State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
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February 12, 2016

Section Ins 4.10, Wis. Adm. Code, relating to the Wisconsin Insurance Plan ("WIP")

Statement of Scope of a Proposed Rule

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 was published in the Wisconsin Administrative Register No. 721A3 on January 19, 2016, and that I approve of this statement of scope.

Work may now may commence on this proposed rule.

Daniel J. Schwartzer, Commissioner of Insurance
Office of the Commissioner of Insurance

Attachment: 1 copy Statement of Scope of a Proposed Rule

STATEMENT OF SCOPE

Office of the Commissioner of Insurance

Rule No.: Section Ins 4.10, Wis. Adm. Code

Relating to: the Wisconsin Insurance Plan ("WIP')

Rule Type: Permanent

1. Finding/nature of emergency (Emergency Rule only):

N/A

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

The Wisconsin Insurance Plan (WIP) is a residual property insurer that was created to provide basic property insurance on certain properties rejected by other insurers for coverage and is governed by s. Ins 4.10, Wis. Adm. Code. The Office of the Commissioner of Insurance (OCI) intends to update outdated provisions in the section based on recommendations from the WIP governing committee regarding obsolete coverages and insufficient maximum coverage limits. In addition, the proposed rule will make revisions to the structure of the governing committee to allow WIP to operate in a more effective and efficient manner.

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:

Under the current rule WIP provides coverages for crime under s. Ins 4.10 (3) (a) 2., Wis. Adm. Code, and builders risk under s. Ins. 4.10 (3) (a) 1., Wis. Adm. Code. Both of these coverages have become obsolete as the standard market has done a good job in providing for these coverages. In the past 30 years WIP has only received approximately three applications for crime coverage with none in the past 18 years. In addition, WIP has not written a policy with a builder's risk endorsement in the past 20 years. Accordingly, the proposed rule will delete these two coverages as they are no longer necessary.

The proposed rule will also reduce the number of positions on the governing board to address changing circumstances and allow WIP to operate more efficiently and effectively. Section Ins 4.10 (6) (b), Wis. Adm. Code, currently provides for a governing boarding consisting of fifteen members. However, due to changing circumstances, including the amount of business WIP writes and the consolidation of associations, a fifteen member board is no longer warranted. OCI is intending to gather further feedback from interested parties during the rule-making process before determining how many and which positions to eliminate. This will ensure an appropriate number and composition of committee members remains to represent the varying interests of WIP's members. However, one position that would be eliminated is the position reserved for a member from the Alliance of American Insurers under s. Ins 4.10 (6) (b) 1., Wis. Adm. Code. This position is currently vacant as the Alliance of American Insurers no longer exists. Accordingly, these changes will allow the governing board to operate more effectively and efficiently while still providing an adequate level of representation for the current members and their interests.

Finally, the proposed rule will increase the maximum coverage limits for Dwelling Property and Homeowner's risks under s. Ins 4.10 (4) (b) and (d), Wis. Adm. Code. The current maximum coverage limits of $200,000 have not been revised since the late 1990's and are no longer sufficient. OCI believes an increase to $300,000 or $350,000 may be appropriate, however, our Office intends to gather further input from interested parties during the rule-making process before determining the increased level. This

change is necessary to ensure that WIP has the ability to provide insureds with the appropriate level of coverage for these risks.

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

The Commissioner has the general authority to promulgate rules necessary to administer and enforce chs. 600 to 655, Wis. Stat., and as provided under ss. 227.11 (2) (a) and 601.41 (3), Wis. Stat. Further, s. 619.01 (1), Wis. Stat., specifically authorizes the Commissioner to establish procedures and requirements for a mandatory risk sharing facility for basic property insurance coverages.

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

100 hours

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

WIP will be affected by this 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:

The Office is unaware of any proposed or existing federal regulation that is intended to address the activities to be regulated by this proposed rule.

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

This rule is not likely to have a significant impact on small businesses. In addition, the local/statewide economic impact is anticipated to be minimal to none.

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Daniel J. Schwartzer
Deputy Commissioner
Office of the Commissioner of Insurance

December 15, 2015
Date Submitted