

STATEMENT OF SCOPE

Office of the Commissioner of Insurance

Rule No.: Ins 6.785

Relating to: Commercial lines modernization

Rule Type: Permanent

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

N/A

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

The current version of s. Ins 6.785, Wis. Adm. Code, was originally promulgated in 1993 with the intent of exempting certain classes of property and casualty rates from the rate filing requirements set forth in s. 625.13, Wis. Stat. At the time it was determined that it was unnecessary for certain rates to be filed in accordance with ch. 625, Wis. Stats., due to the unique or unusual nature of the risk, which included large commercial risks, risks in volatile areas, and risks with insufficient data to calculate credible rates. The 1993 proposed rulemaking order found that subjecting these kinds of risks to rate filing requirements was not necessary to protect policyholders or the public.

The Office of the Commissioner of Insurance (OCI) intends to update this provision by creating additional exemptions for certain property and casualty risks from the rate filing requirements of ch. 625, Wis. Stat., while also exempting certain property and casualty policy forms from the form filing requirements of s. 631.20, Wis. Stat. Similar to the rationale behind the original rule, it is no longer necessary to impose rate and form filing requirements to the updated risks and classes in order to meet purposes of the respective filing provisions referenced above. Alternatively, the exemptions will likely create quicker access to new and innovative products by decreasing an unnecessary regulatory burden.

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:

The proposed rule will make two primary changes to s. Ins 6.785, Wis. Adm. Code, in order to achieve the purpose as outline above. First, the proposed rule will amend s. Ins 6.785 (4), Wis. Adm. Code, which outlines various rate filing exemptions by lowering the premium threshold in s. Ins 6.785 (4) (e), Wis. Adm. Code, and by creating an exemption for most commercial property and casualty insurance. In addition, the proposed rule will also create an exemption for certain commercial property and casualty insurance policy forms from the form filing requirements of s. Ins 631.20 (1) (a), Wis. Stat.

The proposed rule will also make a number of smaller changes in order to effectuate the two primary changes and ensure that the exempt rates and forms will still be subject to an appropriate level of oversight. These changes include adding additional bases for the new exemptions, subjecting exempt forms to subsequent disapproval by the Commissioner and record-keeping standards, and requiring notice to insureds for exempt forms that have not been reviewed by the Commissioner.

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.

625.04, Wis. Stat., specifically authorizes the commissioner to promulgate rules exempting any person, class or market segment from rating filing requirements if the commissioner finds their application unnecessary to achieve the purposes of ch. 625, Wis. Stat. Similarly, s. 631.20, Wis. Stat., specifically authorizes the Commissioner promulgate rules exempting certain policy forms from prior filing and approval.

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

60 hours and no other resources are necessary to develop this rule.

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

The proposed rule will affect insurance companies and intermediaries.

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):

The proposed rule will not likely have an impact on small businesses. The proposed rule will have the largest impact on insurance companies of which very few would meet the definition of a small business.

Contact Person: Timothy Cornelius; timothy.cornelius@wisconsin.gov; (608) 266-0082.

Department Head or Authorized Signature

Date Submitted



Tony Evers

Office of the Governor | State of Wisconsin

May 7, 2020

By Electronic Mail Only

Dear Secretaries and Agency Heads:

On this day, I approved the following statements of scope pursuant to Wis. Stat. § 227.135(2):

- A statement of scope by the Department of Revenue, submitted March 20, 2020, relating to excise tax (Wis. Admin. Code chs. Tax 7 and 8); and
- A statement of scope by the Department of Revenue, submitted March 19, 2020, relating to sales and use tax provisions (Wis. Admin. Code ch. Tax 11); and
- A statement of scope by the Wisconsin Ethics Commission, submitted February 25, 2020, relating to practice and procedure (Wis. Admin. Code ch. ETH 21); and
- A statement of scope by the Office of the Commissioner of Insurance, submitted January 15, 2020, relating to commercial lines modernization (Wis. Admin. Code ch. Ins 6); and
- An emergency statement of scope by the Department of Transportation, submitted March 16, 2020, relating to Odometer Disclosure Requirements (Wis. Admin. Code ch. Trans 154); and
- Both an emergency and permanent statement of scope by the Examining Board of Architects, Landscape Architects, Professional Engineers, Designers, and Professional Land Surveyors, submitted April 29, 2020, relating to Retired Credential Status (Wis. Admin. Code chs. A-E 1-13).

Please direct any questions about this letter to my policy director, Jenni Dye.

Sincerely,

A handwritten signature in black ink that reads 'Tony Evers'.

Tony Evers
Governor

Cc: Ryan Nilsestuen, chief legal counsel (ryan.nilsestuen1@wisconsin.gov)
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