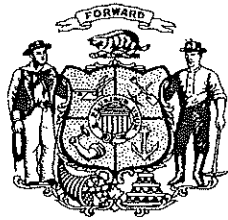


# State of Wisconsin

SENATE CHAIR  
**Howard Marklein**

316 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-0703



ASSEMBLY CHAIR  
**Mark Born**

308 East, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8953  
Phone: (608) 266-2540

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: November 10, 2023

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received November 10, 2023, pursuant to s. 16.515/16.505(2), Stats., on behalf of the Office of the Commissioner of Insurance.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Thursday, November 30, 2023**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

HM:MB;jm



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary

**Date:** November 10, 2023  
**To:** The Honorable Howard Marklein, Co-Chair  
Joint Committee on Finance  
The Honorable Mark Born, Co-Chair  
Joint Committee on Finance  
**From:** Kathy K. Blumenfeld, Secretary <sup>DS</sup> KB  
Department of Administration  
**Subject:** s. 16.515/16.505(2) Request(s)

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Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

AGENCY	DESCRIPTION	2023-24		2024-25	
		AMOUNT	FTE	AMOUNT	FTE
OCI 20.145(1)(g)	General program operations	\$338,600	6.07	\$677,100*	6.07

\* Funding would be base-building.

As provided in s. 16.515, the request(s) will be approved on December 4, 2023, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Kirsten Grinde at (608) 266-1353, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

**CORRESPONDENCE/Memorandum**State of Wisconsin  
Department of Administration

**Date:** November 9, 2023  
**To:** Brian Pahnke  
**From:** Joseph Lessner  
**Subject:** Section 16.515/16.505(2) Request(s)

Attached is a s. 16.515/505(2) request analysis for your approval and processing. Listed below is a summary of each item:

**DOA RECOMMENDATION:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2023-24</u>		<u>2024-25</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
OCI 20.145(1)(g)	General program operations	\$338,600	6.07	\$677,100*	6.07

\* Funding would be base-building.

**AGENCY REQUEST:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2023-24</u>		<u>2024-25</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
OCI 20.145(1)(g)	General program operations	\$338,900	6.07	\$677,500*	6.07

\* Funding would be base-building.

BP APPROVAL



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary  
Brian Pahnke, Administrator

---

**Date:** November 9, 2023

**To:** Kathy Blumenfeld, Secretary  
Department of Administration

**From:** Joseph Lessner  
Executive Policy and Budget Analyst

**Subject:** Request under ss. 16.505(2) and 16.515 from the Office of the Commissioner of Insurance for the creation of 6.07 FTE permanent positions and a program revenue supplement.

**Request:**

Under the statutory provisions of ss. 16.505(2) and 16.515, the Office of the Commissioner of Insurance requests the creation of 6.07 FTE permanent positions and a supplement of \$1,016,400 PR over the biennium in the office's general program operations appropriation under s. 20.145(1)(g).

**Revenue Source for Appropriation:**

The revenue sources for the general program operations appropriation under s. 20.145(1)(g) are assessments levied on insurance companies and fees paid by insurance intermediaries as well as revenue generated from publications created by the office. As the appropriation is an annual, amounts in the schedule, program revenue appropriation, there is an accompanying request for a supplement for expenditure authority of \$338,900 PR in fiscal year 2023-24 and \$677,500 PR in fiscal year 2024-25. There will be sufficient cash in the appropriation to support the expenditure authority increase.

**Background:**

The Office of the Commissioner of Insurance is vested with broad powers to ensure that Wisconsin's insurance industry responsibly and adequately meets the insurance needs of the state's citizens. The office performs a variety of tasks to protect insurance consumers and ensure a competitive insurance environment. The office is responsible for reviewing insurance policies that are sold in Wisconsin to make sure they meet the requirements set forth in Wisconsin law, conducting examinations of domestic and foreign insurers to ensure compliance with Wisconsin laws and rules, monitoring the financial solvency of licensed companies to make sure that consumers have the insurance coverage they expect when they need it, and issuing licenses to the various parties involved in selling and marketing insurance products.

For its 2023-25 agency budget request, the office conducted a needs analysis and requested 5.0 FTE permanent positions in the Division of Market Regulation, 9.0 FTE permanent positions in the Division of Financial Regulation and a 1.0 FTE permanent position to

Kathy Blumenfeld, Secretary  
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November 9, 2023

administer the Wisconsin Healthcare Stability Plan. The 2023-25 Executive Budget included 11.0 FTE positions, reducing the Division of Financial Regulation positions by five. The Joint Committee on Finance approved a 1.0 FTE position in the Division of Market Regulation and 3.0 FTE positions in the Division of Financial Regulation, removing the other seven positions.

**Analysis:**

The office has requested the creation of 6.07 FTE permanent positions that would be located across the agency, aiming to address needs that were similarly raised during the office's 2023-25 agency budget request, as not all requested positions were ultimately included in the final budget act. As such, the requested positions closely reflect the agency's original position requests during the 2023-25 biennial budget deliberations. This analysis will discuss the position requests by section.

*Division of Market Regulation*

The Division of Market Regulation oversees industry and consumer issues regarding insurance regulation, the agent testing and licensing process, filing of insurance rates and forms, conducting market analysis, and supporting network systems.

The office is requesting position authority for a 1.0 FTE license permit program associate position, a 1.0 FTE insurance examiner – entry position and a 1.0 FTE business automation specialist position within the division. Although a 1.0 FTE insurance examiner – advanced position was approved through the budget, the factors behind the office's original budget request remain: an increase in licensed entities and agents, an increase in consumer complaints, and a need to address the growing complexity of internal data systems used for daily business operations.

There has been a steady increase in the number of licensed companies and individuals in the state in recent years. From 2017 to 2021, 210 companies and 44,260 agents were newly licensed, which require manual processing. This added workload has resulted in an agent licensing backlog, temporarily being addressed by 146 hours of overtime over a six-month period, 960 hours of LTE position work and a 1.0 FTE vacant position reallocation from the Consumer Affairs section. A permanent license permit program associate position would offset costs that currently go towards overtime hours, LTE services and position training costs. It would also allow for the development of long-term, institutional knowledge within a position that is not available to LTE positions. This long-term knowledge would assist with the division's role of handling correspondence with insurance agents and managing the office's recordkeeping system.

Additionally, the office is requesting an insurance financial examiner – entry position for the Consumer Affairs section, which has the following responsibilities: responding to consumer complaints, serving as the public-facing point for consumer complaints against insurance companies and agents, and educating the public on insurance matters. The current staffing level of five examiners within the section allows for responses to between 1,200 and 1,320 complaints annually. The section has experienced an increase in complaints over the past two years, with totals reaching over 2,000 complaints annually. This has resulted in a backlog, increasing the response time to 83 days, over three weeks beyond the agency

Kathy Blumenfeld, Secretary  
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November 9, 2023

standard of 60 days. Before the recent increase in consumer complaints, a vacant position was reallocated out of this section to address a backlog in agent licensing (see previous paragraph).

Finally, the office is requesting a business automation specialist which would serve as a systems expert on the data systems that the division utilizes for daily business operations. The division operates 20 unique data systems that help manage and process the data used by the office for regulatory duties and submitted by insurance companies and other licensees. Over time, data systems were developed in-house and through privately developed applications on an ad hoc basis. Given the growth in number and complexity of the data systems and given the growing importance of information technology infrastructure for the regulation of insurance, the division is requesting a position to manage all systems, identify improvements or areas of need across the division, and design new systems when needed. The position would also develop into a subject matter expert specific to the division's unique regulatory role. Previously, the Department of Administration's Division of Enterprise Technology has assisted the office with systems management. This position would be a step towards the office handling its technological systems needs independently, which it sees as important to expedite technology modernization efforts. The Division of Financial Regulation currently has a comparable position overseeing its data systems.

The division received a 1.0 FTE insurance examiner – advanced position in the 2023-25 Biennial Budget. The position description was recently updated to better reflect the expectations and needs of the position. Recruitment for the position is in the early stages. As of October 30, 2023, there is only one other vacancy within the division, which became vacant in August 2023.

#### *Division of Financial Regulation*

The Division of Financial Regulation oversees the licensing of insurance companies, conducting financial analyses and examinations, and making sure that insurers within the state are solvent enough to do business and pay out claims.

The office is requesting position authority for 2.0 FTE permanent insurance financial examiner positions to align with the original positions included in the 2023-25 Executive Budget and to address the increase in workload within the division, specifically to maintain accreditation, keep up with increased regulatory complexity, handle additional regulated entities, and implement and enforce new legislation such as the recent cybersecurity law. State accreditation is maintained by meeting reporting and analysis requirements established by the National Association of Insurance Commissioners (NAIC). The association is a national standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, District of Columbia and five U.S. territories. Through NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. Additional accreditation requirements have been added in recent years to ensure insurers are solvent and can handle market pressures. Maintaining accreditation is pivotal to Wisconsin's role as a trusted insurance regulator. If the state is accredited, other jurisdictions can be confident that companies domiciled here meet certain baseline standards and, therefore, do not need to be examined as extensively, saving regulators, companies and customers time and money.

Kathy Blumenfeld, Secretary

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The state has also seen a steady increase in regulated insurance companies in recent years, from 2,199 in 2017 to 2,409 in 2021. At the same time, the complexity of holding company structures, private equity ownership of companies and increased use of technology in insurance has generated additional review time for staff and a need for specialized knowledge. The office has temporarily resorted to using overtime hours, staff reallocation and having management complete company examiner tasks to meet workload demands; however, prioritization of higher-risk examinations has taken precedent over others, creating backlogs in other areas.

The division was provided 3.0 FTE insurance financial examiner positions in the 2023-25 Biennial Budget. The office has improved recruitment for insurance financial examiner positions in recent years, utilizing promotional materials, career fairs and connections to the University of Wisconsin System for future applicants. Since insurance financial examiner positions are a staple of the Division of Financial Regulation, applicant materials and interviews are reviewed and scheduled on a regular two-week basis. As of October 30, 2023, there are three other vacancies within the division, two of which are insurance financial examiners, with the oldest vacancy being since June 2023. Recruitment for the three new positions is currently ongoing.

#### *Legal Unit*

The Legal Unit initiates hearings on matters covering the financial condition of insurance companies, abusive sales tactics and insurance fraud. Staff attorneys within the Legal Unit oversee enforcement actions, craft regulatory rules, offer guidance and counsel to office staff, and provide policy recommendations to agency leadership. Staff attorneys are allocated to various sections of the office such as health insurance, life insurance and insurance fraud. The office consists of a Chief Legal Counsel, a Deputy Chief Legal Counsel, 5.5 FTE attorney positions and a 1.0 FTE paralegal position. Currently, no attorney is assigned to assist the Division of Financial Regulation. There has also been an increased demand for legal assistance due to new regulatory complexities from emerging technologies being used in the insurance market, such as large-scale data aggregation and artificial intelligence underwriting, claims processing and risk assessment.

The office is requesting position authority for a 1.0 FTE permanent attorney position to oversee matters related to financial, corporate and securities law; track actions required by the state to maintain accreditation through NAIC; and offer support to division staff regarding cases such as complex organizational structures and mergers and acquisitions. These duties are currently handled on an ad hoc basis by the Chief Legal Counsel and Deputy Chief Legal Counsel. The office states it would benefit from a dedicated attorney to become a subject matter expert on the specific regulatory role of the Division of Financial Regulation.

The Legal Unit was provided a 1.0 FTE permanent attorney position in the 2023-25 Biennial Budget to focus specifically on investigating fraudulent insurance acts, including knowingly presenting a false or fraudulent insurance claim or knowingly presenting false information in an application for insurance. Recruitment for the position is ongoing. As of October 30, 2023, the Legal Unit has no other vacancies.

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 November 9, 2023

*Office of Operational Management*

The Office of Operational Management is responsible for the financial management of the Office of the Commissioner of Insurance, which includes budget, finance, accounting, receivables and procurement duties.

The office is requesting a 0.07 FTE purchasing agent position to round off the existing 0.93 FTE position authority as the position's responsibilities require 40 hours of work per week. No additional position funding is being requested.

*Fiscal Impact*

The office estimates the cost of the permanent positions to be \$338,900 PR in fiscal year 2023-24 and \$677,500 PR in fiscal year 2024-25. The State Budget Office suggests slightly modifying the requested funding by a total of \$700 over the biennium to correct rounding errors. Table 1 shows the recommended modifications.

**Table 1: Positions Funding Comparison**

Line	OCI Submission		SBO Recommendation	
	FY24	FY25	FY24	FY25
Salary	\$229,700	\$459,300	\$229,600	\$459,100
Fringe	88,200	176,200	88,000	176,000
Supplies/Services	21,000	42,000	21,000	42,000
<i>Total</i>	\$338,900	\$677,500	\$338,600	\$677,100

Revenue from licensed entities has grown in each of the last five years primarily due to an increase in licensed insurers and agents. In fiscal year 2018-19, the office lapsed \$26.3 million to the general fund. In fiscal year 2022-23, that amount grew to \$32.2 million. Due to this continued growth and the expected revenue that would be generated by the requested positions, the office expects that the annual lapsed amount to the general fund will continue to increase and not be affected by the requested position funding.

**Recommendation:**

Modify the request to provide a 1.0 FTE license permit program associate permanent position, 1.0 FTE insurance examiner – entry permanent position, 1.0 FTE business automation specialist permanent position, 2.0 FTE insurance financial examiner permanent positions, 1.0 FTE attorney permanent position and 0.07 FTE purchasing agent permanent position, and modified funding to provide a supplement of \$338,600 PR in fiscal year 2023-24 and \$677,100 PR in fiscal year 2024-25.





Wisconsin Office of the  
**COMMISSIONER**  
**OF INSURANCE**

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

**DATE:** October 10, 2023

**TO:** Brian Pahnke, Administrator  
Division of Executive Budget and Finance  
Department of Administration

**FROM:** Nathan Houdek, Commissioner  
Office of the Commissioner of Insurance

**SUBJECT:** Request under Wis. Stat. §§ 16.505 and 16.515 for Position Authority and Associated Funding Authority

**Request**

Under the statutory provision of Wis. Stat. §§ 16.505 and 16.515, the Office of the Commissioner of Insurance (OCI) requests the creation of 3.00 FTE program revenue-funded permanent positions beginning in fiscal year 2024 and an increase in program revenue expenditure authority of \$197,550 (\$135,150 salary, \$51,900 fringe benefits, and \$10,500 supplies and services) and \$395,000 (\$270,300 salary, \$103,700 fringe benefits, \$21,000 supplies and services) thereafter of program revenue expenditure authority.

The positions would be distributed according to the following table:

<i>OCI Business Area</i>	<i>Position Type</i>	<i>Number of Positions</i>	<i>Annual Estimated Salary</i>	<i>Annual Salary Estimate</i>
<i>Division of Financial Regulation</i>	<i>Insurance Financial Examiner</i>	<i>2.00</i>	<i>\$66,750</i>	<i>\$133,500</i>
<i>Legal Unit</i>	<i>Attorney</i>	<i>1.00</i>	<i>\$136,800</i>	<i>\$136,800</i>
		<i>3.00</i>		<i>\$270,300</i>

The positions would be funded from Wis. Stat. § 20.145 (1) (g), general program operations appropriation with most costs paid by Wisconsin domestic insurers. Funding for this proposed OCI appropriation will derive from a mixture of assessments on insurance companies and fees paid by insurance agents to OCI. It is not expected that these additional positions would result in decreases in OCI's lapse to the general fund as revenue from insurers has been steadily increasing for several years primarily due to additional insurers entering the market in Wisconsin.

**Background**

Three fundamental factors are fueling the necessity for expanding OCI's staff:

1. A surge in the number of licensed entities;

2. An increase in both the volume and intricacy of company filings;
3. The broadening of regulatory responsibilities due to legislative and regulatory actions.

These three factors significantly affect the Division of Financial Regulation (DFR) and its capacity to effectively oversee the insurance industry. DFR has already exhausted its internal resources in addressing these challenges, which includes reallocating positions to address our most pressing needs and permitting staff to work overtime. While these measures have provided some relief for immediate needs, they are inadequate and unsustainable given OCI's statutory obligations to vigilantly oversee the insurance market.

The 2023-25 biennial budget (2023 Wisconsin Act 19) has supported the work of OCI by allocating 3.0 FTE (Full-Time Equivalent) positions for insurance financial examiners within DFR. Following the allocation of these positions and an evaluation of the remaining unmet program requirements, OCI respectfully requests an additional two financial examiners and one attorney to support DFR's program needs.

The table below shows that revenue from licensed entities has grown in each of the last five years, primarily due to an increase in licensed insurers and agents. If the OCI position request is granted, OCI expects that its lapse to the general fund will still increase over the current biennium's lapses.

<b>OCI General Fund Revenue and Expenses -- Supervision of the Insurance Industry</b>					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Total Revenue from Licensed Entities*	262,321,000	285,109,000	277,273,000	300,765,800	304,448,500
OCI Operating Expenditures	17,451,000	18,267,000	17,365,000	18,925,600	19,316,300
Cash Lapse to the General Fund after subtracting OCI Operating Expenditures	26,286,000	25,148,000	32,437,000	34,060,000	32,160,800

\* Includes insurer premium taxes which are passed through directly to the General Fund.

Source: [Wisconsin Insurance Report](#)

### **Justification for additional position authority**

#### Division of Financial Regulation

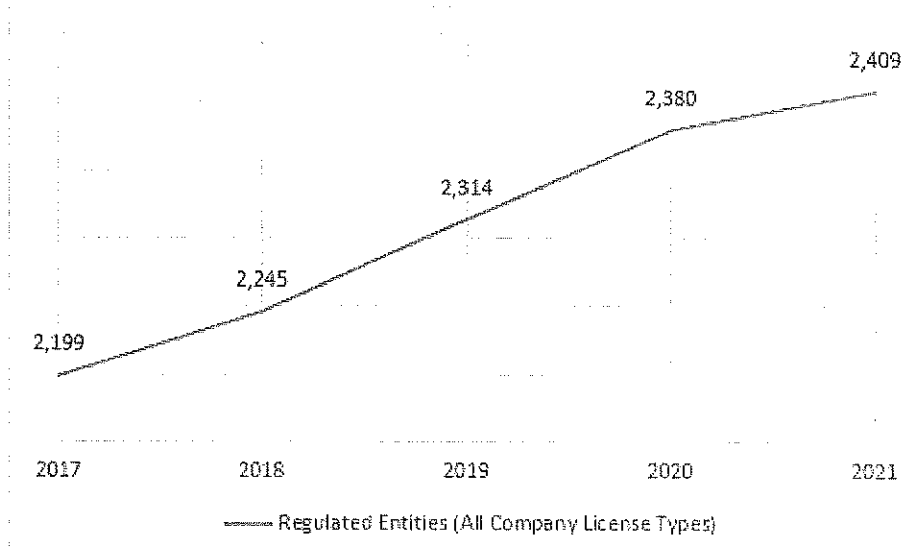
DFR was granted an additional 3.0 FTE positions through the 2023-2025 biennial budget (2023 Wisconsin Act 19). OCI expresses gratitude for these supplementary positions and anticipates relief once they are recruited and adequately trained. Recruitment efforts are underway for these positions. However, concerns persist regarding our ability to effectively regulate insurers' solvency and the associated risks of their operations in Wisconsin without sufficient staff to perform financial examinations and oversight.

We conducted a comprehensive review of our various functions and responsibilities, including the time spent on insurer analysis and examinations, to ascertain the required number of positions for effective and efficient regulation of the insurance industry's financial condition.

The requested additional 2.00 FTE Insurance Financial Examiner positions represent the minimum essential positions to ensure OCI can continue fulfilling its mission of safeguarding Wisconsin consumers and maintaining a robust, financially stable insurance industry. Prolonged understaffing would detrimentally impact our ability to maintain a prudent examination cycle, conduct adequate financial analysis, and fulfill obligations in accordance with the accreditation requirements set forth by the National Association of Insurance Commissioners (NAIC).

The ongoing need for more DFR examiners is attributed in part to the growing number of entities under regulation in Wisconsin.

### Regulated Entities 2017-2021



Increasing complexity in the market also impacts our agency's need for additional examiners. Intricate holding company structures, greater private-equity ownership, and the emergence of insurtech firms require more detailed reviews and more specialized knowledge. Additionally, changes in investment markets are altering insurers' investment strategies, necessitating more rigorous scrutiny.

The salaries of Insurance Financial Examiners are entirely offset by revenue generated from assessments on Wisconsin domestic insurers, as specified in Wis. Admin. Code § Ins 16.01.

### Legal Unit

The Attorney (1.00 FTE) position will meet a growing need in the agency as the insurance industry continues to grow in complexity. Presently, the authorized attorney positions within the legal unit are allocated to various sectors, including agent licensing, health insurance, life insurance, property and

casualty insurance, and insurance fraud. Within these specialized domains, staff attorneys are responsible for overseeing enforcement actions, crafting regulatory rules, offering guidance and counsel to OCI staff, and providing policy recommendations to agency leadership. Notably, there is currently no staff attorney specifically designated to assist DFR with its unique legal needs. Repurposing current legal staff is not feasible. DFR requires specialized legal knowledge and skills including expertise in financial, corporate, and securities law. The legal unit does not currently have an attorney with this expertise, which could be addressed in the recruitment for this new position. Additionally, demands on the current staff attorneys are increasing, especially in light of regulatory needs associated with emerging technologies such as artificial intelligence (AI) and data aggregation. These developments in the insurance industry bring forth a host of legal complexities that require specialized attention. Staff attorneys are now faced with the additional responsibility of navigating the legal landscape concerning AI-driven underwriting, claims processing, and risk assessment, as well as addressing issues related to data privacy, security, and compliance in an era of extensive data aggregation. As these technological advancements continue to reshape the insurance landscape, the need for legal expertise in these areas becomes increasingly paramount.

The new attorney position will primarily concentrate on matters related to financial, corporate, and securities law as they pertain to the insurance industry. This scope encompasses tracking model law and regulation amendments at the national level through the NAIC, which are mandated for adoption in Wisconsin to maintain accreditation in accordance with Wis. Stat. § 601.48 (1m). Additionally, this position will offer support to DFR staff evaluating complex organizational structures and transactions, ranging from mergers and acquisitions to affiliated or related party transactions, all of which could potentially jeopardize insurers' financial position and, consequently, consumers. This attorney will also play a role in drafting solvency-related orders, participating in public hearings on transactions, and overseeing contracted attorneys dealing with rehabilitation and liquidation matters. Presently, these requirements are handled on an ad hoc basis by the Chief Legal Counsel and Deputy Chief Legal Counsel. The burgeoning demands of this program necessitate the presence of a dedicated subject matter expert.

### **Conclusion**

OCI has diligently pursued various strategies to meet our agency's mission of responsible, efficient, effective regulation. As part of this endeavor, we consistently assess the necessity of replacing vacant positions in light of our priorities in other areas. Currently, we have reached a point where we can no longer reallocate resources due to their scarcity.

We take great pride in our ability to meet high regulatory standards, despite being one of the smaller insurance regulatory agencies in the nation by comparison. We are immensely grateful for the support extended to us in the 2023-2025 Biennial Budget, and we intend to utilize those resources efficiently. However, we find ourselves operating at full capacity. The insurance industry's ever-evolving adoption of technologies like artificial intelligence and data modeling has created a more intricate regulatory landscape.

Expanding Wisconsin's robust insurance industry, a goal we all share, without concurrent increases in resources allocated to OCI, would lead to a decline in our regulatory capabilities. This, in turn, could have adverse ripple effects on Wisconsin's economy.

If you have questions regarding this request or need more information, please contact Jesse Patchak, Director of the Office of Operational Management.



Wisconsin Office of the  
**COMMISSIONER**  
**OF INSURANCE**

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

**DATE:** October 10, 2023

**TO:** Brian Pahnke, Administrator  
Division of Executive Budget and Finance  
Department of Administration

**FROM:** Nathan Houdek, Commissioner  
Office of the Commissioner of Insurance

**SUBJECT:** Request under Wis. Stat. §§ 16.505 and 16.515 for Position Authority and Associated Funding Authority

**Request**

Under the statutory provision of Wis. Stat. §§ 16.505 and 16.515, the Office of the Commissioner of Insurance (OCI) requests the creation of 3.07 FTE program revenue-funded permanent positions beginning in fiscal year 2024 and an increase in expenditure authority of \$141,300 (\$94,500 salary, \$36,300 fringe benefits and \$10,500 supplies and services) and \$282,500 (\$189,000 salary, \$72,500 fringe benefits, \$21,000 supplies and services) thereafter of program revenue expenditure authority.

The positions would be distributed according to the following table:

<b>OCI Business Area</b>	<b>Position Type</b>	<b>Number of Positions</b>	<b>Annual Salary Estimate</b>
<b>Division of Market Regulation and Enforcement</b>	<i>License Permit Program Associate</i>	1.00	\$36,200
	<i>IS Business Automation Specialist</i>	1.00	\$102,800
	<i>Insurance Examiner (entry)</i>	1.00	\$50,000
<b>Office of Operational Management</b>	<i>Purchasing Agent - Senior</i>	0.07	-
<b>Total</b>		3.07	\$189,000

The positions would be funded from Wis. Stat. § 20.145 (1) (g), general program operations appropriation with most costs paid by Wisconsin domestic insurers. Funding for this proposed OCI appropriation will derive from a mixture of existing assessments on insurance companies and fees paid by insurance agents to OCI. It is not expected that these additional positions would result in decreases in OCI's lapse to the general fund as revenue from insurers has been steadily increasing for several years primarily due to additional insurers entering the market in Wisconsin.

**Background**

Four fundamental factors are fueling the necessity for expanding OCI's staff:

1. A surge in the number of licensed entities;
2. An increase in the number of licensed agents;
3. An increase in both the volume and intricacy of company filings;
4. The broadening of regulatory responsibilities due to legislative and regulatory actions.

These four factors greatly impact the ability of the Division of Market Regulation (DMR) to effectively regulate the insurance industry. DMR has exhausted its ability to internally manage these challenges, including reallocating positions to our most urgent needs.

The 2023-25 biennial budget (2023 Wisconsin Act 19) provided some relief providing 1.0 FTE insurance examiner in DMR. However, significant challenges remain for OCI to regulate Wisconsin's insurance industry effectively and efficiently. Following the allocation of this position and an evaluation of the remaining unmet program requirements, OCI respectfully requests an additional three staff positions for DMR and presents an administrative request for authorization to add 0.07 to a 0.93 FTE position in the Office of Operational Management.

The table below shows that revenue from licensed entities has grown in each of the last five years, primarily due to an increase in licensed insurers and agents. If the OCI position request is granted, OCI expects that its lapse to the general fund will still increase over the current biennium's lapses.

<b>OCI General Fund Revenue and Expenses -- Supervision of the Insurance Industry</b>					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Total Revenue from Licensed Entities*	262,321,000	285,109,000	277,273,000	300,765,800	304,448,500
OCI Operating Expenditures	17,451,000	18,267,000	17,365,000	18,925,600	19,316,300
Cash Lapse to the General Fund after subtracting OCI Operating Expenditures	26,286,000	25,148,000	32,437,000	34,060,000	32,160,800

\* Includes insurer premium taxes which are passed through directly to the General Fund.

Source: Wisconsin Insurance Report

### **Justification for additional position authority**

#### Division of Market Regulation and Enforcement

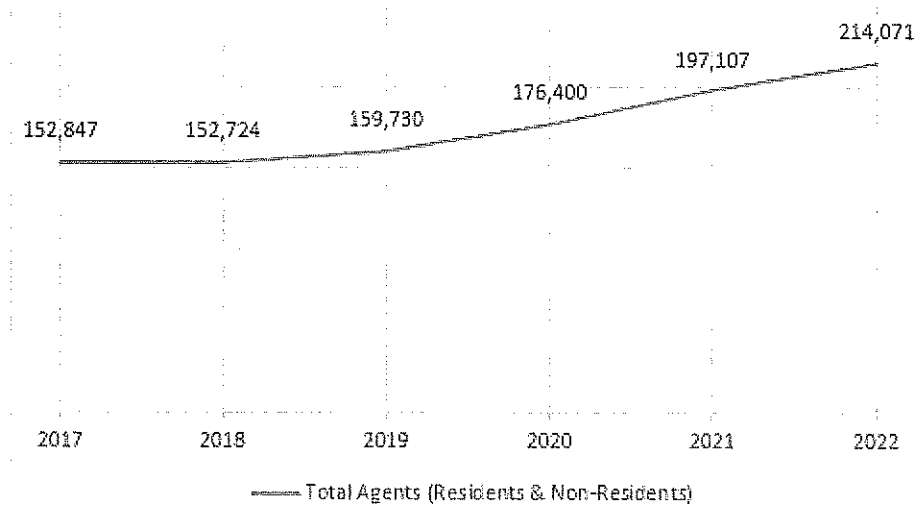
The 3.0 FTE included in this request would address staffing shortages in Agent Licensing, Consumer Affairs, and Market Analysis. The 1.0 FTE provided in the 2023-25 budget is allocated to the Market Analysis unit to help fulfill its responsibilities in new areas of regulation, including enforcement of Wisconsin's new pharmacy benefit manager law (2021 Wisconsin Act 9), best interest in selling annuities law (2021 Act 260), insurance cybersecurity law (2021 Wisconsin Act 73) among others.

However, the additional staffing challenges remain that impact OCI's ability to address growing regulatory scope and insurer participation in Wisconsin's market.

Agent Licensing

Wisconsin has seen a significant increase in the number of insurers licensed in Wisconsin. As new insurers are licensed, they must appoint an agent workforce, which adds to the number of agents licensed and appointed in Wisconsin. More agents mean more license application reviews and renewals, and a need for more regulatory review and regulatory action. A greater number of insurance agents also impacts market analysis activity, rate and form filings and reviews, and consumer outreach and activity. Between 2017 and 2021 there was a net increase of 44,260 licensed agents in Wisconsin.

**Licensed Agents 2017-2022**



Currently, our Agent Licensing section faces a backlog of over 400 pending electronic applications and 10 paper applications. Statutorily, we have 90 days to process those applications, and we endeavor not to exceed that timeframe. However, the backlog means that an applicant may have to wait up to 3 months to receive their license. To address that backlog, OCI incurred overtime (146.13 hours over a period of a six months), brought on an LTE for the allowed 960 hours, and re-purposed a position from our Consumer Affairs section to the Agent Licensing section.

While we continue to meet our statutory requirements to process applications, we need additional resources to maintain this progress. OCI is requesting a License Permit Program Associate (1.00 FTE) to fulfill a need that has been partially met in the past through contracted services. The cost of contracting this function is equal to, if not more than, the appointment rate for this classification and stability in such a role would reduce training costs. The position performs critical administrative functions for the division that would otherwise be assigned to an already overtasked program associate (see below). These tasks include updating record changes submitted by agents and handling correspondence and phone calls from agents. Having a program associate that is devoted



to these activities ensures agents are well-served, their records are up to date in OCI's systems, and program associates can focus on processing applications and renewals timely.

Additionally, the latest state contract for non-IT professional services no longer includes the vendor that we have used to fill the needs of this function.

#### Consumer Affairs

This request includes an Insurance Examiner – Entry (1.0 FTE) in our Consumer Affairs section. This section overall receives over 2,000 complaints annually including those referred to OCI via the governor's office and legislative offices. The additional Examiner- Entry position in our Property & Casualty (P&C) line will enable us to reach the agency's goal of handling complaints in a timely manner. This section not only serves as OCI's primary entry point for consumers to file complaints against insurance companies and agents, it also serves a critical function in educating consumers about insurance and working collaboratively with OCI's legal unit to enforce consumer protection laws.

On average, each examiner has closed an average of 20-22 complaints per month over the past several years. Currently the P&C section has five examiners and therefore close between 100-110 complaints per month, collectively, or 1,200-1,320 complaints per year. The number of complaints filed increased from 2021 to 2022, resulting in more complaints than current staff can close. This runs the risk of a growing backlog and longer wait times for consumers, falling below our customer service delivery standard, which is to achieve an average 60-day turnaround. Our current average turnaround for the P&C section is 83 days. Turnover and the learning curve for newly hired examiners is also having an impact. If 2023 remains on the projected path, we will receive more complaints than we have historically been able to close. The P&C section we intend to allocate the examiner position to currently has 404 pending complaints.

In 2022, OCI reallocated a vacant examiner position in Consumer Affairs to address a critical need in agent licensing. While this action helped address the need in agent licensing, the need for insurance examiners in Consumer Affairs has not decreased but rather is increasing as explained above.

Having sufficient staff to effectively enforce consumer protection laws is necessary to the foundation of state-based regulation of the insurance industry. When states do not have the resources to protect consumers from harmful policies and practices or inefficient or ineffective markets, the federal government often takes action.

#### Market Analysis

The Business Automation Specialist (1.00 FTE) position would serve as a business systems expert on the data received in DMR as well as an insurance subject matter expert on DMR's technical insurance and business area programs, processes, and requirements. Given the evolving use of technology of the entities we regulate, the DMR requires a position with expertise in both insurance and insurer's use of technology. This position will work with DMR's management team and subject matter experts to design new and update existing systems for business operations, including web-based programs for collection of data from insurance companies and other licensees. The position will translate and interpret business needs and communicate with IT-contracted programmers and the warehouse data manager. The position will serve as the DMR's data visualization expert and will design and create

dashboards to assist in data-driven decision making and establish more refined performance metrics and industry insights.

Currently, DMR has no position that serves in this role. Without such expertise, DMR is limited in its ability to analyze the use of technology in the industry.

A significant amount of revenue is generated as a result of the work done in DMR. Most of the revenue comes from our Agent Licensing section. However, as part of our regulatory process, we also issue fines or forfeitures against agents and companies who are non-compliant with Wisconsin insurance law. The position will also be integral to DMR's ability to accurately identify noncompliance and to take regulatory action in response.

#### Office of Operational Management

The Purchasing Agent – Senior (0.07) has been filled for over a year and it is clear that the position's responsibilities warrant 40 hours of work per week. The existing 0.93 FTE position authority was a result of historic sweeping budget reductions combined with our need to provide the Division of Financial Regulation and DMR with maximum resources. Fractionated positions are incredibly complex and cumbersome in STAR and as such, working above the allotted 37.2 hours per week has resulted in paycheck errors, misstatements of available leave balances, and other inconsistencies. The agency has already absorbed the small additional budget needed for this position to be 1.00 FTE and as such, are only requesting the additional position authority. Without the additional 0.07 FTE, the position is vulnerable to turnover, and we have previously found it to be a barrier to recruitment.

#### **Conclusion**

OCI has diligently pursued various strategies to meet our agency's mission of responsible, efficient, effective regulation. As part of this endeavor, we consistently assess the necessity of replacing vacant positions in light of our priorities in other areas. Currently, we have reached a point where we can no longer reallocate resources due to their scarcity.

We take great pride in our ability to meet high regulatory standards, despite being one of the smaller insurance regulatory agencies in the nation. We are immensely grateful for the support extended to us in the 2023-2025 biennial budget, and we intend to utilize those resources efficiently. However, even with those new positions, we continue to find ourselves operating at full capacity. The insurance industry's ever-evolving adoption of technologies like artificial intelligence and data modeling has created a more intricate regulatory landscape.

Expanding Wisconsin's robust insurance industry, a goal we all share, without concurrent increases in resources allocated to OCI, would lead to a decline in our regulatory capabilities. This, in turn, could have adverse ripple effects on Wisconsin's economy.

If you have questions regarding this request or need more information, please contact Jesse Patchak, Director of the Office of Operational Management.