

**2015 DRAFTING REQUEST**

**Bill**

Received: 11/4/2015 Received By: amckean  
For: Frank Lasee (608) 266-3512 Same as LRB: -3374  
May Contact: By/Representing: Rob  
Subject: Insurance - other insurance Drafter: amckean  
Local Gov't - misc Addl. Drafters:  
Extra Copies:

Submit via email: YES  
Requester's email: Sen.Lasee@legis.wisconsin.gov  
Carbon copy (CC) to:

**Pre Topic:**

No specific pre topic given

**Topic:**

Regulations for the local government property insurance fund

**Instructions:**

See attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	amckean 11/4/2015	kmochal 11/4/2015	_____	mbarman 11/4/2015	mbarman 11/4/2015	State S&L

FE Sent For:

<END>

A+  
Intro.

## **McKean, Aaron**

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**From:** LRB.Legal  
**Sent:** Tuesday, November 03, 2015 3:48 PM  
**To:** McKean, Aaron  
**Subject:** FW: Co-sponsorship LRB 3374/1  
**Attachments:** LGPIF (2).pdf

Hi Aaron, Could you please draft a senate companion and make a note for us to jacket when it comes through? Thank you ☺

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**From:** Kovach, Robert  
**Sent:** Tuesday, November 03, 2015 3:29 PM  
**To:** LRB.Legal <lrblegal@legis.wisconsin.gov>  
**Cc:** Gibbs, Adam <Adam.Gibbs@legis.wisconsin.gov>  
**Subject:** FW: Co-sponsorship LRB 3374/1

Dear LRB.Legal,

Please Jacket a senate version of this legislation for Senator Lasee as he is the Senate author.

Thanks!

## **Rob Kovach**

Policy Advisor/Committee Clerk  
Office of Senator Frank Lasee  
(608) 266-3512

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**From:** Rep.Nygren  
**Sent:** Tuesday, November 03, 2015 3:00 PM  
**To:** \*Legislative All Assembly <ALLASM@legis.wisconsin.gov>; \*Legislative All Senate <ALLSEN@legis.wisconsin.gov>  
**Subject:** Co-sponsorship LRB 3374/1

### **Co-Sponsorship Memorandum**

**To:** Legislative Colleagues  
**From:** Representative John Nygren and Senator Frank Lasee  
**Date:** November 3, 2015

**Re: Co-sponsorship LRB 3374/1 – Rate regulations, assessment levies, and dividends for the local government property insurance fund.**

**Deadline: November 13, 2015 at 5:00 PM**

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This bill makes changes to the rate regulations, assessment levies, and dividends for the local government property insurance fund (fund). With these changes, the fund will be subjected to the same rate standards private insurance carriers are subjected to. In doing so, the fund must maintain a net premium to surplus ratio equivalent to the private market place. By applying these rate standards and premium to surplus ratio to the fund, it will alleviate the general fund from being on the hook to “loan” the fund money to cover claims in the event the fund has a negative balance as it does now.

This bill will also allow the fund, via the Office of the Commissioner of Insurance (OCI), to levy an assessment on policy holders if there is not adequate surplus in the fund. This will ensure that the fund maintains a healthy surplus. This provision will alleviate the general fund’s responsibility unless a major catastrophe happens.

Finally, Under the Doyle administration, Commissioner Sean Dilweg granted a “premium holiday” or “dividend” to policy holders in the amount of \$12,000,000. This dividend contributed to the downward spiral the fund is currently experiencing. This bill will prevent the current or any future administration from granting such a dividend unless the fund has a healthy surplus. In the event that the fund is over capitalized and has a healthy surplus, it could pay a dividend to policy holders. This will ensure stabilization in that if the fund brought in too much money that it could return it to local units of government.

***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 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 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.

If you are interested in co-sponsoring this legislation, please contact the office of Representative Nygren (6-2343) by 5:00 PM on Friday, November 13, 2015. Your name will be added to the Senate companion bill unless otherwise specified.

**A copy of the bill draft is attached.**



State of Wisconsin  
2015 - 2016 LEGISLATURE

3789  
LRB-3374/1  
AJM:amn  
Companion  
RM

2015 BILL

[ FV- 11/4  
DUE - TODAY ]

NO CHANGES

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.

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***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

**BILL**

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.

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*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

**BILL**

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.

19 **SECTION 2. Effective date.**

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

21 (END)

**Barman, Mike**

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**From:** LRB.Legal  
**To:** Sen.Lasee  
**Subject:** Draft review: LRB -3789/1  
**Attachments:** 15-3789/1

**State of Wisconsin - Legislative Reference Bureau**  
**One East Main Street - Suite 200 - Madison**

**The attached draft was prepared at your request. Please review it carefully to ensure that it satisfies your intent.** If you have any questions concerning the draft or would like to have it redrafted, please contact Aaron McKean, Legislative Attorney, at (608) 266-0132, at [aaron.mckean@legis.wisconsin.gov](mailto:aaron.mckean@legis.wisconsin.gov), or at One East Main Street, Suite 200.

**We will jacket this draft for introduction in the Senate.** (per AJM)

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will submit a request to DOA when the draft is introduced. You may obtain a fiscal estimate on the draft prior to introduction by contacting our program assistants at [LRB.Legal@legis.wisconsin.gov](mailto:LRB.Legal@legis.wisconsin.gov) or at (608) 266-3561. If you requested a fiscal estimate on an earlier version of this draft and would like to obtain a fiscal estimate on the current version before it is introduced, you will need to request a revised fiscal estimate from our program assistants.

**Please call our program assistants at (608) 266-3561 if you have any questions regarding this email.**