nondomestic insurers.

22           **SECTION 28.** 646.12 (1) (a) 3. of the statutes is created to read:

23           646.12 (1) (a) 3. Each appointed insurer representative may designate an  
24 alternate representative to represent the insurer at any meeting of the board. Any

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1 person serving as an alternate representative shall, while serving, have all of the  
2 powers and responsibilities of the appointed insurer representative.

3 **SECTION 29.** 646.12 (1) (b) of the statutes is amended to read:

4 646.12 (1) (b) *Chairperson.* The person to chair the board shall be elected by  
5 the members of the board ~~under a rule promulgated by the commissioner~~ annually  
6 at the first meeting after June 1.

7 **SECTION 30.** 646.12 (2) (a) of the statutes is amended to read:

8 646.12 (2) (a) ~~Subject to the commissioner's power to promulgate rules under~~  
9 ~~sub. (1), adopt~~ Adopt rules for the administration of this chapter, including  
10 delegation of any part of its powers and its own procedures.

11 **SECTION 31.** 646.13 (3) (d) of the statutes is created to read:

12 646.13 (3) (d) Except for claims under life insurance policies, annuities, or  
13 noncancelable or guaranteed renewable disability insurance policies, and except for  
14 claims determined to be excused late filings as provided in pars. (a) and (b), if no date  
15 for filing is set by the liquidator or court, with a liquidator or court after 18 months  
16 after the order of liquidation is entered.

17 **SECTION 32.** 646.31 (11) of the statutes is renumbered 646.31 (11) (b) and  
18 amended to read:

19 646.31 (11) (b) ~~The~~ An insurance entity may not assert a claim against the fund  
20 ~~is not required to pay for~~ any amount due from the insurer to any reinsurer, insurer,  
21 ~~insurance pool or underwriting association~~ the insurance entity as subrogation,  
22 contribution, or indemnification recoveries or otherwise, except as provided in sub.  
23 (2) (a). ~~A reinsurer, insurer, insurance pool or underwriting association~~ An  
24 insurance entity that has paid a claim and thereby has become subrogated or  
25 otherwise entitled to the amount of that claim may assert that claim against the

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1 liquidator of the insurer in liquidation but not against the insured of the insurer in  
2 liquidation.

3 **SECTION 33.** 646.31 (11) (a) of the statutes is created to read:

4 646.31 (11) (a) In this subsection:

5 1. “Health care costs” has the meaning given in s. 609.01 (1j).

6 2. “Insurance entity” means a reinsurer, an insurer, an insurance pool, or an  
7 underwriting association.

8 **SECTION 34.** 646.31 (11) (c) of the statutes is created to read:

9 646.31 (11) (c) Notwithstanding par. (b), an insurance entity may assert a claim  
10 against the fund for health care costs if all of the following conditions are met:

11 1. The insurance entity paid the claim for health care costs under a disability  
12 insurance policy issued by the insurance entity.

13 2. The insurance entity is not obligated to pay the health care costs under the  
14 express terms of the disability insurance policy because the claim arose out of, or in  
15 the course of, the claimant’s employment.

16 3. The claim is covered by a worker’s compensation insurance policy and would  
17 otherwise be an eligible claim under this section.

18 **SECTION 35.** 646.33 (3) of the statutes is renumbered 646.33 (3) (a).

19 **SECTION 36.** 646.35 (4) (a) of the statutes is renumbered 646.35 (4).

20 **SECTION 37.** 646.35 (4) (b) of the statutes is renumbered 646.33 (3) (b).

21 **SECTION 38.** 646.35 (6) (c) 1. (intro.) and b. of the statutes are consolidated,  
22 renumbered 646.35 (6) (c) 1. and amended to read:

23 646.35 (6) (c) 1. Any benefit payment liability, arising on or after the date of  
24 entry of the order of liquidation, to the extent that the rate of interest on which it is  
25 based or the interest rate, crediting rate, or similar factor determined by use of an

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1 index or other external reference stated in the policy or contract and employed in  
2 calculating returns or changes in value exceeds the ~~smaller of the following: b. The~~  
3 rate of interest, which may not be less than zero, determined by subtracting 3  
4 percentage points from the monthly corporate bond yield average, as most recently  
5 published by Moody's investors service or its successor.

6 **SECTION 39.** 646.35 (6) (c) 1. a. of the statutes is repealed.

7 **SECTION 40.** 646.35 (6) (c) 2. (intro.) and b. of the statutes are consolidated,  
8 renumbered 646.35 (6) (c) 2. and amended to read:

9 646.35 (6) (c) 2. Any benefit payment liability, arising before the date of entry  
10 of the order of liquidation, to the extent that the payment exceeds the ~~smaller of the~~  
11 ~~following: b. The~~ rate of interest, which may not be less than zero, determined by  
12 subtracting 2 percentage points from the monthly corporate bond yield average, as  
13 published by Moody's investors service or its successor, when averaged over the  
14 4-year period ending on the date of entry of the order of liquidation or averaged over  
15 such lesser period if the contract was issued less than 4 years before that date.

16 **SECTION 41.** 646.35 (6) (c) 2. a. of the statutes is repealed.

17 **SECTION 42.** 646.51 (3) (am) (intro.) of the statutes is amended to read:

18 646.51 (3) (am) *General.* (intro.) Except as provided in ~~par.~~ pars. (b) and (c),  
19 assessments shall be calculated as follows:

20 **SECTION 43.** 646.51 (3) (b) of the statutes is created to read:

21 646.51 (3) (b) *Life and health.* Except as provided in par. (c), with respect to  
22 annuity contracts or life or disability insurance policies, including policies issued by  
23 health maintenance organizations, assessments shall be calculated as a percentage  
24 of average annual premium received in this state by each insurer in the classes



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1 protected by the accounts for the 3 most recent years preceding the year of the entry  
2 of the order of liquidation.

3 **SECTION 44.** 646.51 (4) (a) of the statutes is amended to read:

4 646.51 (4) (a) Subject to pars. (b) and (d), the total of all assessments for an  
5 amount authorized by the board under this section with respect to an insurer may  
6 not, in one calendar year, exceed ~~2%~~ 2 percent of the insurer's average annual  
7 assessable premiums received in this state, during the 3 calendar years preceding  
8 ~~the year of entry of the order of liquidation,~~ under sub. (3) (am) or (b) on the types  
9 of policies and contracts that are covered by the account.

10 **SECTION 45.** 2003 Wisconsin Act 261, section 162 (1) is amended to read:

11 [2003 Wisconsin Act 261] Section 162 (1) INSURANCE SECURITY FUND.

12 (a) The treatment of sections 609.98 (1) and (4) (a) and (b), 645.58 (1) (intro.),  
13 646.01 (1) (a) 2. k. and L. and (b) 1., 9. (intro.), a., b., c., and d., 11., 11m., 15., 16., and  
14 17., and 18., 646.03 (1m), (2n), (2p), (4), and (5), 646.12 (2) (d) and (f) 2. and 3. and  
15 (4), 646.13 (title), (1) (intro.) and (b), (2) (intro.), (b), (c), (d), and (g), (3) (intro.), (a),  
16 (b), and (c) (intro.) and 2., and (4), 646.15 (title) and (1) (a) (intro.), 1., 2., and 4.,  
17 646.16, 646.21 (2), 646.31 (1) (d) 10. and 11., (2) (a) 1. and 2., (b) 1., 2. (intro.), a., and  
18 b., and 3., (f) (title) and 2., and (g), (3), (5), (6) (a) and (b), (7), (8), (9) (a), (b), (c), (cm),  
19 and (d), and (11), 646.32 (1), 646.325 (1) and (2) (intro.), (a) (intro.), and (b), 646.33  
20 (2), (2m) (b), and (3), 646.35 (2), (3) (title), (intro.) (except 646.35 (3) (title)), (a), (b),  
21 and (c), (5), (6) (a), (b), (bm), and (c) (intro.), 1. (intro.) and b., and 2. (intro.) and b.,  
22 (7), (8), (9), and (10), 646.51 (1), (1c), (2), (3) (a) (title), 1., and 2., (am) 2., (b), and (c),  
23 (5), (6), (7) (a), (8), and (9) (b) 1. and 2., 646.60 (1) (a), 646.61 (2), and 646.73 of the  
24 statutes, the renumbering and amendment of sections 646.11 (1), 646.31 (10) and  
25 (13), 646.33 (1), 646.35 (4), and 646.51 (4) of the statutes, and the creation of sections

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1 646.11 (1) (d) and (e), 646.31 (10) (b) and (13) (b), (c), and (d), 646.33 (1) (b), (c), and  
2 (d), 646.35 (4) (b), and 646.51 (4) (a), (b), and (d) of the statutes first apply to  
3 insurance company liquidations commenced or pending on the effective date of this  
4 paragraph.

5 (b) The treatment of section 646.01 (1) (b) 18. of the statutes first applies to  
6 liquidation proceedings in which a liquidation order is issued on the effective date  
7 of this subsection paragraph.

**SECTION 46. Nonstatutory provisions.**

8  
9 (1) BOARD OF DIRECTORS OF INSURANCE SECURITY FUND. Notwithstanding section  
10 646.12 (1) (a) of the statutes, as affected by this act, each insurer representative  
11 member of the board of directors of the insurance security fund who is serving on the  
12 effective date of this subsection shall continue in that capacity until he or she resigns  
13 or his or her term expires, whichever occurs first.

14 (2) COVERAGE OF EMPLOYERS AND PLAN SPONSORS. The treatment of section 600.03  
15 (25) (a) 4. of the statutes, as created by this act, applies to coverage of employers and  
16 plan sponsors issued prior to, on, or after the effective date of this subsection.

**SECTION 47. Initial applicability.**

17  
18 (1) INSURANCE SECURITY FUND. The treatment of sections 646.13 (3) (d), 646.33  
19 (3), 646.35 (4) (a) and (b) and (6) (c) 1. (intro.), a., and b. and 2. (intro.), a., and b., and  
20 646.51 (3) (am) (intro.) and (b) and (4) (a) of the statutes, the renumbering and  
21 amendment of section 646.31 (11) of the statutes, and the creation of section 646.31  
22 (11) (a) and (c) of the statutes first apply to insurance company liquidations  
23 commenced or pending on the effective date of this subsection.



**SENATE AMENDMENT 1,  
TO 2007 SENATE BILL 386**

February 28, 2008 - Offered by Senator ERPENBACH.

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 10, line 5: delete "whichever is less" and substitute "whichever is  
3 greater".

4 (END)

INS SA1-1