



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
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Office of the Commissioner of Insurance Property and Casualty Advisory Council

Meeting Minutes
Friday, September 15, 2017
10:00 a.m. – 11:30 a.m.
125 South Webster Street
Room 227 – The Spencer Kimball Conference Room
Madison, WI 53703

Council Members Present: Matt Banzynski, Trena Bond (phone), Janet Dettmann, Kellye Golden, Raymond Hansen, Rick Parks, Aaron Perry

OCI Staff Present: Barb Belling, Tim Cornelius, Diane Dambach, Melanie Esquivel, Roger Frings, Elizabeth Hizmi, Jill Kelly, Charlotte Klenke, Cari Lee, Linda Low, Mary Kay Rodriguez, Jennifer Stegall, Andrew Stoughton, Richard Wicka, JP Wieske

Public Attendees: Jess, Alanis, Bernie Bernhalm (phone), John Blinling, Kristine Burck, Charles Burhan, Monica Groves, Joe Hoffert, Lynn Knauff (phone), Patrick Laws, Misha Lee (phone), Dawn Lemke, Kate Manna, Allie McGuire-Korte, Sonia Obrien, Terry Pursifull, Michael Stern, Morgan Tilleman, Jim Werbeckas, Daniel Yeh

Welcome and Introductions

Rick Parks, Chair; welcomed Council members and Office of the Commissioner of Insurance (OCI) staff along with public attendees introduced themselves.

NAIC Issues

- Jennifer Stegall, Policy Advisor, Commissioner of Insurance Office (OCI), shared the following information on the NAIC Data Security Model Law. The Cybersecurity Working Group began work on the Insurance Data Security Model Law in March 2016. This working group's goal is to establish insurance industry specific standards for data security and data breaches which are applicable to all lines of insurance.

The working group developed 2 drafts before creating a drafting group in November 2016 to work through concerns stakeholders had. The drafting group released a 6th version of the model at the NAIC Summer National meeting in August 2017.

Version 6 holds a high level of requirements in where if in fact there is a Cybersecurity Event there must be a prompt investigation and the Commissioner must be notified within a 72 hour period of time. There are some concerns and modifications to Version 6 that are being addressed. Version 6 has been adopted by the Cybersecurity Working Group and the Innovation and Technology Task Force and it is anticipated that the NAIC Executive Plenary Committee will adopt the model at the NAIC Fall National meeting in December 2017.

- Council Member, Matt Banaszynski of Independent Insurance Agents of Wisconsin (IIAW) inquired as to where does Wisconsin stand on this Model Law and what is the time line on approval for said model. Deputy Commissioner Wieske anticipated Wisconsin is looking at 2019 for theoretically adopting this Model.

Big Data Working Group

- Cari Lee, Division Administrator of Regulation and Enforcement shared information on the Big Data Working Group. This working group was developed by the NAIC during the summer of 2017 to assist states with complex rate filings. This will support centralization and streamlining the review of data models during complex rate filings.

The working group is in the process of constructing an initial draft which will potentially make a review run quickly and smoothly with consistency being the key. Also, the end results will be more cost effective with the support of actuarial expertise.

Some concerns from the states regarding this model are that the NAIC may have too much authority as the needs vary from state to state. The NAIC should have a more regulatory role and not be a centralized consultant. Also, the concern of confidentiality of trade secrets has been brought up by the industry.

This Proposal was issued and the working group will review comments and distribute a review proposal for discussion.

Auto Insurance Working Group

- Cari Lee, Division Administrator of Regulation and Enforcement, shared information on the Auto Insurance Working Group. The Federal Insurance Office (FIO) has requested a study to determine affordability as well as availability for auto insurance.

The NAIC will collect data on behalf of all states. Said data will include: territory factors, voluntary or assigned risks, standard or nonstandard, coverage types, deductible range, historic and current rates, earned exposure, paid and incurred losses, number of claims reported, and claims that were closed without payment. This collection will be determined by zip code.

Finally, companies will report quotes given and applications refused by zip code as well. This information is to be provided on an aggregate in the next 60 days which will be before the NAIC Fall National meeting.

This working group approved the Statistical Agent proposal and was approved by the NAIC D Committee.

- Bernie Bernbalm, Consumer Advocate, mentioned that there may be issues and refusal on providing said data as there are many variances from area to area.
- Rick Parks, Society Insurance, Chair of Council; stated rate regulation needs to be adequate and nondiscriminatory. One area may be discriminated against based on risk factors and this part of the dialogue needs to be looked at in further detail moving forward with the collection of data.

Market Regulation Accreditation

- Rebecca Rebholz, Bureau Director of Market Regulation, Commissioner of Insurance Office (OCI), shared information on Market Regulation Accreditation. At this time the NAIC is running a pilot program which is similar to what is already in place here at the Commissioner of Insurance Office (OCI), within the Financial Unit. In 2017, 14 jurisdictions are already participating in this pilot program; Alaska, Arkansas, Indiana, Kansas, Montana, Nebraska, New Jersey, Oklahoma, Oregon, Texas, Vermont, Washington, Wisconsin, and Wyoming.

The NAIC has developed a working group which has put into place a Certification Checklist in hopes of enhancing uniformity in the market analysis process. The certification checklist outlines various procedures as well as benchmarks that Market Regulation should have in place.

Wisconsin reported progress on the Checklist at the NAIC Summer National Meeting. A formal written report will be submitted sometime in October. Ms. Rebholz reported that Wisconsin is on task, if not ahead of most jurisdictions participating in this pilot.

Finally, the end goal would be to have all states participate in this pilot.

Governor's Steering Committee on Autonomous and Connected Vehicle Testing and Deployment

- Daniel Yeh, Federal Regulations Officer, Department of Transportation (DOT), shared information on the Governor's Steering Committee on Autonomous Vehicle Testing and Deployment. Governor Walker issued Executive Order #245 creating the Governor's Steering Committee on Autonomous and Connected Vehicle Testing and Deployment. Mr. Yeh staffs said committee, along with members representing the State Legislature, law enforcement, auto manufacturers, trucking, and motorcycles, along with other segments. This committee's mission point is to safely and effectively test and study autonomous vehicles on Wisconsin roads. It was noted that 15 to 16 other states around the nation have developed similar committees.

At this time the committee is looking at standards of vehicles on our Wisconsin roads, said standards being broken down into levels; 1 through 5. When viewing standards of vehicles and their levels it is important that these vehicles be tested in all environments.

This committee along with the Department of Transportation, with assistance from other state agencies will produce their findings and recommendations to the Governor no later than June 30, 2018.

- Council Member, Matt Banaszynski of Independent Insurance Agents of Wisconsin (IIAW), raised the question, that being will these developments have an impact on state and local tax revenue?

Legislative Update

Elizabeth Hizmi, Legislative Liaison and Public Information Officer, Commissioner of Insurance Office (OCI), gave a brief update on the following:

- First, at this time the Technical Bill is in draft format.
- Also, in this year's budget the Local Government Property Insurance fund (LGPIF) will in fact be eliminated.
- OCI's Information Technology (IT) Department has been moved to the Department of Administration (DOA) and the Director of IT will be replaced as this position remains in the budget.
- Language is being drafted for a new Agent Licensing Rule.

- Governor Walker signed a \$3 billion Foxconn Bill into law that will provide over 13,000 jobs with an average salary of \$53,000 yearly. Legislators from around southeastern Wisconsin attended this signing.

Wisconsin Insurance Plan

- Timothy Cornelius, Senior Insurance Examiner, Commissioner of Insurance Office (OCI), shared information on the Wisconsin Insurance Plan (WIP). There will be 3 changes to the s. Ins 4.10, Wis. Stat, which governs the WIP which are as follows:
 1. Eliminates coverages for builders risk and crime;
 2. Reduces the size of the governing board from 15-11; and
 3. Increases the maximum coverage limits for Customary Fire and Extended and Homeowner's from \$200,000 to \$350,000.

Other Business

- Elizabeth Hizmi, Legislative Liaison and Public Information Officer, Commissioner of Insurance Office (OCI), gave a brief update on the communication side for OCI indicating The Wisconsin Insurance News (WIN) will be coming out with a Fall Edition. Also, the Wisconsin Insurance Report for 2016 is complete.
- There are various staff changes and reorganization taking place in OCI's Market Regulation Division.
- Becky Easland, Director of Financial has resigned from OCI and has taken a new position abroad working for The International Association of Insurance Supervisors (IAIS).

The meeting was adjourned at 11:26 PM