



State of Wisconsin
2025 - 2026 LEGISLATURE

LRB-0784/4
JPC&ARG:cdc

2025 SENATE BILL 98

March 7, 2025 - Introduced by Senators HUTTON, FELZKOWSKI and WALL, cosponsored by Representatives CALLAHAN, ARMSTRONG, DITTRICH, GUNDRUM, KNODL, KREIBICH, SUBECK, SUMMERFIELD, TUSLER, WICHGERS and WITTKE. Referred to Committee on Insurance, Housing, Rural Issues and Forestry.

AN ACT *to create* 613.76 of the statutes; **relating to:** conversion of cooperative associations organized to establish and operate nonprofit plans or programs for health care into service insurance corporations.

Analysis by the Legislative Reference Bureau

This bill allows a health care cooperative to convert into a service insurance corporation.

Under current law, a cooperative may be formed by filing articles of incorporation with the Department of Financial Institutions. A cooperative is organized and owned by its members and managed by a board of directors. Under current law, a cooperative may be organized primarily to establish and operate nonprofit plans or programs for health care for their members and their members' dependents.

Also under current law, a service insurance corporation, sometimes referred to as a "nonprofit service plan," may be formed by following many of the same procedures that apply to nonstock corporations, like filing articles of incorporation and bylaws, except that service insurance corporations are regulated by the Office of the Commissioner of Insurance instead of DFI. A service insurance corporation is a corporation incorporated in this state to provide insured service benefits, like health care, to consumers within a flexible legal framework.

Under this bill, a health care cooperative may convert into a service insurance corporation. To convert into a service insurance corporation, a health care

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cooperative seeking conversion must adopt a plan of conversion, obtain the commissioner's approval of the plan of conversion, have the members of the health care cooperative agree to the conversion as provided under current law, and submit evidence to the commissioner that the members of the cooperative association approve of the plan of conversion. The bill requires the commissioner to approve any submitted plan of conversion unless the commissioner concludes, after a hearing, that the plan is contrary to law, the surplus of the resulting service insurance corporation or the contracts that the resulting service insurance corporation possesses with providers are inadequate to support the plan, or the plan is contrary to the interests of members of the health care cooperative seeking conversion or to the interests of the public. If all requirements for conversion are met, the bill provides that the commissioner must issue a certificate of authority to the new service insurance corporation and that, immediately after issuing the certificate of authority, the legal existence of the health care cooperative ceases. The bill provides that the new service insurance corporation has all the assets and is liable for all of the obligations of the converted health care cooperative.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 613.76 of the statutes is created to read:

613.76 Conversion of a cooperative association into a service insurance corporation. (1) **AUTHORIZATION.** A cooperative association organized under s. 185.981 may be converted into a service insurance corporation under this chapter as provided in this section.

(2) **ACTION BY BOARD.** A cooperative association seeking conversion under this section shall adopt a plan of conversion stating all of the following:

- (a) The reasons for and purposes of the proposed action.
 - (b) The proposed terms, conditions, and procedures for implementing the conversion.
 - (c) The proposed name of the service insurance corporation.
 - (d) The proposed articles and bylaws of the service insurance corporation.
- (3) **COMMISSIONER'S APPROVAL REQUIRED.** (a) No proposed plan of conversion

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under this section may be submitted to the members of the cooperative association under sub. (4) until the cooperative association submits the plan adopted under sub. (2) to the commissioner, together with as much of the information under s. 611.13 (2) as the commissioner reasonably requires, and the commissioner approves the plan.

(b) The commissioner shall approve a plan of conversion submitted under par. (a) unless the commissioner finds, after a hearing, that any of the following would apply:

1. The plan is contrary to law.
2. The surplus of the service insurance corporation or the contracts the service insurance corporation possesses with providers are inadequate to support the plan.
3. The plan is contrary to the interests of members of the cooperative association seeking conversion or the public.

(4) APPROVAL BY MEMBERS. After being approved by the commissioner under sub. (3) (b), the plan adopted under sub. (2) shall be submitted for approval to the members of the cooperative association in accordance with ch. 185.

(5) REPORT APPROVAL TO COMMISSIONER. A cooperative association seeking conversion under this section that has submitted a plan of conversion to the commissioner under sub. (3) (a) that is approved by the commissioner under sub. (3) (b) shall submit evidence to the commissioner that the members of the cooperative association approve of the plan of conversion under sub. (4).

(6) AMENDMENT, ABANDONMENT, ARTICLES, AND EFFECT OF CONVERSION. (a)

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A plan of conversion approved by the members of a cooperative association under sub. (4) may be amended or abandoned as provided in s. 181.1163 (2) and (3).

(b) A cooperative association seeking conversion under this section that submits a plan of conversion for approval by its membership under sub. (4) that is approved by the membership shall file with the department of financial institutions articles of conversion as provided in s. 181.1164.

(c) The effect of conversion shall be as provided in s. 181.1165.

(7) OFFICERS AND DIRECTORS. The officers and directors of a cooperative association converting into a service insurance corporation under this section shall be the initial officers and directors of the service insurance corporation.

(8) CERTIFICATE OF AUTHORITY. If all requirements of the law are met, the commissioner shall issue a certificate of authority to the new service insurance corporation. Thereupon the cooperative association shall cease its legal existence and the corporate existence of the new service insurance corporation shall begin, but it shall be deemed to have been incorporated as of the date the converted cooperative association was incorporated. The new service insurance corporation shall have all the assets and be liable for all of the obligations of the converted cooperative association. The commissioner may grant a period not exceeding one year for adjustment to the requirements of ch. 613, specifying the extent to which particular provisions of ch. 613 do not apply.

(9) EXPENSES. A cooperative association converting into a service insurance corporation under this section may not pay compensation of any kind to existing personnel, in connection with the proposed conversion, other than regular salaries. With the commissioner's approval, payment may be made at reasonable rates for

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printing costs and for legal and other professional fees for services actually rendered.

(END)