

EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis

Repeal Modification

2. Administrative Rule Chapter, Title and Number

Chs Ins 40 Insurance holding company system regulation and Ins 53 Corporate governance annual disclosures

3. Date Rule promulgated and/or revised; Date of most recent Evaluation

Ins 40.01 and 4.05 revised September 2015. All other proposed changes to Ins 40 are newly created and ch. Ins 53 is newly created.

4. Plain Language Analysis of the Rule, its Impact on the Policy Problem that Justified its Creation and Changes in Technology, Economic Conditions or Other Factors Since Promulgation that alter the need for or effectiveness of the Rule.

The objectives of the proposed rules are: to improve the regulation of internationally active insurance groups that include at least one Wisconsin insurer; and to specify filing procedures and the contents of the corporate governance annual report which insurers are required to file under s. 610.80, Stats. First, the proposed changes to Ins 40 improve the coordination of regulatory efforts when internationally active insurance groups are involved. Additionally, the revisions authorize the commissioner to act as, or designate the regulatory official of another jurisdiction to act as, the group-wide supervisor of any internationally active insurance group that includes at least one Wisconsin insurer. A similar cooperative regulatory approach is already used on an interstate level. The rule change would expand this type of approach to include foreign jurisdictions that meet certain regulatory criteria. In addition, it would enable Wisconsin to maintain its NAIC accreditation.

Secondly, the NAIC recently created the NAIC Corporate Governance Annual Disclosure Model Act, the goal of which is to require an annual filing that would enable the commissioner to gain a better understanding of an insurer's corporate governance framework. In 2017, Wisconsin enacted s. 610.80, Stats, which generally follows the Model Act. The NAIC also created the Corporate Governance Annual Disclosure Model Regulation, which sets forth procedures for filing and the required contents of the corporate governance annual disclosure. The proposed rules creating ch. Ins 53, follow the provisions of the Model Regulation, and are necessary in order for s. 610.80, Stats, to take effect. The rules are also required for Wisconsin to maintain its NAIC accreditation.

Both of the changes are to bring Wisconsin into alignment with NAIC Model Regulations. Wisconsin must adopt them in substantively the same form as the NAIC Model Regulations if the Wisconsin Office of the Commissioner of Insurance (OCI) is to remain a state insurance regulatory agency that is accredited by the NAIC.

5. Describe the Rule's Enforcement Provisions and Mechanisms

The rule interprets ss. 610.80 and 617.215 (2) (a) 3., Wis. Stats., that are enforced under s. 601.41 (4) and 601.64, Wis. Stats.

6. Repealing or Modifying the Rule Will Impact the Following

(Check All That Apply)

State's Economy

Local Government Units

Specific Businesses/Sectors

Public Utility Rate Payers

Small Businesses

7. Summary of the Impacts, including Compliance Costs, identifying any Unnecessary Burdens the Rule places on the ability of Small Business to conduct their Affairs.

Under the proposed rule and NAIC models small businesses including town mutual and fraternal organizations will be required to file the annual corporate governance disclosures. This is a new requirement and one that initially will require time but not special expertise. The OCI considered alternatives to lessen the impact on small businesses; however as this is an accreditation requirement the OCI cannot exempt or lessen the requirements for any of the licensed insurers doing business in the state.

8. List of Small Businesses, Organizations and Members of the Public that commented on the Rule and its Enforcement and a Summary of their Comments.

EXISTING ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

The request for comment on the proposed rule was sent to 50 organizations and individuals. Additionally the OCI posted the Request for Comment on its public website. The OCI received one comment on the rule from the Wisconsin Council of Life Insurers commenting on the use of the term "insurance group." The OCI has revised the rule to address this concern.

9. Did the Agency consider any of the following Rule Modifications to reduce the Impact of the Rule on Small Businesses in lieu of repeal?

- 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: The rules change minimum necessary to retain financial regulatory oversight and accreditation.

10. Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

11. Chapter 20, Stats. Appropriations Affected

None

12. Fiscal Effect of Repealing or Modifying the Rule

- | | | |
|---|---|--|
| <input type="checkbox"/> No Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs |
| <input checked="" type="checkbox"/> Indeterminate | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Could Absorb Within Agency's Budget |
| | | <input type="checkbox"/> Decrease Cost |

13. Summary of Costs and Benefits of Repealing or Modifying the Rule

Under the proposed rule and NAIC models small businesses including town mutual and fraternal organizations will be required to file the annual corporate governance disclosures. This is a new requirement and one that initially will require time but not require special expertise. The OCI considered alternatives to lessen the impact on small businesses; however as this is an accreditation requirement the OCI cannot exempt or lessen the requirements for any of the licensed insurers doing business in the state.

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

- Yes No

15. Long Range Implications of Repealing or Modifying the Rule

Wisconsin will retain accreditation benefiting domestic insurers since as an NAIC accredited state, domestic insurers are only subject to certain filing requirements with OCI and financial examination by OCI. Without accreditation, domestic insurers could be subject to financial examination and filing requirements for all jurisdictions in which they operate. This could include examination from all 56 U.S. jurisdictions for some insurers. Without accreditation, the cost of doing business for Wisconsin's domestic insurance industry would increase because their regulation by other states would increase.

16. Compare With Approaches Being Used by Federal Government

There is no comparable federal regulation.

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

As the proposed changes are accreditation requirements it is expected that all neighboring states will implement similar provisions.

18. Contact Name

Julie E. Walsh

19. Contact Phone Number

608-264-8101

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