

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

---

1. Type of Estimate and Analysis

Original    Updated    Corrected

---

2. Administrative Rule Chapter, Title and Number

Agency 145 Ch Ins 51.01 (4) (a) 2.

---

3. Subject

Risk Based Capital Requirements and affecting small business amendment beginning January 1, 2014.

---

4. Fund Sources Affected

GPR    FED    PRO    PRS    SEG    SEG-S

5. Chapter 20, Stats. Appropriations Affected

None

---

6. Fiscal Effect of Implementing the Rule

No Fiscal Effect       Increase Existing Revenues       Increase Costs  
 Indeterminate       Decrease Existing Revenues       Could Absorb Within Agency's Budget  
 Decrease Cost

---

7. The Rule Will Impact the Following (Check All That Apply)

State's Economy       Specific Businesses/Sectors  
 Local Government Units       Public Utility Rate Payers  
 Small Businesses (if checked, complete Attachment A)

---

8. Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes       No

---

9. Policy Problem Addressed by the Rule

The proposed rule potentially results in an earlier warning that a company is approaching a financially hazardous condition. The proposed rule updates an existing regulation to be consistent with the NAIC model regulation and will also bring Wisconsin's requirements for life insurers into alignment with the requirements for health insurers and property and casualty insurers.

---

10. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments.

OCI solicited comments generally through publication requesting comments from the public utilizing the OCI website. Additionally OCI solicited comments from the following businesses, associations representing businesses, local governmental units and individuals:

Northwestern Mutual  
Trilogy  
Johnson Insurance  
Thrivent  
Network Health  
United HealthCare  
Group Health Cooperative of Eau Claire  
Group Health Cooperative of South Central Wisconsin  
HIRSP  
Arrowhead Strategies  
Capital Group of Wisconsin  
Wisconsin Health Plans  
Wisconsin Medical Society  
WPS Insurance  
Dean Health Plan  
Unity Health Plan

---

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

TASC

Physicians Plus Insurance Corporation

Wisconsin Hospital Association

Gundersen Lutheran

Wisconsin Dental Association

Security Health Plan

NAIFA Wisconsin

Assurant Health

Wisconsin Counties Group Health Trust

Blue Cross Blue Shield of Wisconsin

Ministry Health Care

Humana

Aurora Health Care

Mayo Health Care

WEA Trust

Health Partners

Mercy Health System

WellPoint

Arise Health Plan

---

11. Identify the local governmental units that participated in the development of this EIA.  
None beyond solicitation for comments.

---

12. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

The proposed rule will affect domestic life and health insurers who complete a life annual statement, and domestic fraternal insurers. The impact is expected to be minimal. Non-insurance small businesses are protected by this proposed rule change as the amendment provides an earlier warning that a life insurer might be approaching a financially hazardous condition. There may be an effect on small businesses but any effect would be minimal as very few, if any, insurers meet the definition of a small business.

---

13. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The proposed rule potentially results in an earlier warning that a company is approaching a financially hazardous condition. The proposed rule updates an existing regulation to be consistent with the NAIC model regulation and will also bring Wisconsin's requirements for life insurers into alignment with the requirements for health insurers and property and casualty insurers. This change makes the application of standards uniform across lines of insurance minimizing disparate treatment of insurers.

---

14. Long Range Implications of Implementing the Rule

The long-range implications of the rule as proposed are: 1) earlier warning that a company is approaching a financially hazardous condition, 2) consistency in risk based capital requirements for life, health and property and casualty insurers, and 3) consistency with the NAIC model regulation for the purposes of maintaining accreditation for domestic insurers conducting business in other states.

---

15. Compare With Approaches Being Used by Federal Government

OCI is unaware of any existing or proposed federal regulations that are intended to address the activities to be regulated by the proposed rule change.

---

16. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Illinois and Iowa have laws comparable to Wisconsin's existing rule (215 ILCS 5/35A-15 (a) (1) (B) (2013) and IAC s. 521E.3 1. a. (2) (2013)). Michigan adopts the NAIC Model Law by reference (MCLS s. 50.1204a (2013)). Effective December 31, 2013, Minnesota will have a requirement comparable to Wisconsin's proposed rule (Minn. Stat. s. 60A.62 Subd. 1 (1) (ii) (2013)).

**ADMINISTRATIVE RULES**  
**Fiscal Estimate & Economic Impact Analysis**

---

17. Contact Name

Louie Cornelius

18. Contact Phone Number

608-264-8113

---

This document can be made available in alternate formats to individuals with disabilities upon request.

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

### ATTACHMENT A

---

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

Non-insurance small businesses are protected by this proposed rule change as the amendment provides an earlier warning that a life insurer might be approaching a financially hazardous condition. There may be an effect on small businesses but any effect would be minimal as very few, if any, insurers meet the definition of a small business.

---

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

Section 227.114, Wis. Stat., defines a "small business" as "a business entity, including its affiliates, which is independently owned and operated and not dominant in its field, and which employs 25 or fewer full-time employees or which has gross annual sales of less than \$5,000,000." OCI reviewed premium revenue for domestic life insurers and fraternal. Based on either too much revenue or the ownership structure, it appears that none of Wisconsin's insurers qualify as small businesses.

---

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

N/A. Any effect of the proposed rule on small businesses will be minimal. The proposed rule nominally increases the risk based capital requirement and should not change any charging structures.

---

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

N/A. Any effect of the proposed rule on small businesses will be minimal.

---

5. Describe the Rule's Enforcement Provisions

The proposed rule nominally increases the risk based capital requirement for domestic life and health insurers who complete a life statement and domestic fraternal insurers. Failure to comply with the risk based capital requirement may be enforced by the Commissioner pursuant to ss. 601.41(4) and 601.64, Wis. Stat.

---

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes     No
-