



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-3789/1
AJM:amn

2015 SENATE BILL 437

December 7, 2015 – Introduced by Senators LASEE, MARKLEIN, STROEBEL and OLSEN, cosponsored by Representatives NYGREN, BALLWEG, CZAJA, GANNON, THIESFELDT and NOVAK. Referred to Committee on Insurance, Housing, and Trade.

1 **AN ACT** *to create* 605.22 of the statutes; **relating to:** rate regulations,
2 assessment levies, and dividends for the local government property insurance
3 fund.

Analysis by the Legislative Reference Bureau

Under this bill, the local government property insurance fund (fund) is subject to rate regulations currently applied to private insurers, must levy assessments against participating local governmental units to maintain the fund assets when the assets fall to a certain threshold ratio with respect to premiums, and must pay dividends when the fund assets reach a certain threshold ratio with respect to premiums. Under current law, a local governmental unit, including any city, county, town, village, school, or library board, may pass a resolution to insure its property, and property that it does not own but for which it is contractually liable if the property is damaged or destroyed, in the fund. The fund is managed by the commissioner of insurance and provides protection for the property insured in the fund against fire and extended coverage perils.

The bill requires that the rate standards used to regulate private insurance, to the extent that rates are not excessive, inadequate, or unfairly discriminatory, shall apply to the rates set by the fund. The rates must be set by actuarial determination to maintain the ratio of the net premiums of the fund to the surplus of the fund at no less than 200 percent. If the ratio of net premiums to surplus rises above 225 percent, then the fund must levy an assessment against all of the local governmental units participating in the fund, in proportion to each local governmental unit's share

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of premiums written by the fund. The bill also provides that if a local governmental unit fails to pay its assessment within 60 days of the due date of the assessment, the local governmental unit's coverage under the fund shall be terminated. As with unpaid premiums, the fund can collect unpaid assessments and charge such unpaid assessments against the local government unit, with interest, as a special charge.

The bill also requires the fund to pay dividends to participating local governmental units when the fund has at least \$3,000,000 in surplus and the ratio of net premiums to surplus is less than 45 percent. The bill directs the fund to pay dividends to participating local governmental units in proportion to each unit's share of premiums paid.

For further information see the *state and local* 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:

1 **SECTION 1.** 605.22 of the statutes is created to read:

2 **605.22 Property fund rates and assets. (1) RATE DETERMINATION.** The
3 property fund's annual premium rates shall be actuarially determined to be
4 sufficient to maintain a ratio of net premiums written to surplus of no less than 200
5 percent. The rate standards under s. 625.11 shall apply to property fund rates.

6 **(2) ASSESSMENTS.** The property fund shall levy an assessment on local
7 governmental units participating in the fund whenever the ratio of net premiums
8 written to surplus is greater than 225 percent. Assessments shall be levied on all
9 insured local governmental units participating in the fund in the fiscal year ending
10 immediately prior to the date of the notice of assessment. Assessments shall be
11 levied at the same rate according to each insured local governmental unit's
12 proportional share of direct premiums written in the fund's fiscal year that ended
13 immediately prior to the date of the notice of assessment. The date on which the
14 assessment is due shall be specified in the notice of assessment and may not be less
15 than 60 days after the date of the notice of assessment. The property fund shall

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1 collect unpaid assessments in the manner provided for collection of unpaid
2 premiums under s. 605.21 (2). If an insured local governmental unit does not pay an
3 assessment within 60 days after the assessment is due, the fund shall terminate
4 coverage for that local governmental unit. If a local governmental unit cancels its
5 coverage and a refund of premiums is due to the local governmental unit, the refund
6 due shall be reduced by the amount of any unpaid assessment. A local governmental
7 unit that fails to pay an assessment when due may not participate in the property
8 fund until the past due assessment is paid.

9 (3) DIVIDENDS. The property fund shall pay a dividend to its insured local
10 governmental units whenever the ratio of net premiums written to surplus is less
11 than 45 percent, provided that, following the payment of the dividend, the ratio of
12 net premiums written to surplus does not exceed 100 percent and the amount of
13 surplus is not less than \$3,000,000. Dividends shall be paid to all insured local
14 governmental units participating in the property fund in the fiscal year that ended
15 immediately prior to the date of the notice of the dividend. Dividends shall be paid
16 at the same rate according to each insured local government unit's proportional
17 share of premiums written in the fund's fiscal year that ended immediately prior to
18 the date of the notice of the dividend.

SECTION 2. Effective date.

19 (1) This act takes effect on July 1, 2018.

21 (END)