

V. Division of Regulation and Enforcement



The Division of Regulation and Enforcement, through its Bureau of Financial Analysis and Examinations, Bureau of Market Regulation, and Rate Review Team, and in conjunction with the office's Legal Unit, is responsible for enforcing the state's insurance laws. In addition, it assists with the office's consumer education program by providing technical expertise in the development and publication of the office's consumer education publications. In compliance with s. 601.01 (5), Wis. Stat., the Division works with other state and federal regulatory agencies in carrying out the purposes of the Wisconsin insurance laws and the mission of the office.

Bureau of Financial Analysis and Examinations (Bureau)

The principal function of the Bureau of Financial Analysis and Examinations is to monitor the financial condition of all insurers licensed to do business in Wisconsin and determine whether their financial condition meets the minimum requirements for continued operation in Wisconsin. Monitoring includes the examination of the accounts and records of insurance companies organized under Wisconsin law and the analysis of financial statements of all insurers licensed to do business in the state of Wisconsin, the review of CPA audit reports, and updates to the company profile database. The Bureau maintains and reviews holding company filings required by ch. Ins 40, Wis. Adm. Code, administers insurer applications for admission to Wisconsin, and processes merger and acquisition plans. The Bureau also collects and processes all premium taxes submitted by insurers.

2013 Major Accomplishments

- Maintained accreditation by the National Association of Insurance Commissioners.
- Examined 53 domestic insurers.
- Analyzed the financial statements of over 2,100 insurers.
- Continued oversight of 2 companies in rehabilitation.
- Licensed 3 new domestic insurers, 1 new gift annuity, and 1 new warranty plan.
- Approved 2 domestic insurers to dissolve.
- Licensed 34 service contract providers, 21 employee benefit plan administrators, 9 gift annuities, 8 nondomestic insurers, and 5 warranty plans.
- Permitted 13 licensed entities to withdraw from Wisconsin.
- Reviewed changes of control involving 7 domestic insurers, pursuant to holding company regulations, and 4 holding company reorganizations.
- Reviewed and enhanced the procedures for financial analysis and monitoring of licensed insurers.
- Enhanced the process for insurance companies to file Wisconsin-specific forms electronically with OCI.
- Discontinued the requirement for nondomestic insurers to file hard copy annual statements.

- Continued the development of automated applications used in financial analysis and examinations.
- Made available insurer financial and demographic data on the OCI Web site.
- Continued participation in the IT Strategic Planning Committee charged with the development of comprehensive plans and standards for the agency and Bureau.
- Participated in NAIC task forces and working groups, including:
 - Accounting Practices and Procedures Task Force
 - Analyst Team System Oversight Working Group
 - Capital Adequacy Task Force (Chair)
 - Emerging Accounting Issues Working Group
 - Examination Oversight Task Force
 - Financial Analysis Handbook Working Group
 - Financial Analysis Research and Development Working Group
 - Financial Analysis Working Group
 - Financial Examiners Handbook Technical Group
 - Group Solvency Issues Working Group
 - Health Reform Reconciliation Technical Group
 - Health Reform Solvency Impact Subgroup
 - Health Risk-Based Capital Working Group
 - Information Technology Examination Working Group
 - International Solvency and Accounting Standards Working Group
 - Investment Risk-Based Capital Working Group
 - Mortgage Guaranty Insurance Working Group (Chair)
 - National Treatment and Coordination Working Group
 - Own Risk and Solvency Assessment (ORSA) Subgroup
 - P&C Risk-Based Capital Working Group
 - Reinsurance Financial Analysis Working Group
 - Reinsurance Task Force
 - Restricted Asset Subgroup
 - Solvency Modernization Initiative Risk-Based Capital Subgroup
 - Solvency Modernization Initiative Task Force
 - Statutory Accounting Principles Working Group
 - Valuation of Securities Task Force

Companies Examined in 2013

Artisan and Truckers Casualty Co.	New Hope Mutual Ins. Co.
Badger Mutual Ins. Co.	Northwestern Long Term Care Ins. Co.
Bankers Reserve Life Ins. Co. of Wisconsin	Northwestern Mutual Life Ins. Co., The
Baraboo Mutual Ins. Co.	Old Republic Surety Co.
Blue Ridge Indemnity Co.	Paris Mutual Fire Ins. Co.
Cities & Villages Mutual Ins. Co.	Progressive Casualty Ins. Co.
Clarno Mutual Ins. Co.	Progressive Northern Ins. Co.
Columbus Mutual Town Ins. Co.	Progressive Universal Ins. Co.
Community Care Health Plan Inc.	Regent Ins. Co.
Dental Com Ins. Plan	Security Health Plan of WI, Inc.
Flyway Mutual Ins. Co.	South Central Mutual Ins. Co.
General Casualty Co. of WI	Southern Fire & Casualty Co.
General Casualty Ins. Co.	Southern Guaranty Ins. Co.
Green County Mutual Ins. Co.	Southern Life & Health Ins. Co.
Gundersen Health Plan, Inc.	Southern Pilot Ins. Co.
LaPrairie Mutual Ins. Co.	Spring Grove Mutual Ins. Co.
Little Black Mutual Ins. Co.	Trade Lake Mutual Ins. Co.
Luck Mutual Ins. Co.	Unigard Indemnity Co.
Madison National Life Ins. Co.	Unigard Ins. Co.
Managed Health Services Ins. Co.	Unimerica Ins. Co.
Maple Valley Mutual Ins. Co.	United National Specialty Ins. Co.
Midwest Security Life Ins. Co.	United Wisconsin Ins. Co.
Millers Classified Ins. Co.	Unitedhealthcare of Wisconsin
National Farmers Union Property & Casualty	Wisconsin Lawyers Mutual Ins. Co.
National Mortgage Ins. Corp.	Wisconsin Municipal Mutual Ins. Co.
National Mortgage Reinsurance Inc. One*	Wisconsin Mutual Ins. Co.
National Mortgage Reinsurance Inc. Two*	

* Information not available in prior Wisconsin Insurance Report.

Wisconsin Insurance Corporations Organized and/or Licensed

January 1, 2013 - December 31, 2013

Braeger Ford, Inc.	Milwaukee, WI
CUMIS Mortgage Reinsurance Co.	Madison, WI
Common Ground Healthcare Cooperative	Brookfield, WI
DHD Warranty, LLC	Sun Prairie, WI
Ice Age Trail Alliance	Cross Plains, WI
NH Ins. Corporation	Menasha, WI
Reo Motors, Inc.	Milwaukee, WI
Sondalle Motors, Inc.	Berlin, WI
Y & D Corp.	Green Bay, WI
Zacho Sports Center, Inc.	Chippewa Falls, WI

Insurance Corporations Domiciled in Other States Admitted

January 1, 2013 - December 31, 2013

Crestbrook Ins. Co.	Columbus, OH
Freedom Specialty Ins. Co.	Columbus, OH
Great Plains Casualty, Inc.	Cedar Rapids, IA
Industrial Alliance Ins. and Financial Services, Inc.	Scottsdale, AZ
Madison Mutual Ins. Co.	Edwardsville, IL
PreferredOne Ins. Co.	Minneapolis, MN
TruAssure Ins. Co.	West Palm Beach, FL
U.S. Underwriters Ins. Co.	Wayne, PA

Organizations Licensed to Issue Gift Annuities

January 1, 2013 - December 31, 2013

ABWE Foundation, Inc.	Harrisburg, PA
Dallas Seminary Foundation	Dallas, TX
Easter Seals, Inc.	Chicago, IL
Ice Age Trail Alliance	Cross Plains, WI
Media Research Center	Reston, VA
Omaha Home for Boys, The	Omaha, NE
Prison Fellowship Ministries Foundation	Lansdowne, VA
Regents of the University of California	Oakland, CA
University of Kentucky, The	Lexington, KY

Organizations Licensed to Issue Warranty Plans

January 1, 2013 - December 31, 2013

Athens Administrative, LLC	O'Fallon, IL
Century Automotive Service Corporation	Irvine, CA
DHD Warranty, LLC	Sun Prairie, WI
Home Warranty, Inc.	Rock Rapids, IA
National Automotive Distribution Network	Wilkes Barre, PA

Organizations Licensed as Service Contract Providers

January 1, 2013 - December 31, 2013

American Auto Guardian, Inc.	Schaumburg, IL
American Guardian Warranty Services of Wisconsin, Inc.	Warrenville, IL
AMT Warranty Corp.	New York, NY
Asurion Warranty Services, Inc.	Nashville, TN
Automotive Warranty Services, Inc.	Chicago, IL
Bonded Builders Services Corp.	Port Charlotte, FL
Braeger Ford, Inc.	Milwaukee, WI
Consumer Program Administrators, Inc.	Chicago, IL
Enterprise Financial Group, Inc.	Irving, TX
eSecuritel Holdings, LLC	Alpharetta, GA
Express Systems, Inc.	Irvine, CA
Foresight Services Group, Inc.	Plano, TX
GS Administrators, Inc.	Houston, TX
Helzberg's Diamond Shops, Inc.	North Kansas City, MO
IWS Acquisition Corporation	Itasca, IL
Microsoft Corporation	Redmond, WA
National Product Care Co.	Chicago, IL
New Leaf Service Contracts, LLC	Irving, TX
Northcoast Warranty Services, Inc.	Cleveland, OH
Orion Service Corporation	Kalamazoo, MI
Pablo Creek Services, Inc.	Northbrook, IL
Reo Motors, Inc.	Milwaukee, WI
Service Doc, Inc.,The	Orange Park, FL
Service Net Warranty, LLC	Jeffersonville, IN
ServiceGuard Systems, Inc.	Woodmere, OH
ServicePlan, Inc.	Chicago, IL
Sondalle Motors, Inc.	Berlin, WI
Tarmo, LLC	West Palm Beach, FL
Vehicle Service Administrator, LLC	Fenton, MO
Vision Warranty Corporation	Houston, TX
Warranty Global Group, Inc.	Addison, TX
Warranty Support Services, LLC	Norcross, GA
Y & D Corp.	Green Bay, WI
Zacho Sports Center, Inc.	Chippewa Falls, WI

**Insurance Corporation Mergers, Consolidations, Dissolutions,
Withdrawals, Rehabilitations, Liquidations, or Redomestications**
January 1, 2013 - December 31, 2013

Withdrawals

American Community Mutual Ins. Co.	11/11/2013
Ball State University Foundation, Inc.	04/05/2013
Continental Divide Ins. Co.	11/22/2013
GS Administrators, Inc.	03/07/2013
JX Enterprises, Inc.	05/14/2013
Marine Innovations Warranty Corp.	03/01/2013
MGA Ins. Co., Inc.	03/14/2013
National Product Care Co.	01/02/2013
Nissan North America, Inc.	01/31/2013
Service Doc, Inc., The	04/01/2013
ServicePlan, Inc.	07/05/2013
Southern General Ins. Co.	07/08/2013
Warranty Business Services Corp.	04/01/2013

Dissolutions

Requia Life Ins. Corp.	07/09/2013
Eye Care of Wisconsin Insurance, Inc.	12/31/2013

Rehabilitations

Partnership Health Plan, Inc.	01/18/2013
Triad Guaranty Ins. Corp.*	12/11/2012
ULLICO Casualty Co.	03/11/2013
We the People, Inc. of the United States	02/13/2013

Liquidations

American Manufacturers Mutual Ins. Co.	05/10/2013
American Motorists Ins. Co.	05/10/2013
Gramercy Ins. Co.	10/07/2013
ICM Ins. Co.	12/23/2013
Lumbermens Mutual Casualty Co.	05/10/2013
Partnership Health Plan, Inc.	07/25/2013
ULLICO Casualty Co.	05/30/2013

* Information not available in prior Wisconsin Insurance Report.

Mergers

Company Name	Merged Into	Date
American Benefit Plan Administrators	Zenith American Solutions	12/31/2012*
Camden Fire Ins. Association, The	OneBeacon Ins. Co.	08/01/2013
Crown Life Ins. Co.	Canada Life Assurance Co., The	12/31/2012*
Fairfield Ins. Co.	Genesis Ins. Co.	12/31/2012*
Fountain City Mutual Ins. Co.	West Central Mutual Ins. Co.	01/01/2013
Houston General Ins. Co.	OneBeacon Ins. Co.	08/01/2013
Industrial Alliance Pacific Ins. and Financial Services, Inc.	Industrial Alliance Ins. and Financial Services, Inc.	02/07/2013
Insura Property and Casualty Ins. Co.	Affirmative Ins. Co.	11/19/2012*
Medmarc Ins. Co.	MEDMARC Casualty Ins. Co.	02/01/2013
National Mortgage Reinsurance Inc. Two	National Mortgage Ins. Corp.	09/30/2013
Network Health Ins. Corp.	NH Ins. Corp.	04/01/2013
Northern Assurance Co. of America, The	OneBeacon America Ins. Co.	08/01/2013
OneBeacon Midwest Ins. Co.	OneBeacon America Ins. Co.	08/01/2013
Ocoma Industries, Inc.	Signature Motor Club, Inc.	10/31/2012*
Reassure America Life Ins. Co.	Jackson National Life Ins. Co.	12/31/2012*
R.V.I. America Ins. Co.	R.V.I. National Ins. Co.	07/01/2013
SunAmerica Annuity and Life Assurance Co.	American General Life Ins. Co.	12/31/2012*
Traders & General Ins. Co.	OneBeacon Ins. Co.	08/01/2013
World Ins. Co.	American Republic Ins. Co.	03/31/2013

Redomestications

Company Name	From	To	Effective Date
Acordia Life and Annuity Co.	DE	IA	06/27/2013
Alliance Global Risks US Ins. Co.	CA	IL	12/31/2012*
American Fire and Casualty Co.	OH	NH	10/01/2012*
ATX Premier Ins. Co.	IN	TX	12/31/2012*
Clearwater Select Ins. Co.	DE	CT	04/25/2013
Coventry Health and Life Ins. Co.	DE	MO	12/20/2012*
EquiTrust Life Ins. Co.	IA	IL	08/29/2013
Fidelity & Guaranty Life Ins. Co.	MD	IA	11/01/2013
Financial Indemnity Co.	CA	IL	01/01/2012*
Freestone Ins. Co.	TX	DE	03/12/2013
Independence Life and Annuity Co.	RI	DE	12/10/2012*
Mid-American Fire & Casualty Co.	OH	NH	10/01/2012*
Midwestern Indemnity Co., The	OH	NH	10/01/2012*
Ohio Casualty Ins. Co., The	OH	NH	10/01/2012*
Ohio Security Ins. Co.	OH	NH	10/01/2012*
Pennsylvania Ins. Co.	PA	IA	12/10/2012*
Prudential Annuities Life Assurance	CT	AZ	08/31/2013
Security National Ins. Co.	TX	DE	12/20/2012*
SeeChange Health Ins. Co.	OH	CA	08/17/2012*
Underwriter for the Professions Ins. Co.	CO	OR	11/01/2012*
Universal Underwriters Ins. Co.	KS	IL	12/31/2012*
Universal Underwriters of Texas Ins.	TX	IL	12/31/2012*
WellCare Health Ins. Co. of Kentucky	IL	KY	08/01/2013

* Information not available in prior Wisconsin Insurance Report.

Insurance Corporations Which Changed Their Names

January 1, 2013 - December 31, 2013

Previous Name	New Name
Allied World Reinsurance Co.	Allied World Ins. Co.
American Business & Personal Ins. Mutual, Inc.	American Business & Mercantile Ins. Mutual, Inc.
American General Indemnity Co.	Woodridge Ins. Co.
American General Property Ins. Co.	Oakwood Ins. Co.
American Health Assistance Foundation	Brightfocus Foundation
American Medical Security Life Ins. Co.	UnitedHealthcare Life Ins. Co.
Brokers National Life Assurance Co.	Aurigen Reinsurance Co. of America
Chartis Casualty Co.	AIG Assurance Co.
Chartis Property Casualty Co.	AIG Property Casualty Co.
Chartis WarrantyGuard, Inc.	AIG WarrantyGuard, Inc.
Children's Hospital and Health System Foundation, Inc.	Children's Hospital of WI Foundation, Inc.
Dallas National Ins. Co.	Freestone Ins. Co.
Employees Life Co. (Mutual)	ELCO Mutual Life and Annuity
Fidelity National Indemnity Ins. Co.	Wright National Flood Ins. Co.
Fidelity National Ins. Co.	Stillwater Ins. Co.
Fidelity National Property and Casualty Ins. Co.	Stillwater Property and Casualty Ins. Co.
GMAC Ins. Co. Online, Inc.	National General Ins. Online, Inc.
Gundersen Lutheran Health Plan, Inc.	Gundersen Health Plan, Inc.
Household Life Ins. Co.	Pavonia Life Ins. Co. of Michigan
HSBC Ins. Co. of Delaware	Pavonia Ins. Co. of Delaware
Infinity Premier Ins. Co.	ATX Premier Ins. Co.
Juvenile Diabetes Foundation International	JDRF International
Lincoln Mutual Life and Casualty Ins. Co.	Lincoln Republic Ins. Co.
Lowe's Home Centers, Inc.	Lowe's Home Centers, LLC
Lumbermens Casualty Ins. Co.	Midvale Indemnity Co.
Municipal and Infrastructure Assurance Corp.	Municipal Assurance Corp.
NH Ins. Co.	Network Health Ins. Corp.
Pennsylvania General Ins. Co.	Pennsylvania Ins. Co.
Presidential Life Ins. Co.	Athene Annuity & Life Assurance Co. of NY
Prudential Life Ins. Co. – USA	Accordia Life and Annuity Co.
R.V.I. National Ins. Co.	R.V.I. America Ins. Co.
Significa Ins. Group, Inc.	DSM USA Ins. Co., Inc.
St John's Home of Milwaukee	Saint John's Communities, Inc.
Vista Life Ins. Co.	Symphonix Health Ins., Inc.
Waukesha Memorial Hospital Foundation, Inc.	ProHealth Care Foundation, Inc.
WellCare Health Ins. of Illinois, Inc.	WellCare Health Ins. Co. of Kentucky, Inc.
West Central Mutual Ins. Co.	River Valley Mutual Ins. Co.
World Corp. Ins. Co.	Medico Corp. Life Ins. Co.

Companies in Liquidation or Rehabilitation

Ambac Assurance Corporation Segregated Account, in Rehabilitation

Ambac Assurance Corporation Segregated Account was placed in rehabilitation on March 24, 2010, by William D. Johnston, a Lafayette County Circuit Court Judge, presiding by a judicial assignment order of the Circuit Court for Dane County, Wisconsin. Roger A. Peterson is the appointed special deputy commissioner. Current and more detailed information regarding the rehabilitation is available at ambacpolicyholders.com.

Ambac Assurance Corporation (Ambac), headquartered in New York, New York, is the successor to American Municipal Bond Assurance Corporation, which was incorporated in Wisconsin on September 29, 1970. The company's present corporate organization was established in connection with a corporate restructuring executed on June 18, 1985, under the supervision of the Wisconsin Commissioner of Insurance. Under the 1985 restructuring, the business of the company's predecessor legal entity, American Municipal Bond Assurance Corporation, was transferred to a successor legal entity, AMBAC Indemnity Corporation, which subsequently was renamed Ambac Assurance Corporation. The company operates as a financial guaranty insurer, and its principal business is the guaranty of timely payment of principal and periodic interest when due on credit obligations. The company is licensed in all U.S. states, the District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands.

From its founding in 1970 until the 1990s, Ambac's business was almost exclusively related to traditionally low-risk, low-margin public finance bonds. In the mid-1990s, however, Ambac began to diversify by offering financial guaranty insurance on riskier, higher-margin private "structured finance" investments, including residential mortgage-backed securities (RMBS) and collateralized debt obligations of asset-backed securities (CDOs of ABS).

When the riskier insured structured finance investments began to deteriorate en masse during the economic crisis of 2008, Ambac's projected future liabilities grew while its credit ratings and statutory surplus plummeted. Consequently, its prospects for writing new business evaporated, it stopped writing new policies, and it initiated an informal run-off.

These events created a hazard for policyholders. At the time of rehabilitation, Ambac's investment portfolio assets had a current market value of approximately \$8 to \$9 billion, plus an estimated \$1.5 to \$2 billion in

future unearned premiums discounted to present value. Many of Ambac's assets would not yield fair value if liquidated immediately and used to pay short-term claims. The inopportune sale of Ambac's long-term, presently undervalued assets would result in a net loss of claims-paying resources available to all policyholders—a "fire sale" as opposed to a fair and equitable distribution for the benefit of policyholders as a whole.

Absent restructuring efforts, there was an increasing risk that Ambac might not have been able to satisfy all claims made under the company's policies as they developed over the next 30 years. Without restructuring, there was an increasing risk that policyholders who presented short-tail claims in the early years would have received payment for a larger percentage of their claims than policyholders who presented claims in the more distant future.

As part of the restructuring and with the approval of the Office of the Commissioner of Insurance, Ambac established an optional segregated account pursuant to s. 611.24, Wis. Stat., effective March 24, 2010, for the purpose of segregating certain segments of its liabilities and consenting to the subsequent rehabilitation of the Segregated Account under ch. 645, Wis. Stat. Policies allocated to the Ambac Assurance Corporation Segregated Account (Segregated Account) are primarily those policies with material projected impairments, including the books of RMBS, most of which were expected to mature within approximately 4 years, and certain CDOs of ABS policies, most of which were not expected to mature for 20 or more years, as well as certain other policies with provisions that could result in loss of control rights or demands to pay non-economic, accelerated damages at the expense of other policyholders of Ambac. Ambac allocated to the Segregated Account all liabilities assumed as reinsurer under reinsurance agreements. To support the Segregated Account, Ambac also allocated to it a \$2 billion secured note and a last-dollar reinsurance policy limited only by the assets of the General Account, which must maintain a minimum surplus as regards policyholders of \$100,000,000. Ambac also allocated to the Segregated Account its limited liability interest in Ambac Credit Products, LLC, Ambac Conduit Funding LLC, Aleutian Investments LLC and Juneau Investments LLC.

All assets within the Segregated Account will be available exclusively for satisfying liabilities attributable to the Segregated Account. Pursuant to s. 611.24 (3) (b),

Ambac Assurance Corporation Segregated Account, in Rehabilitation (continued)

Wis. Stat., any income, gains and losses, whether or not realized, from assets and investments attributable to the Segregated Account, if any, will be credited to or charged against the Segregated Account without regard to other income, gains or losses of Ambac's General Account.

Ambac was appointed as a Management Services Provider to the Segregated Account under a Management Services Agreement for so long as such agreement is in effect. Nothing prevents the Segregated Account from retaining additional service providers. In addition, pursuant to the terms of a Cooperation Agreement, Ambac and the Segregated Account have agreed on certain matters related to decision-making, information-sharing, tax compliance and allocation of expenses.

A rehabilitation plan was approved by Judge Johnston on January 24, 2011. Procedures for submitting claims, including revisions that supersede original procedures, have been communicated to the applicable trustees and are posted on the Web site, ambacpolicyholders.com. Counterparties on credit default swaps may not trigger and submit mark-to-market claims, but may submit scheduled payment claims.

Multiple parties-in-interest appealed the order approving the rehabilitation plan. On October 24, 2013, the Wisconsin Court of Appeals issued a decision affirming Judge Johnston's approval of the plan. In the decision, the court noted at length the Rehabilitator's broad discretion with regard to plans of rehabilitation, and held that the Office of the Commissioner of Insurance enjoys "great weight deference" with regard to its interpretation of ch. 645, Wis. Stat. "After giving full consideration to the objections, contentions, and arguments and after a careful examination of the record before us and of the circuit court's findings and conclusions of law," the Court of Appeals wrote, "we conclude that the circuit court properly exercised its discretion in confirming the rehabilitation plan at issue in this case." The Wisconsin Supreme Court subsequently denied review of the Court of Appeals' decision.

Pursuant to a motion approved on June 4, 2012, the Segregated Account commenced cash payments of 25% of each permitted policy claim that has arisen since the inception of rehabilitation proceedings and 25% of each policy claim to be submitted and permitted in the future. The first round of interim partial cash distributions was effectuated on September 20, 2012.

On April 30, 2013, Ambac Financial Group, Inc. (AFGI) the Official Committee of Unsecured Creditors of Ambac, Ambac Assurance Corporation, the Segregated Account of Ambac Assurance Corporation, the court-appointed Rehabilitator of the Segregated Account and the Wisconsin Office of the Commissioner of Insurance finalized agreements to resolve and settle (i) the claims filed by the Internal Revenue Service (IRS) against the estate of Ambac Financial Group, Inc., in its Chapter 11 proceeding, (ii) Ambac Financial Group, Inc.'s related adversary proceeding against the United States, and (iii) other related litigation brought by the United States against or involving Ambac Assurance Corporation and the Segregated Account. The terms of the settlement included: (i) a payment to the IRS by the Segregated Account of \$100 million; (ii) a payment to the IRS by AFGI of \$1.9 million; (iii) AFGI's consolidated tax group, including Ambac and the Segregated Account, relinquishing its claims to loss carry-forwards resulting from losses on credit default swap contracts arising on or before December 31, 2010, to the extent that such carry-forwards exceed \$3.4 billion; and (iv) certain payments by Ambac for the use of net operating losses generated by the AFGI consolidated tax group prior to September 30, 2011.

Pursuant to a motion approved on August 2, 2013, the Segregated Account began making supplemental cash payments in excess of the current 25% cash payment percentage on certain permitted policy claims for the purpose of maximizing reimbursements payable to Ambac. The supplemental payments effectively pay for themselves out of reimbursements that, without these payments, would be otherwise unavailable to the rehabilitation and, as a result, reduce the outstanding unpaid permitted policy claims owed on the subject policies while maintaining the claims-paying resources available for other Segregated Account policy claimants. The first round of supplemental payments was effectuated on August 20, 2013.

On March 13, 2014, the Rehabilitator announced the receipt of favorable rulings from the IRS regarding certain tax issues associated with potential amendments to the rehabilitation plan for the Segregated Account.¹

On April 21, 2014, the Rehabilitator filed a motion in the Circuit Court of Dane County, Wisconsin, for approval of certain proposed amendments (the Amendments) to the plan of rehabilitation.¹ The Amendments will

¹ Note: For the purpose of clarity, information from 2014 has been added.

Ambac Assurance Corporation Segregated Account, in Rehabilitation (continued)

modify the mechanism for handling claims under the rehabilitation plan. Instead of a combination of cash payments and interest-bearing surplus notes pursuant to the original plan, holders of Permitted Policy Claims would receive a combination of cash payments (Interim Payments) and deferred amounts will be established equal to the remaining balance of such claims (Deferred Amounts). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate, in his sole discretion, based on an analysis of estimated liabilities, available claims-paying resources and other considerations relevant to equitable treatment of claims and the best interests of policyholders. With the exception of adjustments for certain under-collateralized transactions, Deferred Amounts will accrete at an effective annual rate of 5.1%. Permitted General Claims will be entitled to receive Junior Deferred Amounts accreting at 5.1% per year, instead of junior surplus notes bearing interest at 5.1%, as specified by the original rehabilitation plan.

In conjunction with amending the rehabilitation plan, the Rehabilitator will increase Interim Payments. The 25% level specified in the original rehabilitation plan will be increased to the level of 45%. Hence, after the rehabilitation plan is amended, (i) holders of Permitted Policy Claims will receive Interim Payments in cash equal to 45% of their claims, and (ii) the Segregated Account will record Deferred Amounts on its books in favor of the respective holders in an amount equal to 55% of such claims, which will accrete at an effective annual rate of 5.1%.

To maintain parity among policyholders, the Rehabilitator will effectuate a Deferred Payment to provide that policyholders that have received 25% cash payments on Permitted Policy Claims since the Interim Payments began on September 20, 2012, will receive an

equalizing payment in cash in an amount equal to 26.67% of such holders' Deferred Amounts, including the value of Accretion. The Amendments require proportionate redemptions on Segregated Account Surplus Notes, as and when payments are made on Deferred Amounts, including the equalizing payment referenced above. Pursuant to the terms of the Settlement Agreement entered into by Ambac Assurance Corporation and various settling counterparties on June 7, 2010, Ambac Assurance Corporation is also required to make proportionate redemptions on its Surplus Notes if the Segregated Account redeems any Segregated Account Notes.

The Rehabilitator's motion for approval of the Amendments was approved by William D. Johnston, the presiding judge for the Wisconsin Circuit Court for Dane County, on June 11, 2014.¹

Ambac Assurance Corporation's General Account is not obligated to make payments on the secured note or the reinsurance policy it provided to the Segregated Account if its surplus as regards to policyholders is (or would be) less than \$100,000,000. As of December 31, 2013, there were no adjustments to the assumption of the Segregated Account's liabilities under the reinsurance policy between the Segregated Account and General Account as a result of this provision.

As of December 31, 2013, the Ambac Assurance Corporation Segregated Account reported assets of \$121,202,797, liabilities of \$(321,436,312), and surplus of \$442,639,109. As of December 31, 2013, the Segregated Account has disbursed \$1,383,364,938 to policyholder trustees and claim submitting agents, on \$5,287,799,996 of permitted policy claims. The negative liability exists because the General Account's reinsurance policy provides coverage on surplus notes issued in satisfaction of claims.

¹ Note: For the purpose of clarity, information from 2014 has been added.

Partnership Health Plan, Inc., in Liquidation

Partnership Health Plan, Inc. (Partnership Health Plan), a Wisconsin health maintenance organization insurer, was placed into rehabilitation by Dane County Circuit Court, State of Wisconsin, on January 18, 2013. The rehabilitation proceeding was commenced against Partnership Health Plan after it lost its contract with the Wisconsin Department of Health Services (DHS) to provide Family Care Partnership services.

Partnership Health Plan was headquartered in Eau Claire, Wisconsin, and had business in force only in Wisconsin. Partnership Health Plan contracted with the Department of Health Services to provide managed health and long-term care support to participants in the Family Care Partnership Program, a comprehensive program of services for older adults and people with physical disabilities. The 1,394 members were transitioned into either another partnership program or another long-term

care program overseen by DHS effective January 1, 2013. The insurer was ordered to be liquidated by Dane County Circuit Court, State of Wisconsin, on July 25, 2013.

The Court appointed Richard A. Hinkel as Special Deputy Liquidator of Partnership Health Plan, Inc.

On July 29, 2013, 450 notices were mailed to members, creditors and other parties whose interests may in some way be affected by the liquidation. The deadline for filing claims with the liquidator was January 31, 2014. There were 45 proof-of-claim forms filed and they are being reviewed to determine amounts payable, if any.

As of December 31, 2013, Partnership Health Plan had assets of \$10,017,912, liabilities of \$5,276,803, and surplus of \$4,741,109.

Bureau of Market Regulation (Bureau)

In 2013 the Bureau of Market Regulation consisted of five sections: Complaints and Central Services, Accident and Health Insurance, Health and Life Insurance, Property and Casualty Insurance, and Agent Licensing. Agent licensing activities are described in a separate section.

The Bureau of Market Regulation is responsible for the administration and enforcement of laws and rules relating to all market conduct activities of insurers and agents. In order to complete its duties, the Bureau conducts market analysis and targeted market conduct examinations of insurers in the areas of underwriting and rating; marketing, advertising and sales; claims; and policyholder services and grievances. The Bureau investigated and resolved 4,634 written consumer complaints and inquiries and answered over 32,000 telephone inquiries. The Bureau also processed 3,455 rate and rule filings and received 7,686 policy form filings.

Market Conduct Annual Statement

The Market Conduct Annual Statement (MCAS) was developed through the National Association of Insurance Commissioners (NAIC) with the input of state regulators and representatives from the industry. The MCAS is an analysis tool that states can use to review market activity of the entire insurance marketplace in a consistent manner and to identify companies whose practices are outside normal ranges. The project collects data on an industry-wide basis and is comprised of two major components: a Life & Annuity statement and a Property & Casualty statement. The Property & Casualty statement is further divided into two subsections: a Private Passenger Automobile section and a Homeowner's section.

For the 2012 Life & Annuity MCAS, licensed companies with at least \$50,000 in subject life premium and/or annuity considerations were required to participate in the project in Wisconsin. A total of 243 companies participated in the project by filing statements with OCI. For the 2012 Property & Casualty MCAS, licensed companies with at least \$50,000 in subject homeowner's and/or private passenger automobile premium were required to participate in the project in Wisconsin. A total of 184 companies participated in the project and OCI received 151 private passenger automobile statements and 136 homeowner's statements.

Level 1 and Level 2 Market Analysis

Wisconsin conducted analysis on insurance companies for 11 lines of business: credit, group accident and health, group annuity, group life, homeowner's, individual accident and health, individual annuity, individual life, long-term care, Medicare supplement, and private passenger auto. The analysis followed a uniform process that included the review of information collected in the financial statements and other NAIC databases to identify companies for additional review. Examiners conducted the additional reviews, identified companies for further action, and recorded the results of the reviews in the NAIC Market Analysis Review System (MARS). Examiners then used a comprehensive guide to complete a more detailed analysis of the identified companies in up to 21 areas of review. This process was used to identify companies for further review up to and including market conduct examinations.

2013 Major Accomplishments

- Conducted five market conduct examinations.
- Worked closely with the Centers for Medicare & Medicaid Services (CMS) and the Wisconsin Medicare Part D Task Force during the Medicare Part D and Medicare Advantage open enrollment to identify marketing abuses and misleading sales tactics, including participating in calls with the regional CMS office, reviewing CMS complaints and responding to requests for agent investigations.
- Continued to improve the market analysis and the market conduct examination program by working with other states through the NAIC Market Information Systems Task Force, Market Analysis Working Group, the Market Conduct Examination Standards Working Group, and the Market Analysis Procedures Working Group to coordinate examinations, improve uniformity in the market conduct examination and analysis process, and work collaboratively with other states.
- Undertook a major initiative to review comprehensive health insurance policy form filings in order to provide better information about changes being made in order to comply with various federal law changes.

- Participated in the Market Conduct Annual Statement program, collecting and analyzing data on claims, complaints, and underwriting in life, annuities, homeowner's and auto insurance and using the data as part of the market analysis program.
- Identified consumer complaints about sales of life insurance and annuities to senior citizens by identifying incoming calls and complaints and referring them to assigned investigators to contact consumers and investigating and preparing actions against insurance agents who were targeting elderly consumers.
- Provided technical assistance and support in the updating and revision of a variety of consumer publications available from OCI.
- Participated in the Wisconsin Insurance Plan and the Wisconsin Automobile Insurance Plan meetings, quarterly meetings with the Worker's Compensation Rating Bureau and the Department of Workforce Development, and provided technical assistance to Wisconsin Emergency Management and the Health Insurance Risk-Sharing Plan (HIRSP).
- Adopted and implemented the NAIC standard complaint handling codes in order to streamline and promote uniform reporting of OCI complaint data to the NAIC's Complaints Database System.
- Implemented a new consumer complaint system and participated in a major project to develop a system for the electronic exchange of information with licensed insurance companies regarding consumer complaints.
- Served on the following NAIC committees, task forces and working groups: Market Information Systems Task Force, Operational Efficiencies Working Group, the Interstate Compact National Standards Working Group, the Market Analysis Procedures Working Group, and the Market Conduct Examination Standards Working Group.

Policy Submissions and Rate Filings

The following tables summarize the policy submission data for 2012 and 2013. Table I shows the number of policy submissions received in 2012 and 2013 by line of business for each type of insurance. Table II shows the number of rate filings received for each type of insurance.

Table I
Number of Policy Submissions Received
By Line of Business in 2012 and 2013

Product Category	Total for 2012	Total for 2013
Health and Life		
Continuing Care Retirement Community	6	2
Credit Accident and Health	0	2
Credit Life	3	5
Group Accident and Health	466	569
Group Annuity	99	67
Group Life	83	74
Health and Life Other	411	381
Health Maintenance Organization	339	418
Individual Accident and Health	573	646
Individual Annuity	354	350
Individual Life	<u>1,086</u>	<u>1,075</u>
Total Health and Life	<u>3,420</u>	<u>3,589</u>
Property and Casualty		
Aviation	29	37
Bonds	59	79
Commercial Property and Multiperil	388	288
Commercial Motor Vehicle	233	395
Credit Property	23	20
Homeowner's	189	177
Inland Marine	255	240
Liability	1,055	1,199
Mortgage Guaranty	14	9
Other Lines	696	921
Personal Farmowner's	65	134
Personal Motor Vehicle	153	64
Property	221	295
Title	19	15
Worker's Compensation	<u>213</u>	<u>224</u>
Total Property and Casualty	<u>3,612</u>	<u>4,097</u>
Grand Total	<u>7,032</u>	<u>7,686</u>

Table II
Rate Filings Received
By Product Category for 2013

Accident and Health Section	
Credit Accident and Health	1
Credit Life	1
Health Maintenance Organization	66
Health Other	<u>264</u>
Total Accident and Health Section	<u>332</u>
Property and Casualty Section	
Aviation	6
Bonds	46
Commercial Property and Multiperil	429
Commercial Motor Vehicle	404
Credit Property	11
Homeowner's	337
Inland Marine	92
Liability	761
Mortgage Guaranty	31
Other Lines	265
Personal Farmowner's	88
Property	349
Personal Motor Vehicle	280
Title	15
Worker's Compensation	<u>9</u>
Total Property and Casualty Section	<u>3,123</u>
Grand Total	<u>3,455</u>

Trends in Complaints

In 2013, OCI received the highest number of calls and complaints about health insurance. The most common inquiry and complaint was about how to obtain coverage and questions regarding the implementation of federal laws related to health insurance. OCI also continued to receive complaints and inquiries about alternatives to health insurance, primarily discount plans that provided little coverage for the consumers who purchased the plans. There were also complaints and inquiries about Medicare Advantage products due to companies dropping out of the market, changing service areas, and modifying benefits during the open enrollment.

OCI continued to receive complaints about rate increases on long-term care insurance policies. During 2013, the rate increases ranged from 10% to 80% for 15 companies that submitted rate filings. These rate increases affected 5,770 policyholders.

The following tables summarize the Bureau's complaint data. Table I shows a comparison of complaint activity over the last six years. A complaint is defined as a written expression of dissatisfaction with an insurance company or agent. Complaints may initially be received

either in person, by telephone, by e-mail, or in writing. To be considered a formal complaint that initiates an inquiry or investigation, a complaint should be in writing. The data presented is based upon formal complaints.

In addition to the formal complaints, the Bureau also handled over 34,000 general inquiries or requests for information in 2013. Most such inquiries were by telephone, with the remainder being written communications, including e-mail, and "walk-ins."

Table II shows 2012 and 2013 complaints by type of insurance. When reviewing this information, it is important to note that a complaint may involve more than one type of insurance. Table III shows the area of insurance operations that generated the complaint. As with Table II, a complaint may involve more than one area of insurance operations.

Table III shows the basis for complaints. Fifty-eight percent of the complaints involved claim problems. Policyholder service was the second most common reason for filing a complaint.

Table I
Total Complaint Files

Year	Received	Closed
2008	8,818	8,774
2009	8,398	9,564
2010	7,399	8,431
2011	6,244	7,258
2012	6,120	6,633
2013	4,144	4,634

	2008	2009	2010	2011	2012	2013
Health	4,684	4,350	3,393	2,803	2,700	1,749
P&C	2,457	2,096	2,371	2,274	2,405	3,018
Life	451	489	497	446	558	472
Annuities	262	178	160	142	142	122

Table II
Complaints Filed By Type of Insurance*

	2012	2013
Accident and Health		
Group Accident and Health	508	684
Individual Accident and Health	237	288
Medicare Supplement	284	196
Long-Term Care	125	94
HMO**	246	72
PPO**	600	192
LSHO**	1	0
Credit**	14	10
Self-Funded Health Plans**	<u>685</u>	<u>181</u>
Total Accident and Health	<u>2,700</u>	<u>1,717</u>
Property and Casualty		
Automobile	757	626
Homeowner's, Tenant's, Farmowner's	666	597
Fire, Allied Lines, Other Property	136	98
General Liability/Liability	87	91
Worker's Compensation	150	137
All Other Lines	<u>609</u>	<u>267</u>
Total Property and Casualty	<u>2,405</u>	<u>1,816</u>
Life, Including Credit and Annuities	<u>702</u>	<u>591</u>
Grand Total	<u>5,807</u>	<u>4,124</u>

* A complaint may involve more than one type of insurance.

** Effective April 1, 2013, the coverage type was eliminated as a part of the new complaint system implementation and new complaints were coded using the new NAIC standard complaint codes.

Table III
Reasons for Complaints*

Basis for Complaint	Through		Through	
	4th Quarter	Percent	4th Quarter	Percent
	2012	of Total	2013	of Total
Claim Handling	3,139	54.8%	2,328	58.5%
Policyholder Service	675	11.8	700	17.6
Marketing and Sales	541	09.4	489	12.3
Underwriting	711	12.4	465	11.7
Other**	666	11.6	172	10.6

* A complaint may have more than one basis.

** Effective April 1, 2013, the "Other" reason category was eliminated as a part of the new complaint system implementation and all complaints were coded with one of the remaining four reason categories.

The Bureau keeps track of the amount of money recovered by complainants who filed a complaint with our office. From January 1 through the 4th quarter of 2013, the office assisted complainants in recovering \$4,677,545 from insurers as follows:

Table IV
Amounts Recovered for Complainants by Types of Coverage and Complaint Reason

Coverage Type	Claim Handling	Policyholder Service	Marketing and Sales	Underwriting	Total
Group Health	\$ 663,808	\$ 16,652	\$ 28,450	\$ 0	\$ 708,910
Ind. Accident and Health	317,183	74,823	20,093	1,529	413,628
Ind. Medicare Supplement*	10,282	2,225	6,261	0	18,768
Long-Term Care*	8,700	0	0	1,739	10,439
HMO/PPO/LSHO*	329,509	1,958	0	0	331,467
Credit Health*	1,100	0	0	0	1,100
Automobile	156,250	2,089	1,799	95,375	255,513
Life, Including Credit and Annuities	333,544	423,414	1,236,526	645	1,994,129
Homeowner's, Tenant's, Farmowners	661,874	4,653	19,810	461	686,798
Fire, Allied Lines, Other Property	71,253	1,360	1,230	2,634	76,477
General Liability/Liability	59,919	887	0	3,917	64,723
Worker's Compensation*	28,078	0	6,945	0	35,023
All Other Lines	<u>71,101</u>	<u>6,210</u>	<u>316</u>	<u>2,943</u>	<u>80,570</u>
Total	<u>\$2,712,601</u>	<u>\$534,271</u>	<u>\$1,321,430</u>	<u>\$109,243</u>	<u>\$4,677,545</u>

* Effective April 1, 2013, the coverage type was eliminated as a part of the new complaint system implementation.

Complainants may appeal the results of the Bureau's determination on their complaints when the complaints were not resolved as originally requested. The appeal gives the complainants an opportunity to have their complaints reviewed by the office's management staff or to provide additional information on their complaint to office management. Table V reflects the complaint appeal activity. The low number of complaint appeals makes trend analysis difficult. However, complaint appeals are reviewed by agency management to ensure consumers are provided a complete explanation of the decision surrounding their complaint.

Table V
2013 Complaint Appeals Filed by Section

	Property & Casualty	Life & Health	Accident & Health	Complaints	Total
Number of Complaint Files					
Appealed in 2013*	57	23	16	2	98

*An appeal may be on a file closed prior to the period under review.

Table VI
Complainant Survey
2013

Survey Cards Sent	527
Survey Cards Returned	218
Response Rate	41%

Results

1. How did you hear about the Office of the Commissioner of Insurance?					
Word of Mouth	33				
Insurance Agent	13				
Insurance Company	7				
Phone Book	4				
Lawyer	4				
Health Care Provider	14				
Other	52				
No Answer	17				
		Yes	%	No	%
2. Did we respond to your complaint promptly?		112	95.7%	5	4.3%
3. Do you feel your complaint was handled fairly by our office?		98	84.5%	18	15.5%
4. Do you feel you were given an adequate explanation on your complaint?		93	82.3%	20	17.7%
5. If you called our office, do you feel we treated you courteously?		64	95.5%	3	4.5%
6. If you have another insurance problem, would you contact our office again?		105	95.5%	5	4.5%

Companies Examined in 2013

Globe Life & Accident Ins. Co.
Gundersen Health Plan
Local Government Property Ins. Fund
Northwestern Mutual Life Ins. Co.
Unity Health Plans Ins. Corp.

Managed Care Specialist

The OCI managed care specialist, who serves as an ombudsman for consumers who have questions or problems with their managed care plans, is assigned to the Bureau of Market Regulation. The managed care specialist investigates complex managed care complaints received by OCI and educates consumers on their rights under managed care plans. Administering the state's independent review program is the responsibility of the managed care specialist.

Independent Review Process

According to state insurance law, health insurance claimants have a right to an independent review of an

adverse determination or an experimental treatment determination by an insurer. These reviews are carried out by Independent Review Organizations (IROs) registered with OCI. Every year, IROs certified to do reviews in Wisconsin are required to submit to OCI a report for the prior calendar year's experience. The independent review process allows a consumer to appeal some health insurance claims denials to an independent third party. The results from the reports for calendar year 2013 are summarized below.

For more information on the independent review process, see the consumer brochure "Fact Sheet on the Independent Review Process in Wisconsin" available on OCI's Web site at oci.wi.gov/pub_list/pi-203.htm.

IRO	Total Received	Total Declined*	Number Adv. Det.	Number Exp. Treatment Det.	Number Both Adv. and Exp. Treatment Det.	Number Pre-existing Condition Det.	Number Rescissions	Number (%) Reversed	Number (%) Upheld
Advanced Medical Reviews	3	0	2	1	0	0	0	0	3 (100%)
IPRO**	3	0	2	0	0	0	0	0	2 (100%)
Maximus*	17	6	7	1	0	2	1	5 (45.5%)	6 (54.5%)
MCMC	3	0	2	1	0	0	0	0	3 (100%)
Medical Consult. Network	0	0	0	0	0	0	0	0	0
Med.Rev. Institute of America	16	0	12	3	1	0	0	1 (6.2%)	15 (93.8%)
National Med Rev	3	0	1	0	2	0	0	2 (66.7%)	1 (33.3%)
Permedion	4	0	4	0	0	0	0	0	4 (100%)
Prest & Assoc.*	2	1	1	0	0	0	0	0	1 (100%)
Totals	51	7	31	6	3	2	1	8 (18.6%)	35 (81.4%)

* An IRO may decline a case if it determines that the dispute is not eligible for an independent review, the request was received directly from the consumer, or the IRO has a potential conflict of interest.

** In one case the insurer reversed its denial before the IRO completed its review.

The independent review program began in 2002. Beginning in 2012, most health plans were required to follow the independent review process outlined in federal law. Independent reviews performed under the federal law may not be included in the reports submitted by the Wisconsin-certified IROs. The chart below summarizes the total percent of insurers' decisions that were upheld and the total reversed in whole or in part by the IROs.

	Total	Upheld	Reversed
2009	137	60.6%	39.4%
2010	157	68.8	31.2
2011	147	72.1	27.9
2012	64	78.1	21.9
2013	43	81.4	18.6

In order to be certified, an IRO must demonstrate that it is unbiased and that its clinical peer reviewers are qualified and independent. IROs must be recertified by OCI biennially.

IROs Newly Certified

None

IROs Recertified

IPRO
Medical Consultants
Network, Inc.
National Medical
Reviews, Inc.
Prest & Assoc.

Agent Licensing Section

Agent Licensing is in charge of reviewing and issuing insurance licenses to individual intermediaries and firms. Agent Licensing provides oversight of the professional licensing testing services and administration of prelicensing and continuing education programs.

As of December 31, 2013, there were 120,404 licensed individual intermediaries. During 2013 there were 12,110 examinations administered by Pearson VUE to candidates seeking a resident intermediary license.

2013 Major Accomplishments

- Received 15,213 calls and responded to more than 10,000 e-mails.
- Processed:
 - 718,144 company appointment renewals
 - 25,893 new applications including 27 for individual navigator license
 - 676 new firm applications including 4 navigator firm registrations
 - 83 nonnavigator entity registrations
 - 446 certified application counselor registrations
 - 38,493 individual license renewals
 - 574 firm renewals
 - 2,127 continuing education course renewals
- Approved 27 continuing education provider applications and 1,502 course applications.
- Continued involvement with the National Association of Insurance Commissioners (NAIC) in the enhancement of the National Insurance Producer Registry (NIPR). The NIPR Gateway is a communication network that links state insurance regulators with entities they regulate to facilitate the electronic exchange of producer information.
- Wisconsin is an active member of the NAIC's Producer Licensing Working Group and a participant of the Producer Licensing Task Force. The goal of these committees is to improve the effectiveness and efficiency of the state licensing process resulting in uniformity through increased coordination, automation, standardization, and reciprocity.
- Continued the comprehensive review and updating of all business rules to ensure that the automated licensing systems utilize current and correct business rules and are functioning properly.
- Developed a new license type for individual navigators and implemented requirements of licensure or registration for navigators and nonnavigators in accordance with the criteria under the rules promulgated under s. 628.04, Wis. Stat.
- Continued to enhance electronic services to allow licensees to have access to managing and maintaining their license electronically, providing the most accurate, up-to-date information available.
- Opened new electronic services for education providers through Vertafore. Providers can submit electronic course applications, submit course rosters for individuals who have successfully completed a course, renew their license or course online, submit education reciprocity course application electronically and have easy and immediate access to need-to-know real time course approval status updates.
- Completed the review of Request for Proposal for the professional licensing testing services and administration for prelicensing and continuing education services. The new contract was awarded to Prometric, Inc.
- Completed implementation of new fingerprinting vendor, FieldPrint.

Commercial Liability Insurance Reports
Section 601.422, Wis. Stat.

The following tables summarize the reports on commercial liability insurance required by s. 601.422, Wis. Stat., that were received in 2013. All of the information is for commercial liability insurance written in Wisconsin by authorized insurers. The data required by this statute were collected from the following three sources:

1. The insurers themselves,
2. Statistical agents utilized by the insurers, and
3. The NAIC database.

Reporting thresholds were established by this office in conjunction with the statistical agents to eliminate insurers who write marginal amounts of insurance.

Tables IA and IB include information required for policy years 2010 and 2011, respectively. Lines one and two were calculated by applying the ratios of investment gain and other expenses to net premium earned for other liability as reported in the Insurance Expense Exhibit to direct premiums earned. The Insurance Expense Exhibit information is on a calendar year basis; therefore, the ratios applied represent the average of the two calendar years included in the applicable policy year. The number of policies written, the number of claims closed without payment, and the number of legal actions filed were provided by the insurers. The remaining policy year information was provided by statistical agents.

It should be noted that the liability for claims incurred but not reported (IBNR) is calculated differently depending on the market. In particular, approximations for the IBNR liability for excess and umbrella insurance are based on the general liability expected loss ratio. The long-tailed nature of these two lines can create difficulty when attempting to establish an accurate liability for claims IBNR even after three or four years of development.

As noted previously, much of the data is from individual insurers and the statistical agents they utilize. These reports have been accepted by this office without audit.

Table II summarizes key ratios and averages for supplemental commercial liability data for the most recent five policy years.

TABLE 1A
COMMERCIAL LIABILITY INSURANCE REPORT, S. 601.422, WIS. STAT.
ENTRIES ARE FOR INSURERS REPORTING COMMERCIAL LIABILITY INSURANCE IN WISCONSIN*

Policy Year 2010	Premises & Operations	Products & Completed Operations	Excess	Umbrella	Lawyers Professionals	All Other Professional	Day Care	Recreational	Municipal	Pollution	Liquor Liability
1. Investment gain	\$ 18,352	\$ 7,164	\$ 3,788	\$ 16,556	\$ 576	\$ 11,507	\$ 242	\$ 1,129	\$ 184	\$ 556	\$ 222
2. Expenses incurred other than loss adjusting expenses	38,982	15,218	8,047	35,168	1,223	24,442	515	2,399	391	1,182	471
3. Number of policies written	158,012	72,212	2,048	57,171	1,859	15,629	227	3,505	1,824	1,454	1,553
4. Direct dollar premium earned	127,267	49,682	26,272	114,815	3,994	79,797	1,680	7,831	1,278	3,859	1,538
5. Average premium per policy	805	688	12,828	2,008	0	5,106	7,402	2,234	700	2,654	990
6. Number of outstanding claims	506	74	8	15	7	59	7	22	4	3	0
7. Direct case reserves for outstanding claims	21,162	5,752	8,457	7,702	112	4,414	106	565	45	129	0
8. Liability for claims incurred but not reported	27,954	16,206	0	0	1,198	21,625	455	2,076	346	1,270	294
9. Loss adjustment expense liability for open claims	1,343	408	0	3	16	1,410	0	12	42	22	0
10. Losses paid	27,010	9,058	1,493	2,317	540	5,744	279	1,428	146	424	3
11. Pure loss ratio	59.8%	62.4%	37.9%	8.7%	46.3%	39.8%	50.0%	52.0%	42.1%	47.2%	19.3%
12. Allocated loss adjusting expense paid	4,640	2,458	33	2	423	4,231	222	156	109	1	0
13. Number claims paid	4,897	650	2	9	18	203	71	268	33	0	2
14. Ultimate incurred losses including allocated loss adjustment expense and incurred but not reported losses	82,107	33,882	9,983	10,025	2,288	37,425	1,063	4,237	688	1,845	296
15. Ultimate incurred losses including all loss adjustment expense and incurred but not reported losses	81,645	54,644	10,525	10,507	2,117	37,996	1,165	4,364	735	1,981	308
16. Number of claims closed without payment	3,048	960	42	46	57	1,127	7	99	133	12	3
17. Number of legal actions filed	427	150	16	15	44	155	0	11	17	1	1

* 000's omitted in items 1, 2, 4, 7, 8, 9, 10, 12, 14, and 15.

TABLE IB
COMMERCIAL LIABILITY INSURANCE REPORT, S. 601.422, WIS. STAT.
ENTRIES ARE FOR INSURERS REPORTING COMMERCIAL LIABILITY INSURANCE IN WISCONSIN*

Policy Year 2011	Premises & Operations	Products & Completed Operations	Excess	Umbrella	Lawyers Professionals	All Other Professional	Day Care	Recreational	Municipal	Pollution	Liquor Liability
1. Investment gain	\$ 18,929	\$ 7,236	\$ 3,673	\$ 16,194	\$ 542	\$ 14,703	\$ 236	\$ 1,195	\$ 137	\$ 401	\$ 223
2. Expenses incurred other than loss adjusting expenses	40,207	15,369	7,802	34,399	1,151	31,230	501	2,538	291	853	474
3. Number of policies written	171,267	75,251	2,456	65,316	1,975	19,191	162	3,653	1,727	1,213	1,603
4. Direct dollar premium earned	131,268	50,177	25,471	112,305	3,759	101,959	1,636	8,286	951	2,784	1,548
5. Average premium per policy	766	667	10,371	1,719	1,903	5,313	10,101	2,268	550	2,295	966
6. Number of outstanding claims	870	124	22	32	15	214	7	60	5	4	0
7. Direct case reserves for outstanding claims	23,050	4,003	4,020	12,981	1,166	11,768	28	982	121	285	0
8. Liability for claims incurred but not reported	48,890	18,258	0	0	2,586	45,576	731	3,704	425	1,022	508
9. Loss adjustment expense liability for open claims	760	182	0	0	27	3,486	0	68	24	48	0
10. Losses paid	17,923	5,050	38	2,079	319	4,695	227	533	129	276	4
11. Pure loss ratio	68.5%	54.4%	15.9%	13.4%	108.3%	60.8%	60.2%	63.0%	71.0%	56.8%	33.0%
12. Allocated loss adjusting expense paid	2,830	873	14	9	319	2,820	17	52	12	2	0
13. Number claims paid	4,150	571	0	9	9	249	108	210	23	1	4
14. Ultimate incurred losses including allocated loss adjustment expense and incurred but not reported losses	93,451	28,366	4,072	15,069	4,419	68,345	1,003	5,339	710	1,632	512
15. Ultimate incurred losses including all loss adjustment expense and incurred but not reported losses	93,288	49,520	4,093	14,084	4,531	68,949	1,101	5,529	758	1,752	535
16. Number of claims closed without payment	2,039	1,030	13	21	84	616	11	93	122	7	3
17. Number of legal actions filed	255	122	13	18	43	131	0	1	2	2	1

* 000's omitted in items 1, 2, 4, 7, 8, 9, 10, 12, 14, and 15.

Wisconsin Insurance Report Business of 2013
Division of Regulation and Enforcement, Commercial Liability Insurance Reports

TABLE II
COMMERCIAL LIABILITY INSURANCE REPORT, S. 601.422, WIS. STAT.
SUMMARY OF SUPPLEMENTAL DATA

	Premises & Operations	Products & Completed Operations	Excess	Umbrella	Lawyers Professionals	All Other Professionals	Day Care	Recreational	Municipal	Pollution	Liquor Liability
Loss Ratios											
2011	68.5%	54.4%	15.9%	13.4%	108.3%	60.8%	60.2%	63.0%	71.0%	56.8%	33.0%
2010	59.8	62.4	37.9	8.7	46.3	39.8	50.0	52.0	42.1	47.2	19.3
2009	51.3	57.4	1.9	18.6	88.7	35.8	50.1	26.9	39.4	33.9	15.8
2008	49.7	38.6	3.8	42.6	46.0	27.2	36.0	26.3	97.8	18.2	77.2
2007	47.5	40.8	4.3	25.0	28.2	26.8	32.9	31.3	28.9	20.4	5.6
Five-year average	55.4	50.7	12.8	21.7	63.5	38.1	45.8	39.9	55.8	35.3	30.2
Average Incurred Loss Per Claim											
2011	\$ 8,162	\$ 13,026	\$ 184,465	\$367,323	\$ 61,906	\$ 35,558	\$ 2,212	\$ 5,612	\$ 8,925	\$112,050	\$ 904
2010	8,916	20,456	994,995	417,446	26,063	38,771	4,937	6,873	5,166	184,135	1,328
2009	8,887	21,580	84,174	407,925	139,762	61,131	5,252	4,530	11,787	90,668	903
2008	8,733	18,383	330,904	871,931	42,624	40,685	4,588	4,926	20,134	6,878	501,187
2007	9,647	21,865	161,330	338,802	51,414	33,903	3,145	8,625	5,018	133,928	3,467
Five-year average	8,869	19,062	351,173	480,685	64,354	42,010	4,027	6,113	10,206	105,532	101,558
Average Case Reserve Per Claim											
2011	\$26,494	\$ 32,283	\$ 182,737	\$405,654	\$ 77,758	\$ 54,991	\$ 3,936	\$16,372	\$24,189	\$ 71,161	\$ 0
2010	41,822	77,731	1,057,177	513,457	15,982	74,813	15,168	25,678	11,275	42,891	0
2009	66,082	96,687	126,261	281,159	543,534	26,325	97,033	16,367	56,700	0	0
2008	79,880	100,880	16,124	566,234	16,124	174,865	0	19,968	0	110,846	0
2007	49,882	53,555	100,000	157,596	19,923	116,064	0	25,001	10,000	0	0
Five-year average	52,832	72,227	293,237	384,820	134,664	89,412	0	20,677	0	0	0
Allocated LAE: Premium Earned											
2011	2.7%	2.1%	0.1%	0.0%	9.2%	6.2%	1.0%	1.4%	3.7%	1.8%	0.0%
2010	4.7	5.8	0.1	0.0	11.0	7.1	13.2	2.1	11.8	0.6	0.0
2009	7.4	11.9	0.0	0.1	21.5	14.7	2.9	4.6	89.1	1.1	0.0
2008	13.9	9.3	0.0	0.1	31.0	12.6	9.5	2.9	46.2	2.0	3.1
2007	9.8	11.9	0.2	1.1	9.8	11.8	23.6	7.6	20.9	16.8	0.2
Five-year average	7.7	8.2	0.1	0.3	16.5	10.5	10.0	3.7	34.4	4.4	0.7
IBNR: Premium Earned											
2011	37.2%	36.4%	0.0%	0.0%	68.8%	44.7%	44.7%	44.7%	44.7%	36.7%	32.8%
2010	22.0	32.6	0.0	0.0	30.0	27.1	27.1	26.5	27.1	32.9	19.1
2009	13.6	25.7	0.0	0.0	32.9	12.5	12.5	12.2	12.5	25.8	15.6
2008	10.2	12.6	0.0	0.0	14.0	9.7	9.7	9.5	9.7	12.7	9.8
2007	6.0	11.2	0.0	0.0	6.6	5.1	5.1	5.1	5.1	11.3	5.4
Five-year average	17.8	23.7	0.0	0.0	30.5	19.8	19.8	19.6	19.8	23.9	16.5
Percentage Change In Premium Earned											
2010 to 2011	3.1%	1.0%	-3.0%	-2.2%	-5.9%	27.8%	-2.6%	5.8%	-25.6%	-27.9%	0.7%
2009 to 2010	-1.4	-2.7	-2.2	2.5	-16.1	7.4	-3.1	-1.1	-33.7	-14.1	-0.1
2008 to 2009	-1.0	-4.0	3.4	3.3	19.2	3.5	-0.4	-2.6	4.1	-3.7	3.6
2007 to 2008	-6.3	-7.3	-1.0	0.1	11.7	4.2	1.2	6.7	-7.4	5.3	-0.8

Medical Malpractice Insurance Reports
Section 601.427, Wis. Stat.

The following table summarizes the reports on medical malpractice insurance required by s. 601.427, Wis. Stat., that were received in 2014. All of the information is for medical malpractice insurance written in Wisconsin by authorized insurers. Insurers that wrote less than \$300,000 annually in medical malpractice insurance premiums in Wisconsin were not required to report.

The first three lines are for the calendar years indicated by the column headings. The Average Written Premium per Policy is calculated from the entries in the previous two lines. The next fifteen lines are for the policy years shown by the column headings.

This report includes the experience of the Wisconsin Health Care Liability Insurance Plan. It does not include the experience of the Injured Patients and Families Compensation Fund.

It should be noted that the data is from individual insurer reports and has been accepted by this office without audit. In addition, the data does not separate occurrence policy experience from claims-made policy experience. These two types of policies have different claims payment experience patterns.

This report combines the experience for all physician and surgeon classifications, other health care professionals, hospital, and other health care facilities. The individual classification reports by company, from which the summary table was derived, have been maintained in this office.

**MEDICAL MALPRACTICE INSURANCE REPORT, S. 601.427, WIS. STAT.
ENTRIES ARE FOR INSURERS REPORTING MEDICAL MALPRACTICE INSURANCE IN WISCONSIN***

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Investment and other income**	\$ 13,817	\$ 14,126	\$ 11,893	\$ 9,381	\$ 17,644	\$ 5,162	\$ 3,570	\$ 10,894	\$ 16,006	\$ 16,532	\$ 14,059
2. Incurred loss adjustment expense**	17,210	20,134	21,047	30,100	33,928	-456	10,788	24,065	3,150	7,368	20,275
3. All other incurred expenses**	10,803	16,813	18,960	23,779	13,325	5,847	5,199	13,852	20,900	20,589	26,882
4. Policies written	48,127	45,900	46,893	21,592	14,250	27,541	31,477	29,330	28,072	25,204	
5. Direct premiums written	113,010	109,264	103,948	120,587	66,353	109,558	105,402	83,848	94,782	67,968	
6. Average written premium per policy	2,348	2,380	2,217	5,585	4,656	3,978	3,349	2,859	3,376	2,697	
7. Number of open claims	3	4	4	9	18	20	30	60	129	302	
8. Direct case reserves for open claims	24,547	17,019	14,574	19,606	18,320	17,681	11,463	6,133	9,562	3,677	
9. Paid claims	1	1	1	1	1	1	1	1	1	1	
10. IBNR reserves	1	1	1	1	1	1	1	1	1	1	
11. Pure loss ratio	21.7%	15.6%	14.0%	16.3%	27.6%	16.1%	10.9%	7.3%	10.1%	5.4%	
12. Claims reported	1,361	959	748	683	615	652	925	731	754	581	
13. Claims closed without payment	1,311	1,290	1,058	1,170	792	907	970	797	734	511	
14. Claims closed with payment	364	222	132	146	120	141	165	77	78	59	
15. Legal actions filed	540	367	275	221	186	227	213	159	151	125	
16. Verdicts/judgements for defendants	72	38	26	26	36	34	10	2	3	1	
17. Verdicts/judgements for plaintiffs	20	13	2	5	0	5	2	3	0	0	
18. Amount awarded to plaintiffs	4,714	791	30	125	1	5,001	3,812	50	220	0	
19. Average claim paid	4	4	6	5	5	5	6	9	10	10	

* 000's omitted in items 1, 2, 3, 5, 8, 9, 10, and 18.

** These elements are reported on a calendar year basis; all other rows are on a policy year basis.

Product Liability Insurance Reports
Section 601.425, Wis. Stat.

The following table summarizes the reports on product liability insurance required by s. 601.425, Wis. Stat., that were received in 2014. All of the information is for product liability insurance written in Wisconsin by authorized insurers. Insurers that wrote less than \$50,000 annually in product liability insurance premiums in Wisconsin were not required to report.

The first three lines are for the calendar years indicated by the column headings. The Average Written Premium per Policy is calculated from the entries in the previous two lines. The next fifteen lines are for the policy years shown by the column headings.

It should be noted that the data is from reports provided by individual insurers. These reports have been accepted by this office without audit. In addition, the data does not separate occurrence policy experience from claims-made policy experience. These two types of policies have different claims payment experience patterns.

Wisconsin Insurance Report Business of 2013
Division of Regulation and Enforcement, Product Liability Insurance Reports

**PRODUCT LIABILITY INSURANCE REPORT, S. 601.425, WIS. STAT.
ENTRIES ARE FOR INSURERS REPORTING PRODUCT LIABILITY INSURANCE IN WISCONSIN***

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Investment and other income net gain or loss**	\$ 15,283	\$ 24,818	\$ 29,618	\$ 19,327	\$ 9,880	\$ 10,440	\$ 13,542	\$ 13,374	\$ 15,213	\$ 12,243	\$ 8,353
2. Incurred loss adjustment expenses**	39,730	105,062	41,717	42,334	30,207	28,975	13,673	37,229	57,225	61,289	24,384
3. All other incurred expenses**	18,159	20,760	17,138	30,678	17,568	18,080	13,440	13,629	18,521	16,896	13,366
4. Policies written	349,711	123,570	116,919	124,246	39,928	187,741	128,028	126,187	217	61,142	
5. Direct written premiums	70,553	78,284	66,308	51,401	56,181	58,657	52,574	59,735	54,753	47,712	
6. Average written premium per policy	202	634	567	414	1,407	312	411	473	252,486	780	
7. Number of open claims	14	16	25	21	20	42	66	116	126	253	
8. Direct case reserves for open claims	351	223	529	469	2,401	3,339	3,257	5,482	4,522	9,908	
9. Reserves for IBNR Claims	961	3,024	3,683	3,212	3,886	2,499	5,834	7,343	9,328	37,015	
10. Amount paid on product liability claims	1,009	21	260	1,304	1,038	9,796	3,688	7,217	2,691	8,522	
11. Pure loss ratio	3.3%	4.2%	6.7%	9.7%	13.0%	9.0%	24.3%	33.6%	30.2%	116.2%	
12. Claims reported	20	19	29	28	64	77	88	107	213	1,329	
13. Claims closed without payment	22	7	13	17	41	39	62	97	241	873	
14. Claims closed with payment	5	5	21	21	39	43	52	46	80	383	
15. Legal actions filed	4	1	6	0	6	15	15	19	22	17	
16. Verdicts/judgements for defendants	1	1	2	1	3	1	1	2	5	1	
17. Verdicts/judgements for plaintiffs	2	0	2	1	1	5	2	1	4	1	
18. Amount awarded to plaintiffs	1,005	0	172	250	5	117	702	30	35	2	

* 000's omitted in items 1, 2, 3, 5, 8, 9, 10, and 18.

** These elements are reported on a calendar year basis; all other rows are on a policy year basis.

Rate Review

The Office of the Commissioner of Insurance is responsible for enforcing the Wisconsin health insurance laws and thereby regulating the commercial health insurance market in Wisconsin. Rooted in the Wisconsin insurance laws is an approach to insurance regulation that supports functional competition. Functional competition is defined as competition wherein all participants, including consumers, have access to the market on a level playing field. Functional competition in the marketplace supports the pricing of health insurance products at premium rates that reasonably reflect the medical costs, demographics and utilization patterns of health care delivery in Wisconsin, and is therefore critical to a well-functioning market. In keeping with the mission of OCI to protect Wisconsin's insurance consumers and fulfill its obligation to enforce the Wisconsin insurance laws, OCI is committed to support the many strengths of the market as it exists today and facilitate continued competition in the market in the years to come.

Prior to September 1, 2011, Wisconsin required that individual health insurance rates used to develop premiums for individual policies be filed with OCI. There was no standard filing format in place. Rates used to

develop premiums for group policies were not required to be filed. Beginning September 1, 2011, Wisconsin requires that health insurance rates used to develop premiums for individual policies, including individually underwritten policies sold through associations, and fully insured group policies issued to employers with 2 -50 employees (small group policies) be filed with OCI. Filings are required to be submitted in a standardized format. Filings are reviewed for compliance with all applicable laws and regulations, as well as to determine whether there is any indication the premium rates filed are unreasonable. The Wisconsin insurance laws provide that rates are not unreasonable if a sufficient level of functional competition exists in the market. Rate filings made with OCI are generally available for public viewing on the OCI Web site.

The OCI Rate Review Team is responsible for establishing and enforcing rate filing requirements, reviewing comprehensive individual and small group rate filings, and monitoring trends in the Wisconsin comprehensive health insurance marketplace. In 2013, Wisconsin had a competitive comprehensive health insurance market with 13 companies offering individual coverage, 21 companies offering small group coverage, and 31 companies offering large group coverage.

