CHAPTER 613

SERVICE INSURANCE CORPORATIONS

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Cross-reference: See definitions in ss. 600.03, 610.01 and 628.02.
NOTE: Chapter 223, laws of 1975, which created this chapter, contains explanatory notes.

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.

(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.

History: 1975 c. 223; 1975 c. 224 s. 148m; 1975 c. 375, 422; 1977 c. 339; 1979 c. 102; 2021 a. 238 s. 44.

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 are 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.

History: 1975 c. 223; 1979 c. 102 ss. 125, 126; 1979 c. 313; 1981 c. 38 s. 26; 1983 a. 215 s. 17; 1989 a. 23; 1991 a. 250; 1997 a. 27, 227; 2005 a. 74; 2013 a. 20.

613.04 Orders imposing and eliminating restrictions. **(1)** ORDERS IMPOSING RESTRICTIONS. The commissioner may subject 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 commissioner finds that its financial condition, management or other circumstance 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 applicable 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 commissioner is satisfied that its financial condition, management or other circumstance 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.

History: 1975 c. 223; 1979 c. 110; 1987 a. 13; 1997 a. 79.

SUBCHAPTER II

ORGANIZATION OF CORPORATIONS

613.10 Reserved and registered names. A service insurance corporation may reserve or register a corporate name as provided 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 natural 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 service or care, and shall comply with s. 181.0401 (2) to (4);

(am) 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 corporation 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 specifically 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.

(4) FORUM SELECTION PROVISIONS. The articles or bylaws of a service insurance corporation may require, consistent with applicable jurisdictional requirements, that any or all claims pertaining to the internal affairs of the service insurance corporation shall be brought solely and exclusively in the courts in this state.

History: 1975 c. 223; 1997 a. 79; 2015 a. 197 s. 51; 2023 a. 212.

613.13 Certificate of incorporation and authority. **(1)** APPLICATION. The application for a certificate of incorporation 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 acknowledged 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 organization 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 corporation and its members or other persons concerning the provision of services to insureds.

(h) The proposed minimum permanent surplus, and the proposed 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 corporation 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 commissioner reasonably requires.

(2) ISSUANCE OF CERTIFICATE OF INCORPORATION. The commissioner shall issue a certificate of incorporation 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 corporation being formed are trustworthy and competent and collectively have the competence and experience to engage in the particular insurance business proposed; and

(c) The commissioner is satisfied that the business plan is consistent with the interests of the corporation's potential insureds and of the public.

(3) ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) The commissioner shall issue a certificate of authority if all of the following apply:

1. The commissioner finds that cash or property has been received sufficient to satisfy the requirements of s. 613.19.

2. A principal officer of the corporation submits a statement of any material changes that have already taken place or are likely to take place in the facts on which the issuance of the certificate of incorporation was based, and if any material changes are proposed in the business plan, the additional information about such changes that would be required if a certificate of incorporation were then being applied for.

3. The commissioner finds that all other applicable requirements of the law have been met.

(b) 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 powers given the commissioner by law, specify limits on its methods of operation.

(4) LEGAL EXISTENCE. Upon the issuance of the certificate of incorporation the legal existence of the corporation shall begin, the articles and bylaws shall become effective and the proposed directors and officers shall take office. The certificate is conclusive evidence of compliance with this section, except in a proceeding by the state against the corporation.

History: 1975 c. 223, 421; 1979 c. 102; 2021 a. 258.

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 compulsory and security surplus 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.

History: 1975 c. 223, 421; 1979 c. 261; 1985 a. 335; 1989 a. 23; 1995 a. 236.

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 so much of the information 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.

History: 1975 c. 223, 421.

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

History: 1975 c. 223.

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

History: 1975 c. 223.

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

History: 1975 c. 223.

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 ef-

fective until the articles of amendment have been filed with the commissioner.

(3) EFFECT OF AMENDMENT. Section 181.1008 applies to service insurance corporations.

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

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.

History: 1975 c. 223.

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:

(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.

History: 1975 c. 223, 421; 1979 c. 102.

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, 421.

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.

(3m) SUBSIDIARIES AND CLOSELY HELD CORPORATIONS. Subsection (3) and s. 611.51 (2) (a) do not apply to an insurance subsidiary authorized under s. 613.26 nor to a nonstock insurance corporation with a single voting member or all of whose voting members are either members of or are individually represented on the 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; 2021 a. 258.

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 s. 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 employees, and any benefits or payments requiring member or policyholder approval;

(b) Approval of any contract required to be approved by the board under ss. 611.60 and 611.61 as applied to service insurance corporations by s. 613.60, or of any other transaction in which a director has a material interest adverse to the corporation;

(c) Amendment of the articles or bylaws;

(d) Merger under s. 613.72, conversion under s. 613.75, voluntary dissolution under s. 613.74 or transfer of business or assets under s. 613.78;

(e) Any other decision requiring member or policyholder approval;

(f) Amendment or repeal of any action previously taken by the full board which by its terms is not subject to amendment or repeal by a committee;

(g) Dividends or other distributions to members or policyholders, other than in the routine implementation of policy determinations of the full board;

(h) Selection of principal officers; and

(i) Filling of vacancies on the board or any committee created 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, 421; 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.

(3) INSURANCE. Section 181.0883 applies to service insurance corporations.

History: 1975 c. 223, 421; 1987 a. 13; 1997 a. 79.

613.63 Executive compensation. (1) ESTABLISHMENT OF COMPENSATION. Section 181.0302 (11) to (14) applies to ser-

vice insurance corporations, except as modified by ss. 613.60 and sub. (2).

(2) RESTRICTIONS. Subchapter XIII of ch. 181 and s. 611.63 (3) to (6) apply to service insurance corporations.

History: 1975 c. 223; 1979 c. 102 s. 237; 1997 a. 79.

613.66 Exclusive agency contracts. (1) GENERAL. Except under sub. (2), no service insurance corporation may enter into any contract whereby any person is granted the exclusive right or privilege of soliciting, producing or receiving a fee or commission on all or substantially all of the insurance business of the corporation in this state.

(2) SUBSIDIARIES. Subsection (1) does not apply to contracts in which a corporation is the exclusive agent of its insurance subsidiary authorized under s. 611.26 (1) as applied to service insurance corporations by s. 613.26, or in which the subsidiary is the exclusive agent of the corporation.

History: 1975 c. 223.

613.67 Management contracts. Section 611.67 applies to service insurance corporations.

History: 1975 c. 223.

613.69 Distributions. (1) GENERAL. Subchapter XIII of ch. 181 applies to service insurance corporations.

(2) NOTICE TO COMMISSIONER. No payments, other than the contractual compensation for services rendered to policyholders or payments to policyholders, officers and employees in the ordinary course of business, may be made to the members until 30 days after the proposed action has been reported to the commissioner.

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

SUBCHAPTER V

REORGANIZATION OF CORPORATIONS

613.72 Merger of service insurance corporations. (1) AUTHORIZATION. Any 2 or more domestic service insurance corporations may merge, if they provide services of the same or a related nature, or if the services complement one another or there are other reasons that make it reasonable for a single corporation to render both. A written plan of merger shall be prepared, setting forth all the terms of the proposed merger and its effect on policyholders and members of both corporations. The plan shall also contain the articles and bylaws of the proposed new corporation.

(2) COMMISSIONER'S APPROVAL REQUIRED. No proposed merger plan under this section may be submitted to the members until the commissioner approves it.

(3) GROUNDS FOR DISAPPROVAL. The commissioner shall approve the plan unless the commissioner finds, after a hearing, that it is contrary to the law or to the interests of insureds or of the public of this state.

(4) MEMBERS' APPROVAL REQUIRED. The plan must be approved separately by two-thirds of the votes cast by the members of each corporation included in the plan.

(5) APPLICATION OF CH. 181. Except as otherwise provided in this section, ss. 181.1101 to 181.1108 apply to service insurance corporations.

History: 1975 c. 223, 421; 1979 c. 102; 1997 a. 79.

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).

(2) PLAN OF DISSOLUTION. At least 60 days prior to the submission to a vote of the members of any proposed voluntary dissolution of a service insurance corporation under s. 181.1401, the plan shall be filed with the commissioner. The commissioner may require the submission of such additional information as will establish the financial condition of the corporation or other facts relevant to the proposed dissolution. If the members adopt the resolution to dissolve, the commissioner shall, within 30 days after the adoption of the resolution, begin to examine the corporation. The commissioner shall approve the dissolution unless the commissioner finds, after a hearing, that it is insolvent or may become insolvent in the process of dissolution. Upon approval, the corporation may dissolve under ss. 181.1401 to 181.1407. Upon disapproval, the commissioner shall petition the court for liquidation or for rehabilitation under ch. 645.

(3) CONVERSION TO INVOLUNTARY LIQUIDATION. The corporation may at any time during the liquidation under ss. 181.1401 to 181.1407 apply to the commissioner to have the liquidation continued under the commissioner's supervision; thereupon the commissioner shall apply to the court for liquidation under s. 645.41 (10).

(4) REVOCATION OF VOLUNTARY DISSOLUTION. If the corporation revokes the voluntary dissolution proceedings under s. 181.1404, a copy of the revocation of voluntary dissolution proceedings shall be filed with the commissioner.

History: 1975 c. 223, 421; 1995 a. 417; 1997 a. 79.

613.75 Conversion of a service insurance corporation into a stock or mutual insurance corporation. (1) AUTHORIZATION. Any service insurance corporation may be converted into a stock insurance corporation under ch. 611 upon complying with sub. (2) and as much of s. 611.76 as is applicable, or into a mutual under ch. 611 upon complying with sub. (2) and s. 611.75.

(2) APPROVAL BY PERSONS ENTITLED TO VOTE. The commissioner shall not issue an organization permit under s. 611.13 (3) or a certificate of authority under s. 611.22 (3) unless the conversion has been approved by a mail vote of at least two-thirds of those voting, including an affirmative vote of at least half of the members, or by a vote of at least two-thirds of the members present or represented by proxy at a special meeting called for that purpose.

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

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 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 sub-

mitted 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) 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 this chapter, specifying the extent to which particular provisions of this chapter 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 printing costs and for legal and other professional fees for services actually rendered.

History: 2025 a. 23, 129.

613.78 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.

SUBCHAPTER VI

SUPPLEMENTARY PROVISIONS

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.