



Wisconsin Office of the
COMMISSIONER
OF INSURANCE

Agent Outreach

November 2023

Topics

- Update on the Town Mutual Industry
- Update on Wisconsin Reinsurance Corporation (WRC) and 1st Auto & Casualty Insurance Company (1st Auto)
- What happens in Liquidation?
- 1st Auto Policies and Unearned Premium
- Agent Responsibilities
- Agent Appointments
- Wisconsin Auto Insurance Plan
- Agent Resources



Town Mutual Insurer Update

- 44 Town Mutual Insurers licensed on January 1, 2023
- On January 1, 2024, it is anticipated that eight town mutual insurers will remain
- 34 Town Mutual Insurers used WRC as their reinsurer for 2023, because of the WRC rehabilitation/liquidation and the changing reinsurance market it has resulted in several town mutual mergers, conversions and affiliations
 - 8 – merging into another town mutual
 - 13 – merging into a ch. 611 insurer
 - 7 – coming together to form a ch. 611 insurer
 - 2 – coming together to form a ch. 611 insurer
 - 2 – converting to a ch. 611 insurer
 - 4 – converting to a ch. 611 insurer and then affiliating with another ch. 611 insurer



WRC and 1st Auto Update

May 2023

- OCI files to put WRC and 1st Auto into rehabilitation
- Agents, policyholders, creditors are notified of filing

June 2023

- Court orders rehabilitation of WRC and 1st Auto
- OCI holds town hall forum to socialize concepts for a rehabilitation plan

July 2023

- OCI files rehabilitation plan with the Court
- Court approves the rehabilitation plan

November 2023

- OCI petitions the court to place WRC and 1st Auto into liquidation
- Objection period ends December 5, 2023
- Agents, policyholders, creditors are notified of petition filing



WRC and 1st Auto – What's Next?

- Objections period to the liquidation petition runs through December 5, 2023.
- If there are objections, a hearing is tentatively scheduled for December 20, 2023.
- If there are no objections, we anticipate the judge to sign the liquidation order the first business day of 2024 with a liquidation effective date of January 1, 2024.
- For information on the status of WRC and 1st Auto, please go to oci.wi.gov/WRC



What happens in liquidation?

- Policies will be terminated 15 days after the effective date of liquidation
- Claims will be transferred to the Wisconsin Insurance Security Fund (WISF), or the guaranty fund based on state of residency
 - The guaranty fund will determine claim eligibility, if a claim is covered by the guaranty fund, they will pay at the lower of policy limits or statutory limit
- All 1st Auto business activities will cease 1/1/2024



1st Auto Policies

- OCI is recommending and encouraging agents that have clients with a 1st Auto policy, to work with their client to find a different carrier as soon as possible
- Agents should not wait for their clients to come to them
- Lack of prompt action could result in policyholders not receiving returned premium



What happens to premium refunds in Liquidation?

- If the policy is cancelled as soon as possible, but no later than December 15, 2023, policyholders should receive a refund for unearned premium.
- If the policy is cancelled at the end of December or later, policyholders may not receive a premium refund and if they do, a \$50 deductible will be applied in accordance with Wisconsin Statutes
 - Determination of whether premium refunds will be issued will not be made for at least a year and likely longer



Liquidation Priority

- The priority for payments in a liquidation are established by Wisconsin Statutes, and must follow the following order:
 - Class 1 - Administration Costs
 - Class 3 - Loss Claims, except first \$200 of losses otherwise payable
 - Class 3c - Federal Government Claims and Interests
 - Class 3m - Certain Inquiry Claims
 - Class 3r - Wages, not to exceed \$1,000
 - Class 4 - Unearned Premium and Small Loss Claims, except first \$50
 - Class 5 - Residual Classification
 - Class 6 - Judgements
 - Class 7 - Interest on Claims Already Paid
 - Class 8 - Miscellaneous Subordinated Claims
 - Class 9 - Bonds
 - Class 10 - Contribution Notes
 - Class 11 - Proprietary Claims
- All items in the prior class must be 100% satisfied before paying claims in the next class



Agent Responsibilities

- Following the effective date of the liquidation:
 - Agents must provide written notice via first class mail to the latest address contained in their records to each policyholder or others named on the policy
 - Notice must include the name and address of "1st Auto & Casualty Insurance Company, in Liquidation", agent name and address, and identification of the policy impaired
 - State law requires that the notice be provided as soon as practicable
 - Agents must provide oral notice, by telephone or otherwise, of the liquidation order and information contained in the written notice to any person receiving written notice, so far as practicable



Agent Appointments

- Agents can be appointed with multiple companies at once
- An insurer must submit an appointment request to OCI within 15 days of the date the agent contract is executed or the date the agent submits the first application. (s. Ins. 6.57 (1), Wis. Adm. Code)
- Agents should verify that they are properly appointed with any company they submit an application to
 - Go here to enter information into SBS: <https://oci.wi.gov/Pages/Consumers/Look-Up.aspx>
 - Only active appointments will show and not appointments that have already been terminated



Wisconsin Auto Insurance Plan

- Available if a client cannot find auto coverage through the voluntary market at any price
- Agent is deemed to be an agent of the applicant, not of WAIP or the insurance company
- Typically, WAIP rates are higher than standard or high-risk companies
- Any licensed agent can provide WAIP quotes and submit applications

For application processing or policy questions contact WIAIP@aipso.com
or call **800-827-5964**



Agent Resources

- Contact Consumer Affairs at ocicomplaints@wisconsin.gov if you have questions about:
 - A cancellation notice or invoice your client received from a carrier
 - The denial of a client's application with a new carrier
 - Proper exchange of business (s. Ins. 6.66, Wis. Adm Code)
 - Sharing commission between agents (s. 628.61, Wis. Stats.)
- Contact Agent Licensing at ociagentlicensing@wisconsin.gov if you have questions about:
 - The agent licensing or appointment process
 - Your information as it appears in SBS
 - Prelicensing or continuing education





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