

STATEMENT OF SCOPE

Office of the Commissioner of Insurance

Rule No.: 145 Ch. INS 3.17

Relating to: Reserve standards for accident and sickness insurance and affecting small business.

Rule Type: Permanent

1. Finding/nature of emergency:

N/A

2. Detailed description of the objective of the proposed rule:

The objective is to require life and health insurers doing an insurance business in Wisconsin to use the 2013 Individual Disability Income Valuation Table (2013 IDIVT) and the 2012 Group Long-Term Disability Valuation Table (GLTDVT). The recognition of these tables has been incorporated in the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (APPM). The rule will require the use of the APPM standards for policies issued prior to January 1, 2017. Policies issued after that date are already subject to the NAIC's standards via the NAIC Valuation Manual.

3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:

Individual disability income insurers hold reserve for future obligations. Current requirements are primarily contained in s. 623.06 (8m), Stats., and s. Ins 3.17, Wis. Adm. Code. The reserve standards for policies issued after January 1, 2017, are the standards prescribed in the NAIC Valuation Manual. For contracts issued after November 13, 2015, but before January 1, 2017, the minimum standard of valuation is the standard adopted by the rule. Health claim reserves, which include disability income claim reserves, traditionally have been determined based on the incurred date of the claim not the issue date of the policy, but the current language of the requirements precludes that in some circumstances. If a new claim is made on a policy that was issued before January 1, 2017, the insurer must use the reserve standard under s. Ins 3.17 rather than the updated tables adopted by the NAIC. However, if a claim is made on a policy that was issued after January 1, 2017, the insurer must use the reserve standard based on the applicable new table. Therefore, two claims with the same incurred date would be valued on two different bases as a result of the policy issue date.

In 2016, the NAIC approved and adopted the 2013 IDIVT as the new statutory minimum reserve morbidity basis for individual disability income policies. The 2013 IDIVT establishes a new statutory minimum reserve morbidity basis for individual disability income. The new table replaces the 1985 Individual Disability Tables A and C as the statutory minimum reserve basis for new policies and claims. The 2013 IDIVT updates the experience basis from the late 1970s and reflects facets of individual disability income risk that have emerged over the last 30 years that were not taken into account in the prior tables.

Similarly, in 2014 the NAIC approved and adopted the 2012 GLTDVT valuation table and Actuarial Guideline 47 to create a new updated valuation standard for claim termination assumptions on group disability claims. The new table replaced the 1987 group disability table utilizing updated experience data reflecting improved mortality.

The proposed rule allows companies to value disability claim reserves consistent with the new valuation tables adopted by the NAIC. The new tables provides the reserves that better align with future policy benefits and brings Wisconsin's standards into alignment with the NAIC and the other states.

4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):

Section 623.04, Stats., requires the Commissioner to promulgate any rules "specifying the liabilities required to be reported in the financial statements submitted under s. 601.42 (1g) (a), and the methods of valuing them. In the case of life insurance such methods shall be consistent with s. 623.06, Stats."

Additionally, s. 601.41 (3) (a), Stats., grants the Commissioner "rule-making authority under s. 227.11 (2)." Further, s. 601.42 (1g), Stats., gives the Commissioner the authority to require from those subject to regulation, among other things, "statements, reports, answers to questionnaires, and other information, and evidence thereof, in whatever reasonable form the commissioner designates, and at such reasonable intervals as the commissioner chooses, or from time to time." Finally, s. 601.42 (2), Stats., states that [T]he commissioner may prescribe forms from the reports under subs. (1g) and (1r) and specify who shall execute or certify such reports."

5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule:

200 hours

6. List with description of all entities that may be affected by the proposed rule:

The proposed rule will positively impact insurers offering individual disability income and group long-term disability policies. Consumers and small businesses will not be affected by the proposed rule.

7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:

Illinois: 215 ILCS 5/223 (8), automatically updates valuation tables on January 1 after the NAIC Valuation Manual is adopted by the NAIC.

Iowa: I.C.A. § 508.36 (14) (c), automatically updates valuation tables on January 1 after the NAIC Valuation Manual is adopted by the NAIC.

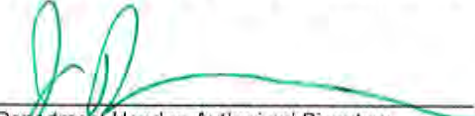
Michigan: MI ST § 500.836b (1) (c), automatically updates valuation tables on January 1 after the NAIC Valuation Manual is adopted by the NAIC.

Minnesota: M.S.A. § 61A.25 Subd. 10 (c), automatically updates valuation tables on January 1 after the NAIC Valuation Manual is adopted by the NAIC.

8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):

The anticipated economic impact of the rule is minimal as it relates to reserve requirements for insurers on policies already written.

Contact Person: Julie E. Walsh, Senior Attorney, Julie.Walsh@wisconsin.gov



Department Head or Authorized Signature

9-11-18

Date Submitted



SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. Box 7863
MADISON, WI 53707

November 1, 2018

Ted Nickel
Commissioner
Office of Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53703-3474

RE: Scope Statement Ch. INS 3.17 relating to reserve standards for accident and sickness insurance and affecting small business

Dear Secretary Nickel,

I hereby approve the statement of scope submitted on September 11, 2018 to SBO, pursuant to Wisconsin Statutes § 227.135, in regards to a proposed rule creating Chapter INS 3.17 of the Wisconsin Administrative Code. You may send the scope statement to the Legislative Reference Bureau for publication pursuant to Wisconsin Statutes § 227.135(3).

Sincerely,

A handwritten signature in black ink, appearing to be "S. Walker".

Scott Walker
Governor



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

Section Ins 3.17, Wis. Adm. Code, relating to reserve standards for accident and sickness insurance and affecting small business.

Statement of Scope of a Proposed Rule SS 113-18

In accordance with s. 227.135 (1) and (2), Stats., I hereby certify that I am the individual with the policy-making powers for the Office of the Commissioner of Insurance, that the above-listed Statement of Scope and Preliminary public hearing was published in the Wisconsin Administrative Register No. 755A3 on November 19, 2018. The public hearing was held on November 28,, 2018 and a report summarizing the hearing and any comments was received by me on December 12, 2018. I have reviewed the report and I approve this Statement of Scope on this 12 day of December, 2018.

Work may now commence on this proposed rule.


JP Wieske, Deputy Commissioner
Office of the Commissioner of Insurance