



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Attachments

Office of the Commissioner of Insurance Property and Casualty Advisory Council

Minutes April 11, 2008

Council members present: Jim Thomas, Society Insurance Company, Brian Peacy, Employers of Wausau Insurance Company, Steve Tauke, M&I Corporation, Maryelyn Geisler, American Family Insurance, John Duwell, West Bend Mutual Insurance Company, and Mary Kaiser, Spectrum Insurance Group.

Council members absent: Lemuel Eaton, Metro Milwaukee Fair Housing Council, and Charles Vang, Charles V. Vang Insurance Agency.

OCI representatives present: Kim Shaul, Deputy Commissioner, Jean Terry, Rhonda Peterson, Ronnie Demergian, John Montgomery, Guenther Ruch, Jim Guidry, Bob Luck, Clare Stapleton Concord and Sue Ezalarab.

Others present: Rick Parks, Society Insurance Company, Lee Smiertelny, State Farm Insurance, Misha Lee, Sentry Insurance, Don Cleasby, American Family Insurance Company, Andy Franken, Wisconsin Insurance Alliance, Jim Polcyn, WEA Insurance Company and Bill Toman, Quarles & Brady.

Jim Thomas chaired the meeting that began at 10:00 a.m. in the Spencer Kimball Conference Room 227, 125 South Webster Street, Madison, Wisconsin.

I. Minutes of Previous Meeting

The minutes from the January 18, 2008 meeting were approved. (John Duwell/Steve Tauke)

II. Agent Licensing Update

Laurna Landphier said with the passage of the Assembly Bill 501, the agent licensing statute, OCI has eliminated the 60 day suspension period for persons who failed to comply with Continuing Education (CE) and/or pay their biennial regulation fees. Individuals with an expiration date through May 30, 2008 will still be identified with a suspension period as OCI rolls out this new requirement. Those with an expiration date June 30, 2008 (notices will be mailed May 1, 2008) will be canceled June 30, 2008 if they have not complied with CE and/or paid their biennial regulation fees.

Elimination of fees

Laurna said that effective April 9, 2008, OCI will no longer collect a \$10 fee for letters of certification or letters of clearance; nor charge \$5 for a duplicate license.

Travel License

The bulletin regarding the new rules creating a limited line of authority for travel insurance in Wisconsin is available on OCI's Web site. Effective April 1, 2008, all individuals selling travel insurance in Wisconsin are required to obtain an insurance agent license. The updated license applications for resident and nonresident agents are also there. There is no examination or education requirement. These exemptions are consistent with the NAIC uniform standards. For individuals selling these products, holding some of the major lines may not be enough to cover all travel products. If an individual holds all four major lines they are fine. Otherwise, it will depend on what is contained in the

product. If they hold less than all four major lines, they may need to add this travel qualification to their existing license.

III. Legislative Update

Jim Guidry said that OCI's three bills and the worker's compensation agreed upon bill were enacted into law.

State Legislation

Jim Guidry identified the legislative bills relating to property and casualty insurance that were not passed.

- Senate Bill 181 relating to prohibiting an insurer from requiring a certain vendor for repairing a motor vehicle, requiring adjusters to inspect motor vehicle damage, and insurance payments for motor vehicle costs
- Senate Bill 259 relating to prohibiting the use of information in credit reports for issuing or setting premiums for motor vehicle or property insurance
- Senate Bill 348 relating to factors for setting premium rates for motor vehicle insurance
- Senate Bill 347 relating to compulsory financial responsibility for the operation of a motor vehicle
- Senate Bill 490 relating to the hospital assessment fee, HMO assessment, payments to the Injured Patients and families Compensation Fund
- Senate Bill 510 relating to combined reporting

Federal Legislation

Jim said that a bill has been introduced in the House relating to the reform of the National Association of Registered Agents and Brokers (NARAB). The bill would provide a federal option through which licensing, continuing education and other insurance producer qualification requirements and conditions can be adopted and applied on a multi-state basis. Representatives Ron Kind and Gwen Moore are cosponsors of the bill. Representative Moore is a member of the Financial Services Committee.

The Treasury Department issued a blueprint for federal services reform that includes a provision for the creation of an Office of Insurance Oversight (OIO) The OIO would advise the Secretary of the Treasury on various domestic and international insurance policy matters. The concepts are similar to the provisions in Senate Bill 40 and would also create an interim office of insurance oversight to deal with surplus lines and reinsurance on a national level.

IV. Administrative Rules Update

John Montgomery gave an update on the administrative rules.

Ins 6.05, Wis. Adm. Code relating to requiring the use of rate and form transmittal documents to Wisconsin

Currently Chapter Ins 6, Wis. Adm. Code requires the use of rate and form transmittal documents which are unique to the state of Wisconsin and for use in Wisconsin only. The actual form document is included as part of the rule. The proposed rule would require insurers to use nationally accepted uniform transmittal documents and produce coding that all other states will be using. Completion of drafting the rule was waiting for passage of Senate Bill 294. The bill adopts in Wisconsin, the Interstate Insurance Production Regulation Compact (Compact) proposed by the NAIC. The bill, through the Compact does several things including requiring more uniform transmittal documents. The bill was enacted into law as Act 168 on March 25, 2008, so the drafting of the rule can now proceed.

Ins 6.79, Wis. Adm. Code relating to advisory councils and committees

Currently OCI rules create three councils (Life & Disability; Property & Casualty and Employee Welfare Plans). The proposed rule would create more flexibility in the focus and structure of some of the councils. Current language is outdated – one of the committees is to make recommendations on

statutes that have been replaced. OCI issued a statement of scope in July 2007. The proposed rule is still being drafted.

Ins 6.50, Wis. Adm. Code relating to creating a limited line of authority for travel insurance

Currently Wisconsin has 4 limited lines of insurance authority (credit, title, legal expenses and miscellaneous). The proposed rule would create a new limited line for travel insurance that would enable Wisconsin resident agents to more easily obtain authority to sell this insurance in other states. OCI issued a statement of scope in August 2007, held a hearing on the rule in November, and sent the rule to the Legislature for their review in December. The draft rule was reviewed without comment or action by the Senate and Assembly insurance committees. The rule became effective on April 1, 2008.

V. Climate Change and Global Warming

Clare Stapleton Concord said that a draft of the NAIC white paper on the Potential Impact of Climate Change on Insurance Regulation was distributed on March 29, 2008 with a 30-day comment period. Clare said that the United Nation's Bali Conference in December 2007 resulted in an agreement to develop a roadmap for replacing the Kyoto Accord which expires in 2011. The Bangkok conference led to a more detailed plan. The United States is the only G8 country that didn't ratify the Kyoto Accord. The next 12 months may see emerging coalitions involving the United Nations, the European Community and institutional investors which will leave the United States becoming increasingly isolated.

Clare said that Congress is looking at requiring disclosures of climate risk and the NAIC also issued a climate risk disclosure – the straw man proposal. This proposal is a starting point for the discussion on disclosure – voluntary vs. mandatory.

Discussion followed on what types of disclosure information insurance companies, especially, small companies would be required to provide, the difficulty of dealing with climate change in the ratemaking process and how society takes risks and then requires insurance to pay for those risks. Deputy Commissioner Kim Shaul suggested and it was agreed that OCI work with the Wisconsin Insurance Alliance to set up a meeting with insurers and OCI to further discuss this issue and if possible, prior to the June NAIC meeting.

VI. New Business

Proposed OCI Bulletin to Insurers Regarding Certificates of Insurance

Guenther Ruch said that OCI will be issuing a Bulletin to Insurers regarding certificates of insurance. Certificates of insurance are typically used to provide proof of liability insurance and to summarize the terms of the policy for a third party instead of providing a complete copy of the policy. The bulletin is to clarify the use of certificates of insurance by intermediaries and insurers. Certificates of insurance are not subject to filing and approval with OCI. These certificates do not affirmatively or negatively amend, extend, or alter coverage of the underlying policy. They simply summarize the coverages.

To insure that consumers as well as those requesting certificates of insurance are aware that the certificate does not expand or restrict coverage, an insurer or agent should include on the certificate a statement such as: "This certificate of insurance neither affirmatively nor negatively amends, extends or alters the coverage afforded by the policies described herein." A similar statement is included on the preprinted certificates of insurance forms from ACORD and ISO. Any comments on the bulletin should be sent to Bob Luck by April 18.

Proposed OCI Bulletin to Insurers Regarding Renewals, Nonrenewals and Cancellations

Rhonda Peterson said that as part of the auto repair survey the legislature also asked OCI to review which property and casualty companies the agency fined or otherwise penalized over the last 18 month period and what company violation caused OCI to take the action. From that period, including January 1, 2006 through December 7, 2007, OCI fined 11 companies for violations that included issuing improper nonrenewal, or midterm cancellation of policies. Rhonda said there have been

problems with insurers not being reasonably precise on the reasons for termination; not giving notice far enough in advance; and providing no risk-sharing plan notice or an incorrect notice (i.e. wrong address). Rhonda also said that when OCI finds a violation, we may ask the company to look back a few years for similar violations. This bulletin will be a reminder to insurers to look at their underwriting procedures or renewals, nonrenewals and cancellations and to ask insurers to remind their agents to also review the procedures. A draft copy of the bulletin will be sent to the Council members for comment by the end of next week.

OCI Bulletin to Insurers Regarding Filing Procedures for Compliance With the Provision of the Terrorism Risk Insurance Program Reauthorization Act of 2007

Rhonda Peterson said the bulletin is available on OCI's Web site. The bulletin advises insurers of certain provisions of the Terrorism Risk Insurance Program Reauthorization Extension Act of 2007. The extended provisions may require insurers to submit a filing in Wisconsin of the disclosure notices, policy language and the applicable rates as a result of the Act. The expedited filing procedures discussed in this bulletin expired on April 1, 2008.

Model Audit Rule Work Group

Deputy Commissioner Kim Shaul said that OCI has formed the Model Audit Rule Work Group that will provide recommendations to the Commissioner regarding the National Association of Insurance Commissioners (NAIC) Model Audit Rule. The rule creates standards for audit control and financial reporting for insurers. Steve Bablitch, an attorney with Quarles and Brady and former CEO of Cobalt Corporation serves as chairperson of the work group. He has experience implementing Sarbanes-Oxley for a large health insurer.

VII. Other Business

Volunteer Drivers Survey

Rhonda Peterson said OCI has been asked by the Governor's Interagency Council on Transportation Coordination to survey the 30 largest writers of personal passenger automobile insurance for information on whether or not they insure volunteer drivers under their personal automobile policy who use their personal automobile for transportation of persons or property for charitable purposes (Meals-on-Wheels, medical transports, etc). The survey questions will ask insurers if the answer changes if the volunteer driver receives reimbursement of expenses and if the company charges a different rate solely due to volunteer driving (other than increased annual mileage). OCI will publish on its Web site a list of the companies that provide insurance to volunteer drivers.

VIII. Next Meeting Date

The next meeting of the Property and Casualty Advisory Council is scheduled for Friday, July 11, 2008 at 125 South Webster Street. The Council adjourned at 12:15 p.m.

Attachments to Minutes

[Legislative Update April 10, 2008](#)

[OCI Administrative Rules](#)

[Draft NAIC White Paper– The Potential Impact of Climate Change on Insurance Regulation](#)

[Draft NAIC Climate Risk Disclosure Straw man Proposal](#)

[Letter to Securities and Exchange Commission](#)

[OCI Bulletin to Insurers Regarding Filing Procedures for Compliance With the Provision of the Terrorism Risk Insurance Program Reauthorization Act of 2007](#)

[Model Audit Rule Work Group](#)