CHAPTER 613
SERVICE INSURANCE CORPORATIONS

SUBCHAPTER I
GENERAL PROVISIONS

613.01 Definitions. In this chapter, unless the context requires otherwise:
(1) ARTICLES OF INCORPORATION. “Articles of incorporation” has the meaning designated under s. 181.0103 (1).
(2) BOARD OF DIRECTORS. “Board of directors” has the meaning designated for “board” under s. 181.0103 (2).
(3) BYLAWS. “Bylaws” has the meaning designated under s. 181.0103 (3).
(4) DIRECTOR. “Director” includes “trustee”.
(4m) INSURER. In any provision of the statutes made applicable to service insurance corporations by this chapter, “insurer” includes service insurance corporations, and the technical terms used in those statutes shall be applicable to service insurance corporations despite the customary use of other parallel terms by service insurance corporations.
(5) NONPROFIT CORPORATION. “Nonprofit corporation” has the meaning designated under s. 181.0103 (17).
(6) NONSTOCK CORPORATION. “Nonstock corporation” has the meaning designated under s. 181.0103 (18).
(7) OFFICER. “Officer” does not include “director”.
(8) DEPARTMENT OF FINANCIAL INSTITUTIONS. In any provision of ch. 180 or 181 made applicable to service insurance corporations in this chapter, “department” means commissioner of insurance.

History: 1975 c. 223; 1979 c. 102; 1983 a. 189 ss. 295, 296, 329 (22); 1995 a. 27; 1997 a. 79.

613.02 Scope and purposes. (1) SCOPE. This chapter applies only to corporations incorporated under the laws of this state. Corporations not incorporated under the laws of this state may not do business in this state under this chapter.

NOTE: Sub. (1) is shown as renumbered from sub. (1) (a) by the legislative reference bureau under s. 13.92 (1) (bm) 2.

(2) PURPOSES. The purposes of this chapter are:
(a) To create an effective and flexible legal framework within which insured service benefits may be provided with adequate protection to consumers;
(b) To encourage innovation in insurance organization and marketing and the development of more economical and effective ways of providing services or combinations of indemnity and services;
(c) To meet the special needs of service insurance corporations consistent so far as possible with the general framework of the corporation law of insurance; and
(d) To ease the burden of payment for health care and other essential services by providing a method for creating alternative vehicles for providing them.


613.03 Applicability of other laws to service insurance corporations. (1) CHAPTER 181 GENERALLY INAPPLICABLE TO SERVICE INSURANCE CORPORATIONS. Chapter 181 does not apply to service insurance corporations except as specifically made applicable by this chapter.

(2) INSURANCE CORPORATION LAW. Whenever in this chapter a section, subsection or paragraph of ch. 611 is made applicable to service insurance corporations the application shall be of those portions of the section, subsection or paragraph of ch. 611 that apply to mutual corporations.

(3) APPLICABILITY OF INSURANCE LAWS. Except as otherwise specifically provided, service insurance corporations organized or operating under this chapter shall be subject to ss. 610.01, 610.11, 610.21, 610.23 and 610.24 and chs. 600, 601, 609, 617, 620, 623, 625, 627, 628, 631, 632, 635, 644 and 645 and to no other insurance laws.


613.04 Orders imposing and eliminating restrictions. (1) ORDERS IMPOSING RESTRICTIONS. The commissioner may sub-
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ject an individual corporation not otherwise subject thereto to
some or all of the restrictions of ss. 613.28, 613.33 (1) (a) and (b)
and 611.54 (1) (b) as incorporated by s. 613.54, if the commis-
sioner finds that its financial condition, management or other cir-
cumstance requires such additional regulation for the protection
of the interests of insureds or the public.

(2) ORDERS ELIMINATING RESTRICTIONS. The commissioner may
free a new corporation from any of the restrictions generally applic-
able only to new corporations under ss. 613.28, 613.33 (1) (a) and (b)
and 611.54 (1) (b) as incorporated by s. 613.54, if the commis-
sioner is satisfied that its financial condition, management or other cir-
cumstance gives assurance that the interests of insureds and the public will not be endangered thereby.

History: 1975 c. 223, 421.

613.07 General corporate powers and procedures.

(1) POWERS. Service insurance corporations have the powers specified under s. 181.0302.

(2) EFFECT OF UNAUTHORIZED CORPORATE ACTS. Section
181.0304 applies to service insurance corporations.

(4) WAIVER OF NOTICE AND INFORMAL ACTION BY MEMBERS OR
DIRECTORS. Sections 181.0704 and 181.0706 apply to members
of service insurance corporations and ss. 181.0821 and 181.0823
apply to the board of directors and committees of the board of
directors of service insurance corporations.


SUBCHAPTER II

ORGANIZATION OF CORPORATIONS

613.10 Reserved and registered names. A service in-
currence corporation may reserve or register a corporate name as pro-
vided in ss. 181.0402 and 181.0403 (2), (3) and (3m).

History: 1975 c. 223; 1997 a. 79.

613.11 Incorporators. Any number of corporate or adult nat-
ural persons may organize a service insurance corporation under
s. 613.13.

History: 1975 c. 223.

613.12 Articles and bylaws. (1) CONTENTS OF ARTICLES.
The articles of a service insurance corporation shall conform to s.
181.0202, except that:

(a) The name of the corporation shall include descriptive terms
to indicate the general nature of the services or care to be provided,
or a trade name that is generally understood as indicating such ser-
vice or care, and shall comply with s. 181.0401 (2) to (4);

(3m) The articles shall include a statement that the corporation
is a service insurance corporation organized under this chapter;

(b) The purposes of the corporation shall be limited to those
permitted in s. 610.21;

(c) The services to be provided or for which indemnity is to be
paid shall be generally described and shall be of the same kind as
the services ordinarily provided by any members of the corpora-
tion in their profession or business, or of the persons entitled to
designate members, and services ancillary thereto;

(d) The articles shall state whether members or other providers of
services are subject to assessments for the purpose of paying operating costs or financial deficits, the general conditions and
procedures for levying such assessments and any limitations on
the assessments that may be levied;

(e) The articles shall state, for corporations having members,
how persons may become members and that only members may
vote; and

(f) The articles of a corporation not having members shall state
how the directors of the corporation shall be selected.

(2) BYLAWS. The bylaws of a service insurance corporation
shall comply with this chapter, and with ss. 181.0206, 181.0207
and 181.1020 to 181.1022. A copy of any amendments to the
bylaws shall be filed with the commissioner within 60 days after
adoption.

(3) PRINCIPAL OFFICERS. The articles or bylaws shall specifi-
cally designate 3 or more offices, the holders of which shall be
the principal officers of the corporation. The principal offices shall
be held by at least 3 separate natural persons.

History: 1975 c. 223; 1997 a. 79; 2015 a. 197 s. 51.

613.13 Certificate of incorporation and authority.

(1) APPLICATION. The application for a certificate of incorpo-
ration and authority shall be signed and acknowledged by or on
behalf of each incorporator, and shall include or have attached:

(a) The names, and for the preceding 10 years, all addresses
and all occupations of all incorporators and proposed directors
and officers.

(b) For all corporate incorporators, their articles and bylaws,
a list of the names, addresses and occupations of all directors
and principal officers, and for the 3 most recent years their annual
financial statements and reports.

(c) The proposed articles which shall be signed and acknowl-
edged by or on behalf of each incorporator, and the proposed
bylaws.

(d) All agreements relating to the corporation to which any
incorporator or proposed director or officer is a party.

(e) The amount and sources of the funds available for organiza-
tion expenses and the proposed arrangements for reimbursement
and compensation of incorporators or other persons.

(f) The proposed compensation of directors and officers.

(g) The forms to be used for any contracts between the corpo-
ration and its members or other persons concerning the provision
of services to insureds.

(h) The proposed minimum permanent surplus, and the pro-
posed initial expendable surplus.

(i) The plan for conducting the insurance business, including:

1. The geographical area in which business is intended to be
done in the first 5 years.

2. The types of insurance intended to be written in the first 5
years including specification whether and to what extent indemnity
rather than services are to be provided.

3. The proposed marketing methods.

4. To the extent requested by the commissioner, the proposed
method for the establishment of premium rates and other charges
to policyholders.

(j) A projection of the anticipated operating results of the cor-
poration at the end of each of the first 5 years of operation, based
on reasonable assumptions of loss experience, premium and other
income, operating expenses and acquisition costs.

(k) Such other relevant documents or information as the com-
misssioner reasonably requires.

(2) ISSUANCE OF CERTIFICATE OF INCORPORATION AND AUTHORITY.
The commissioner shall issue a certificate of incorporation
and authority if:

(a) The commissioner finds that all requirements of law have
been met;

(b) The commissioner is satisfied that all natural persons
who are incorporators, the directors and principal officers of corporate
incorporators, and the proposed directors and officers of the corpo-
ration being formed are trustworthy and competent and collec-
tively have the competence and experience to engage in the partic-
ular insurance business proposed; and

(c) The commissioner is satisfied that the business plan is con-
sistent with the interests of the corporation’s potential insureds
and of the public.

(3) CONTENTS OF CERTIFICATE OF AUTHORITY. The certificate of
authority shall specify any limits placed on the insurance business
that may be carried on by the corporation and may, within the pow-
ers given the commissioner by law, specify limits on its methods
of operation.
613.19 Financial and contractual resources. (1) Minimum permanent surplus. The commissioner may by rule establish the minimum permanent surplus for a corporation organized under this chapter. In the absence of such a rule, the minimum permanent surplus shall be $2,000,000 or such greater amount as the commissioner specifies by order.

(2) Initial expendable surplus. A corporation organized under this chapter shall have an initial expendable surplus, after payment of all organizational expenses, of at least 50 percent of the minimum permanent surplus specified under sub. (1), or such other percentage as the commissioner specifies by order.

(3) Providers’ contracts. A service insurance corporation may make contracts with its members and other persons for the provision of services to policyholders in order to ensure performance of the insurance contracts to be issued. The selection of members and other providers with whom such contracts are made and the terms of the contracts, together with the surplus provided under subs. (1), (2) and (5), shall reflect the benefits and other terms provided in the insurance contracts and the number and distribution of existing and expected policyholders in such a way that it is reasonably to be expected that services will be provided as promised.

(4) Assessments against policyholders. There may not be any assessments against policyholders.

(5) Reduction of minimum surplus. The commissioner may by order reduce the minimum amounts of surplus required under subs. (1) and (2) if in the commissioner’s opinion the extent and nature of providers’ contracts under sub. (3), financial guarantees and other support by financially sound private or public corporations, a pressing social need in a particular community for the formation of a service insurance corporation, or other special circumstances, justify the proposed reduction in the required surplus. A person who will directly compete with the proposed insurer is aggrieved within the meaning of s. 601.62 (3) (a).

(5m) Capital requirements rule. Notwithstanding subs. (1), (2) and (5), the commissioner shall promulgate a rule that establishes for a corporation that is organized under this chapter and that is not a health maintenance organization insurer the same or similar capital requirements that apply to a corporation that is organized under ch. 611, subject to ch. 646 and authorized to write the same line of business as a corporation that is organized under this chapter and that is not a health maintenance organization insurer.

(6) Health maintenance organization insurer. This section does not apply to a health maintenance organization insurer that is subject to s. 609.96.

613.20 Alteration of certificate of authority. (1) Upon application. A service insurance corporation may at any time apply to the commissioner for a new or amended certificate of authority, removing, altering or adding limits on its business or methods of operation. The application shall contain or be accompanied by such information as the commissioner shall require. The application shall be filed within the time specified in s. 613.13 (1) as the commissioner requires. The commissioner shall issue the new certificate as requested if the commissioner finds that the: (a) Corporation’s surplus and providers’ contracts are adequate to support the proposed operations under the new certificate; and (b) Proposed business would not be contrary to the law or to the interests of insureds or the public.

(2) By commissioner. If the commissioner issues a summary order under s. 645.21 against a corporation, the commissioner may also revoke the corporation’s certificate and issue a new one with such limits as deemed necessary.

613.24 Segregated asset and special accounts. Service insurance corporations are subject to ss. 611.24 and 611.25.

613.26 Subsidiaries. Service insurance corporations may act under s. 611.26.

613.28 Changes in business plan. Service insurance corporations are subject to s. 611.28.

613.29 Amendment of articles. (1) Right to amend articles. A service insurance corporation may amend its articles under ss. 181.1001 to 181.1007 in any desired respect including substantial changes of its original purposes not inconsistent with this chapter. No amendment may be made contrary to s. 613.12.

(2) Filing. For 5 years after the initial issuance of a certificate of authority, proposed amendments of the articles which are not changes in the business plan shall be filed with the commissioner at least 30 days before the amendment is submitted to the members for approval, or if such approval is not required, at least 30 days before the effective date. No amendment may become effective until the articles of amendment have been filed with the commissioner.

(3) Effect of amendment. Section 181.1008 applies to service insurance corporations.

SUBCHAPTER III
SECURITIES OF SERVICE INSURANCE CORPORATIONS

613.31 Securities regulation. (1) Registration. No securities issued by a service insurance corporation may be sold by or for the corporation unless they are registered or exempt from registration under ch. 551.

(2) Approval by commissioner. Securities of a service insurance corporation may not be registered under ch. 551 without prior approval of the commissioner of insurance.

613.33 Authorized securities. (1) Service insurance corporation bonds. The articles of a service insurance corporation may authorize service insurance corporation bonds of one or more classes and shall specify the amount of each class of bonds the corporation is authorized to issue, their designations, preferences, limitations, rates of interest and relative rights, subject to the following provisions:

(a) During the first year after the initial issuance of a certificate of authority, the corporation may issue only a single class of bonds with identical rights.

(b) After the first year but within 5 years after the initial issuance of a certificate of authority, additional classes of bonds may be authorized after approval of the commissioner, who shall approve on a finding that policyholders and prior bondholders will not be prejudiced.

(c) The rate of interest shall be fair and reasonable.

(d) The bonds shall bear a maturity date not later than 10 years from the date of issuance, when principal and accrued interest shall be due and payable, subject to sub. (4).

(2) Contribution notes. Any service insurance corporation may issue contribution notes if the commissioner approves. The commissioner may approve only on a finding that:
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(a) The notes will not be issued in denominations of less than $500, and no single issue will be sold to more than 15 persons;
(b) No discount, commission or other fee will be paid or allowed;
(c) The notes will not be the subject of a public offering;
(d) Their terms are not prejudicial to policyholders, holders of service insurance corporation bonds or of prior contribution notes; and
(e) The corporation’s articles and bylaws do not forbid their issuance.

(3) PROHIBITED TRANSACTIONS. No service insurance corporation may:
(a) If it has any outstanding obligations on service insurance corporation bonds or contribution notes, borrow on contribution notes from, or sell bonds to, any other insurer without approval of the commissioner; or
(b) Make any loan to another insurer except a fully secured loan at usual market rates of interest.

(4) REPAYMENT. Payment of the principal or interest on service insurance corporation bonds or contribution notes may be made in whole or in part only after approval by the commissioner. Approval shall be given if all financial requirements of the issuer to do the insurance business it is then doing will continue to be satisfied after payment and if the interests of its insureds and the public are not thereby endangered. In the event of liquidation under ch. 645, unpaid amounts of principal and interest on contribution notes shall be subordinated to the payment of principal and interest on any service insurance corporation bonds issued by the corporation at any time.

(5) OTHER OBLIGATIONS. Nothing in this section prevents a service insurance corporation from borrowing money on notes which are its general obligations, nor from pledging any part of its disposable assets therefor.

SUBCHAPTER IV
MANAGEMENT OF CORPORATIONS

613.40 Members and meetings. In a service insurance corporation that has members:

(1) MEETINGS OF MEMBERS. Sections 181.0160, 181.0701, 181.0702 and 181.0705 apply to service insurance corporations.

(2) VOTING AND QUORUM. Sections 181.0721, 181.0723 and 181.0724 apply to service insurance corporations and s. 181.0722 applies to service insurance corporations except as modified by ss. 613.72 (4) and 613.75 (2).

(3) DELEGATES. Section 181.0640 applies to service insurance corporations.

History: 1975 c. 223; 1997 a. 79.

613.41 Communications to members or policyholders and attendance at meetings. (1) COPIES OF COMMUNICATIONS. The commissioner may by rule prescribe that copies of specified classes of communications circulated generally by a corporation to members or policyholders shall be communicated to the commissioner at the same time.

(2) ATTENDANCE AT MEETINGS. The commissioner may attend any members’ or policyholders’ meeting.

History: 1975 c. 223; 1997 a. 79.

613.51 Board of directors. (1) GENERAL. The affairs of a corporation shall be managed by a board of directors. Directors need not be residents of this state or members of the corporation unless the articles of incorporation or bylaws so require. The articles of incorporation or bylaws may prescribe other qualifications for directors.

(2) NUMBER, SELECTION AND CLASSIFICATION OF DIRECTORS. Section 611.51 (2) and the first sentence of s. 611.51 (5) apply to service insurance corporations. Sections 181.0803 to 181.0811 apply to service insurance corporations except as modified by ss. 613.53 and 613.54.

(3) INSIDE DIRECTORS. Employees and representatives of a service insurance corporation may not constitute a majority of its board.

(4) UNLAWFUL DELEGATION. The board shall manage the business and affairs of the corporation and may not delegate its power or responsibility to do so, except to the extent authorized by ss. 181.0841 and 613.56.

(5) QUORUM AND VOTING. Section 181.0824 applies to service insurance corporations, except as modified by s. 613.60.

(6) BOOKS AND RECORDS. Sections 181.1601 to 181.1605 apply to service insurance corporations.

(7) PLACE AND NOTICE OF DIRECTORS’ MEETINGS. Sections 181.0820, 181.0822 and 181.0823 apply to service insurance corporations.

History: 1975 c. 223; 1997 a. 79.

613.52 Officers. (1) GENERAL. Sections 181.0840 and 181.0841 apply to service insurance corporations, as modified by s. 613.12 (3).

(2) REMOVAL. Sections 181.0843 and 181.0844 apply to service insurance corporations.

History: 1975 c. 223; 1997 a. 79.

613.53 Policyholder or public members of board of directors. The articles may provide that any number of the directors shall be chosen from among the policyholders, the general public or both, under a plan designed to assure independent directors truly representing the interests of policyholders or the public interest. The persons to be named as directors under this section shall be persons whose experience and existing relationships qualify them to serve responsibly and impartially as independent policyholder or public directors.

History: 1975 c. 223.

613.54 Supervision of management changes. Section 611.54 applies to service insurance corporations.

History: 1975 c. 223.

613.55 Continuity of management in emergencies. Section 611.55 applies to service insurance corporations.

History: 1975 c. 223.

613.56 Committees of directors. (1) APPOINTMENT. If the articles or bylaws of a corporation so provide, the board by resolution adopted by a majority of the full board may designate one or more committees, each consisting of 3 or more directors serving thereon at the pleasure of the board. The board may designate one or more directors as alternate members of any committee to substitute for any absent member at any meeting of the committee. The designation of a committee and delegation of authority to it shall not relieve the board or any director of responsibility imposed by law.

(2) DELEGATION: MAJOR COMMITTEES. When the board is not in session, a committee satisfying all of the requirements for the composition of a full board under ss. 613.51 may exercise any of the powers of the board in the management of the business and affairs of the corporation, including action under ss. 611.60 and 611.61 as applied to service insurance corporations by s. 613.60, to the extent authorized in the resolution or in the articles or bylaws.

(3) DELEGATION: ORDINARY COMMITTEES. When the board is not in session, a committee not satisfying the requirements of sub. (2) may exercise the powers of the board in the management of the business and affairs of the corporation to the extent authorized in the resolution or in the articles or bylaws, except action in respect to:

(a) Compensation or indemnification of any person who is a director, principal officer or one of the 3 most highly paid employ-
613.60 Transactions with affiliates in which directors of the board authorized to do so under sub. 1 except that the articles or bylaws may provide for temporary appointments to fill vacancies on the board or any committee, the appointments to last no longer than the end of the next board meeting.

4) SUBSEQUENT REVIEW. The full board or a major committee of the board authorized to do so under sub. 2 shall specifically review any transaction in which an officer has a material financial interest adverse to the corporation, at the next meeting following action by any ordinary committee.

5) QUORUM AND VOTING. Sections 181.0821 and 181.0824 apply to a committee of the board of a service insurance corporation, except that references to “board” shall be read as relating to “committee”, references to “majority” in s. 181.0824 (1) shall be read as referring to a majority of the members appointed to serve on the committee, and references to “majority” in s. 181.0824 (2) shall be read as referring to a majority of the members appointed to serve on the committee who are present at the meeting.

History: 1975 c. 223; 1979 c. 102; 1997 a. 79.

613.57 Interlocking directorates and other relationships. Section 611.57 applies to service insurance corporations.

History: 1975 c. 223.

613.58 Policyholders’ committee. A service insurance corporation’s articles or bylaws may provide for a policyholders’ committee, to be selected in a manner that will make its membership representative of the interests of policyholders. The policyholders’ committee shall at the corporation’s expense prepare an annual report to be filed with the commissioner. The corporation shall inform all policyholders of the availability of the report in a manner approved by the commissioner and shall send copies of the report to policyholders upon their request. A summary of the report prepared or approved by the committee and not exceeding 2,000 words shall be included with any annual report issued by the corporation to members or policyholders.

History: 1975 c. 223.

613.60 Transactions with affiliates in which directors and others are interested. Sections 611.60 and 611.61 apply to service insurance corporations.

History: 1975 c. 223; 1979 c. 102.

613.62 Directors’ and officers’ liability and indemnification. (1) LIABILITY. Sections 181.0833 and 181.0850 to 181.0855 apply to service insurance corporations.

(2) INDEMNIFICATION. Sections 181.0871 to 181.0881 apply to service insurance corporations but no indemnification may be made until at least 30 days after notice to the commissioner, containing full details about the proposed indemnification.

613.74 Voluntary dissolution of solvent service insurance corporations. (1) GENERAL. Sections 181.1401 to 181.1407 apply to service insurance corporations, except as provided in subs. (2) to (4).

History: 1975 c. 223; 1979 c. 102; 1997 a. 79.
613.77 Transfer of business or assets.  (1) General. Sections 181.1201 and 181.1202 apply to service insurance corporations except as modified by subs. (2) and (3).

(2) Report to commissioner. Any action by which a service insurance corporation proposes to transfer to another person or to reinsure any part of its insurance business, other than in the normal and usual course of business, or to sell, lease, exchange, mortgage, pledge or otherwise dispose of or encumber more than 25 percent of its assets, shall be reported to the commissioner not less than 30 days in advance of the proposed effective date. The commissioner may defer the effective date for an additional period not exceeding 30 days by written notice to the corporation before expiration of the initial 30−day period.

(3) Disapproval. The commissioner may, within the 30−day period or its extension under sub. (2), prohibit the proposed action if it is contrary to law, the interests of insureds or the public or if it will make possible the circumvention of any of the requirements of ss. 613.72 to 613.75.

History: 1975 c. 223; 1997 a. 79.

613.80 Hospital service insurance corporations.  (1) Statement of purpose. This subsection is a guide to the interpretation and application of sub. (2). Payment for adequate health care services is a problem of great social importance, with many ramifications. New and better methods of payment for and delivery of health care services are needed. It is hereby stated to be the public policy of this state to encourage the formation of nonprofit hospital service insurance corporations under this chapter, on an economically sound basis, in the hope that they may ease the burden of payment for hospital services and health care for large numbers of the population, without any burden on the public treasury and free from the profit motive. If such corporations can contribute to the solution of such serious social and economic problems, they merit the support of the state. It is the policy of this state that such corporations should develop without changing the status of voluntary hospitals and that, by enabling many citizens to procure adequate hospital services for themselves, they should leave the hospitals more able to provide subsidized services to those unable to pay.

(2) Authorization. Nonprofit hospital service insurance corporations may be organized under this chapter to establish, maintain and operate service plans to implement sub. (1).

(3) Continuation. Any corporation existing under s. 182.032, 1973 stats., prior to May 5, 1976 is deemed to have been organized under this section.

History: 1975 c. 223.

613.90 Vicarious liability. No member of or other provider for a service insurance corporation is liable, solely by virtue of a relationship with the corporation or of the providers’ contract, for any act, omission or default of the corporation or of any other member of or provider for the corporation.

History: 1975 c. 223, 421.

613.92 Administrative agent. Service insurance corporations organized pursuant to the authorization under ss. 148.03, 447.13 and 613.80 may act as administrative agent for a government instrumentality performing an insurance, public assistance or related function.

History: 1975 c. 223.