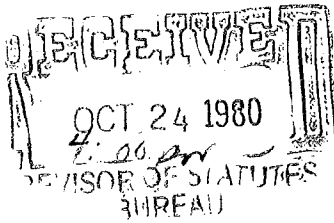


INS 16.01



STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE) ss

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

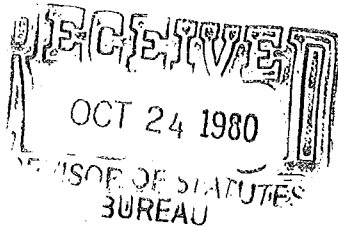
I, Susan Mitchell, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order repealing and recreating a rule relating to annual billing for the examination of domestic insurers was issued by this office October 24, 1980.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 24th day of October, 1980.

Susan Mitchell
Susan Mitchell
Commissioner of Insurance

1-1-81



STATE OF WISCONSIN
RECEIVED AND FILED

OCT 24 1980

VEL PHILLIPS
SECRETARY OF STATE

STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE) ss

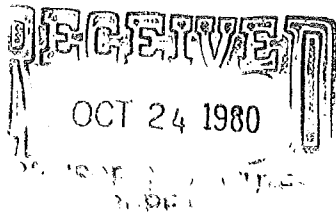
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Susan Mitchell
Commissioner of Insurance



STATE OF WISCONSIN
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OCT 24 1980

VEL PHILLIPS
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE
REPEALING AND RECREATING A RULE

Repealing to annual billing for the examination of domestic insurers.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

The repeal and recreation of Ins 16.01 is proposed for the purpose of making the annual assessment process more equitable and easier to understand and compute. By deleting all factors except premiums for use in determining the proportionate amount to be billed each domestic insurer, this section proposes to make the assessments dependent on premium volume multiplied by a constant factor. The constant factor is determined yearly by the Office of the Commissioner of Insurance to cover the projected office budget for examination of domestic insurers. This section interprets and implements section 601.45, Stats.

Pursuant to the authority vested in the Commissioner of Insurance by sections 601.41 (3) and 601.45, Stats., the Commissioner of Insurance hereby repeals and recreates a rule interpreting section 601.45, Wis. Stats., as follows:

Section Ins 16.01 is repealed and recreated to read:

Ins 16.01 Annual billings for the examination of domestic insurers.

(1) PURPOSE. The purpose of this rule is to develop a framework for the regular annual billing of domestic insurers, except for town mutuals, to fund the

costs of administering examinations as prescribed by s. 601.44, Stats., and to interpret and implement s. 601.45, Stats.

(2) SCOPE. The billing structures established by subsection (4) shall apply to all domestic insurers as defined by s. 600.03 (27) (c), Stats., with the exception of town mutuals.

(3) BILLING FOR EXAMINATION CHARGES. (a) On February 1, 1981, and annually thereafter, each domestic insurer subject to the provisions of this rule shall be billed an amount equivalent to such insurer's share of the estimated cost of conducting the insurer examinations program during that year.

(b) All other insurers, including town mutual insurers, shall be billed on a charge-back basis for the full cost of their examinations, including actual salaries and expenses of examinations and other apportionable expenses.

(4) BILLING STRUCTURE. (a) The commissioner shall annually, prior to the first day of each calendar year, estimate the cost of administering the insurer examinations program for the next calendar year. This amount shall be based on the biennial budget as approved by the legislature. Included in the estimated cost of administering the insurer examinations program shall be:

1. Salaries, fringe benefits and expenses of insurer examinations staff, including office overhead;
2. Supplies, office space, training costs, related data processing charges; and,
3. A contingency fund for hiring outside consulting or technical services.

(b) Excluded from this amount shall be the estimated share of the costs of the examination function which shall be provided through funding by insurers who will be charged for their examinations on a charge-back basis.

(c) In the event that the sum of a year's billings under this rule exceeds the actual cost of administering the insurer examinations program, the amount of the excess shall be applied as an offset to the estimated cost for the next year's examinations program.

(5) ACCOUNTING SUMMARY. On or before January 31 of each year, an accounting summary of the previous calendar year's examination costs shall be prepared. This summary will be furnished upon request to those insurers subject to this rule.

(6) DETERMINATION OF INDIVIDUAL BILLINGS. The amount to be billed each domestic insurer subject to this rule shall be determined so that the billing is equal to a constant of proportionality times the square root of the insurer's premiums, where the constant of proportionality is determined each year so that the total of all billings equals the estimated cost of administering the insurer examinations program described in sub. (4). The formula is stated algebraically as follows:

$$A = k \times \sqrt{P}$$

where A = Annual Amount to be billed each domestic insurer
k = Constant of Proportionality
P = Net Premiums Earned or Premiums and Annuity Considerations Reported in the applicable annual statement listed in s. Ins 7.01 (5), Wis. Adm. Code, for business of the second calendar year preceding the year of billing.

(7) LIMITATIONS ON AMOUNT OF BILLINGS. The annual bill for each insurer subject to this rule shall be determined utilizing the formula developed for its proportionate share of cost of the examination function, except that:

(a) The maximum annual billing for any insurer shall be 1% of Net Premiums Earned or Premiums & Annuity Considerations reported in the applicable annual statement listed in s. Ins 7.01 (5), Wis. Adm. Code, for business of the second calendar year preceding the year of billing, subject to a requirement that the minimum bill for any insurer be \$300.

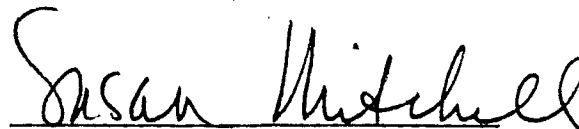
(b) The annual bill for any insurer billed the previous year shall not exceed 1.2 times the immediately preceding year's bill adjusted for premium growth by multiplying by a factor equal to the second prior year's premium divided by the third prior year's premium. In calculating this adjustment, the year a billing is due shall be considered the current year.

(8) ANNUAL HEARING. The commissioner shall annually schedule a hearing under s. 601.41 (5), Stats., to review problems in the area of examinations, and the formulas established under sub. (6).

(9) DUE DATE. Amounts billed to domestic insurers under sub. (3) shall be due and payable to the commissioner no later than March 1 of each year.

Note: Any approach for development of a billing structure for examination costs must, of necessity, contain elements of arbitrariness and human judgment. The parameters established in the rule are attempts to provide for adjustments in billings related only to changes in insurer's premiums.

Dated at Madison, Wisconsin, this 24th day of October, 1980.


Susan Mitchell
Commissioner of Insurance