

**ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE**  
**AMENDING A RULE**

To amend Chapter Ins 51, Wis. Adm. Code, relating to risk based capital for health insurers.

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**ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE**

Statutory authority: ss. 601.41(3), 601.42, Stats.

Statutes interpreted: ss. 609.97(2), 623.11, Stats.

Currently Wisconsin requires health and life and property and casualty insurers to maintain certain risk based capital levels. The proposed order removes the current exclusion of health maintenance organization insurers and insurers writing only limited service health organization business from the definition of “insurer” thus applying risk based capital requirements developed by the National Association of Insurance Commissioners (“NAIC”) to them also. The objective of this rule is to establish solvency standards for these health insurers in order to increase protections for Wisconsin citizens covered by this insurance.

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**SECTION 1. Ins 51.01 (8m) is created to read:**

**(8m)** “Health maintenance organization insurer” has the meaning given in s. 600.03 (23c), Stats.

**SECTION 2. Ins 51.01 (9) (a) 1. and 2. are repealed and subd 3. through 8. are renumbered subd. 1. through 6.**

**SECTION 3. Ins 51.01 (10) is amended to read:**

**(10)** “Life or health insurer” means any insurer licensed to write life, annuity or health insurance or 2 or more of those lines, or a licensed property and casualty insurer writing only accident and health insurance. A “life or health insurer” does not include a health maintenance organization insurer as defined in s. 600.03 (23c), Stats. or an insurer writing only limited service health organization business as defined in s. 609.01 (3) Stats.

**SECTION 4. Ins 51.05 (1g) and (1r) are created to read:**

**(1g)** The risk based capital of health maintenance organization insurers and of insurers writing only limited service health organization business shall be determined in accordance with the formula set forth in the risk based capital instructions. The formula shall take into account, and may adjust for the covariance between each of the following:

- (a) Asset risk.
- (b) Credit risk.
- (c) Underwriting risk.
- (d) All other business risks and such other relevant risks as are set forth in the risk based capital instructions.

**(1r)** The risks identified under sub. (1g) shall be provided for as determined in each case by applying the factors in the manner set forth in the risk based capital instructions.

**SECTION 5. Ins 51.60 (3) is created to read:**

**(3)** The commissioner may exempt from the application of this subchapter:

- (a) Any domestic health maintenance organization insurer writing \$2,000,000 or less direct annual premium that writes only direct business in this state and assumes no reinsurance in excess of 5 percent of direct premium.
- (b) Any domestic insurer writing only limited service health organization business covering less than 2,000 lives that writes only direct business in this state and assumes no reinsurance in excess of 5 percent of direct premium written.

**SECTION 6. Ins 51.70 is repealed.**

**EFFECTIVE DATE**

These changes will take effect on the first day of the first month after publication, as provided in s. 227.22 (2) (intro) Stats. and first apply to reports or plans of health maintenance organization and limited service health organization insurers for the calendar year ending December 31, 1999.

Dated at Madison Wisconsin this \_\_\_\_\_ day of \_\_\_\_\_, 1999.

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Connie L. O'Connell  
Commissioner of Insurance