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**CHAPTER 18 – GENERAL
INSURANCE**

Insurance protects against unexpected losses of income or property. The state regulates general insurance matters through the Office of the Commissioner of Insurance. The agency's primary focus is to ensure sound and fair practices by insurers doing business in Wisconsin.

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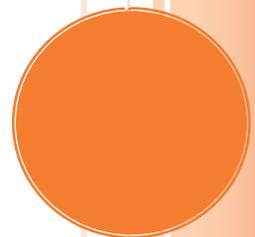


TABLE OF CONTENTS

INTRODUCTION	1
OFFICE OF THE COMMISSIONER OF INSURANCE	1
TYPES OF INSURANCE COVERAGE	2
Auto Insurance.....	2
Commercial Liability Insurance (Including Worker’s Compensation).....	2
Credit Insurance	3
Crop Insurance.....	3
Disability Income Insurance.....	3
Flood Insurance.....	3
Homeowner’s (Including Renter’s, Condominium, and Mobile Home) Insurance.....	3
Life Insurance	4
Long-Term Care Insurance	4
Travel Insurance	4
SEGREGATED INSURANCE FUNDS.....	4
ADDITIONAL REFERENCES	5
GLOSSARY	5

INTRODUCTION

This chapter describes the duties of the Office of the Commissioner of Insurance (OCI), provides an overview of major types of insurance, and discusses state insurance funds. This chapter does not discuss health insurance, which is covered in Chapter 19, *Health Care and Health Insurance*.

Insurance is largely regulated by the states. The McCarran-Ferguson Act of 1945 outlines the roles of state and federal government in insurance regulation, and allows states to retain regulatory authority over insurance. It reverses the usual preemptive effect of federal law flowing from the Supremacy Clause. Absent a congressional act specifically relating to the business of insurance, McCarran-Ferguson provides that state law controls over conflicting federal legislation.

OFFICE OF THE COMMISSIONER OF INSURANCE

OCI was established through legislation enacted in 1871. The OCI is vested with broad powers to ensure that the insurance industry meets the insurance needs of Wisconsin citizens. The major functions of the OCI include:

OCI's website has numerous publications on the various types of insurance. Anyone can look up an agent or file a complaint on the website, as well:
<http://www.oci.wi.org>.

- Reviewing insurance policies proposed for sale in Wisconsin to determine if they meet the requirements of Wisconsin laws.
- Conducting financial examinations of domestic and foreign insurers to assure compliance with Wisconsin laws.
- Monitoring the financial status of licensed companies and applicant companies.
- Creating, implementing, and enforcing laws relating to licensing of companies, agents, brokers, and others.
- Examining and analyzing rates filed by insurance companies to determine if they are excessive, inadequate, or unfairly discriminatory.
- Providing insurance information to Wisconsin consumers, and investigating and processing consumer complaints.
- Investigating and pursuing administrative actions against agents and insurers who violate Wisconsin insurance laws.
- Operating a State Life Insurance Fund, a Local Government Property Insurance Fund for the property owned by local units of government, and the Injured Patients and Families Compensation Fund insuring health care providers for medical malpractice.

TYPES OF INSURANCE COVERAGE

Wisconsin's statutory provisions related to insurance and the powers and duties of the OCI are set forth in chs. 600 through 655, Stats. The OCI's administrative rules are set forth in chs. INS 1 through 55, Wis. Adm. Code. The statutes and rules affect various types of insurance. A few of the most common types of insurance coverage in specific lines are briefly described below.

Auto Insurance

All Wisconsin drivers must have an automobile insurance policy in place (with limited exceptions for drivers who post sufficient bond). This policy must contain coverage at specified minimum limits for property damage liability, personal injury liability, and injury caused by an uninsured motorist, as follows:

- Personal injury: \$25,000 per person/\$50,000 per incident.
- Property damage: \$10,000.
- Uninsured: \$25,000 per person/\$50,000 per incident for bodily injury only.
- Underinsured: Not required, but the insurer must give notice to insurance purchaser that it is available, and if purchased, minimum coverage of \$50,000 per person/\$100,000 per incident is required.

Each person operating a motor vehicle on any road in Wisconsin must have auto insurance for the vehicle. The penalty for violating this law is a fine of not more than \$500.

For more information on mandatory auto insurance, see Legislative Council Information Memorandum 2011-14, at:

<http://www.legis.wisconsin.gov/lc>

A person who is required to have in effect a motor vehicle liability insurance policy with respect to a vehicle he or she is operating must be in possession of proof of the insurance and display the proof upon demand from any traffic officer. Such proof can be presented in either printed or electronic format.

Auto insurance coverage that is also available, although not required by law, includes collision and comprehensive coverage. Collision coverage pays to repair or replace your car in the event your car hits another object (even if it is your fault), and comprehensive coverage pays for damage to your car by other causes (such as fire, theft, vandalism, hail, or hitting an animal). Optional coverage for medical payments may also be purchased, and is required by law to be offered at the time of auto insurance purchase.

Commercial Liability Insurance (Including Worker's Compensation)

The purpose of commercial liability insurance is to protect businesses against losses arising from a claim against that company. A particular type of commercial liability insurance, worker's compensation insurance, is required for nearly every Wisconsin business. It

insures against work-related injury and death and is generally the employee's exclusive remedy in such cases. For a more complete discussion of worker's compensation insurance, see Chapter 22, *Labor and Employment Law*.

Credit Insurance

Credit insurance is insurance that is usually sold to a person obtaining a loan or credit card at the same time as the credit transaction. The insurance pays all or a portion of the outstanding credit balance if a claim is filed due to an event outlined in the policy, such as death, disability, or unemployment of the obligor. The payment for the insurance is generally written into the payment for the loan. Compared to other types of insurance, credit insurance tends to be relatively expensive and often contains strict policy limitations. In addition, it may apply to risks already covered under other policies the insured may have.

Crop Insurance

Prior to planting, farmers may purchase insurance to cover a portion of damage in the event of hail or other peril that results in crop loss. This insurance may be purchased from private insurance companies or the Federal Crop Insurance Corporation. Coverage options include the portion of the crop insured (most is insured for less than the full amount) and the types of losses covered.

Disability Income Insurance

Disability income insurance replaces some portion of an employee's income for a specified period of time in the event that the employee is unable to work due to a covered injury or illness.

Flood Insurance

Flood insurance covers losses to property caused by flooding, such as damage to structures, damage to household mechanicals, and costs of cleanup. Flood insurance is provided to those living in flood hazard areas through The National Flood Insurance Program and frequently administered by local insurance agents. Property owners and renters are encouraged to inquire with a licensed property or casualty insurance agent to determine if flood insurance is available and advisable for their area.

Homeowner's (Including Renter's, Condominium, and Mobile Home) Insurance

Homeowner's insurance compensates an insured in the event of losses to the insured's house and belongings. Some considerations when purchasing homeowner's insurance include the amount of coverage needed, whether the coverage should be based on market value or replacement cost, the deductible amount, and special riders for jewelry, antiques, art, firearms, or other personal property that insurance companies frequently treat separately from ordinary household items.

Homeowner’s insurance also offers protection if someone is injured on your property or in some cases in which the negligence of the insured results in damages to the property of another.

Life Insurance

Life insurance provides a benefit in the form of a cash payment or an annuity in the event of the death of the insured. It can be provided by an employer or purchased separately. The two main types are term insurance and cash value insurance (sometimes referred to as “whole life”). Term insurance premiums are generally lower in the early years, but the policy provides no residual value at the end of the term. Cash value insurance builds in value over time and can be cashed out prior to death or used to pay premiums in later years.

Long-Term Care Insurance

Long-term care insurance generally provides coverage for medical and other services needed for an extended illness or disability. The policy may cover a variety of levels of care, much of which may not be covered by Medicare.

Travel Insurance

2013 Wisconsin Act 212 allows the OCI to issue a new type of license, known as a “travel insurance producer” license. Travel insurance policies provide coverage for risks associated with planned travel, including trip cancellation, loss of baggage, and sickness or accident.

SEGREGATED INSURANCE FUNDS

Wisconsin operates the Local Government Property Insurance Fund under ch. 605, Stats., and the State Life Insurance Fund under ch. 607, Stats. Each fund is administered by the OCI. The State Treasurer has sole custody of all the assets of the funds.

The purpose of the **Local Government Property Insurance Fund** is to make reasonably priced property insurance available for tax-supported local government property, such as government buildings, schools, libraries, and motor vehicles. The fund provides policy and claim service to the policyholders.

The **State Life Insurance Fund** offers a maximum of \$10,000 of life insurance coverage to state residents who purchase a policy from the fund. The fund is required to distribute net profits annually among the policyholders. Wisconsin is the only state that offers a life insurance program to its residents.

Wisconsin is the only state that offers life insurance to its citizens through a segregated fund.

ADDITIONAL REFERENCES

1. The Legislative Audit Bureau has prepared the following audits relating to state insurance programs, available at: <http://www.legis.wisconsin.gov/lab>
 - *State Life Insurance Fund* (Audit Report 13-16).
 - *Local Government Property Insurance Fund* (Audit Report 12-7).
 - *Injured Patients and Families Compensation Fund* (Audit Report 10-4).
2. For questions, comments, or complaints relating to insurance companies or agents conducting business in Wisconsin contact the OCI, 125 South Webster Street, Madison, Wisconsin 53703-3474, (608) 266-3585, Madison, (800) 236-8517, statewide; ocicomplaints@wisconsin.gov.
3. The OCI publishes a guide that provides a general outline of Wisconsin insurance law at <http://www.oci.wi.gov/agentlic/pi-060.pdf>. Written for insurance agents and those preparing for the insurance examination, it provides useful background information on Wisconsin law as it relates to the different types of insurance available in the state.
4. Information on portable electronics insurance can be found at: <https://docs.legis.wisconsin.gov/2011/related/lcactmemo/sb429.pdf>.
5. The National Association of Insurance Commissioners (NAIC) provides information regarding the insurance industry generally and insurance practices in all 50 states at <http://www.naic.org/index.htm>.
6. NAIC Consumer Information Source <https://www.eapps.naic.org/cis>.

GLOSSARY

Adjuster: An employee or contractor working for an insurance company who inspects claims and establishes the company liability in a claim.

Agent: A person who negotiates and sells insurance contracts on behalf of one or more insurance companies.

Annuity: A payment benefit sold by insurance companies that makes a periodic (usually monthly) payment for the life of a person or for a predetermined period of time.

Anti-stacking provision: Insurance contract provision that prohibits the application of multiple sets of deductibles or multiple sets of limits to a single loss event.

Authorized insurer: An authorized insurer is one that holds a valid certificate of authority to do insurance business in this state.

Beneficiary: The person or entity named in an insurance policy as the recipient of insurance money as the result of a covered event.

Broker: An individual representing insurance purchasers to arrange for coverage that meets the customer's needs.

Cancellation: Termination of an insurance policy before its expiration date.

Collision coverage: Auto insurance coverage that pays for damage to the policyholder's car caused by a collision with another vehicle or object.

Comprehensive coverage: Insurance coverage that pays for damage to the policyholder's car for losses caused by fire, theft, vandalism, and other incidents not involving collision with another vehicle or object.

Domestic insurer: Insurance corporation organized under the laws of this state.

Financial responsibility law: A law requiring a person involved in an automobile accident to furnish security up to certain minimum dollar limits.

Foreign insurer: Insurance corporation organized under the laws of another state.

Homeowner's insurance: Policy covering damage to the insured's property and liability coverage for the insured.

Liability: Individual responsibility for causing injury or property damage.

Liability insurance: Insurance covering legal liability for injury or property damage caused by the insured.

Reducing clause: Provision in an insurance contract which reduces recovery by amounts received from other sources (such as the other party or worker's compensation).

Rider: Special provisions added to a policy that are not contained in the original policy contract. Riders are frequently used in homeowners insurance for items such as jewelry, antiques, or firearms.

Subrogation: The right of the insurance company to recover money paid on a claim from a third party. One common example occurs in uninsured motorist coverage, where the policyholder is paid by their own insurer and the insurer takes action to collect from the uninsured, at-fault party.

Term insurance: Life insurance for a given period of time, with no investment component that would provide residual or cash value. If the insured survives the policy term, the insurer pays nothing.

Umbrella policy: A policy providing additional liability coverage after the limits of another policy are reached (such as a home or auto policy). These policies frequently provide coverage in many situations not covered by the other liability insurance policies.

Unauthorized insurer: An unauthorized insurer is one that does not hold a valid certificate of authority to do insurance business in this state.

Underinsured motorist (UIM) coverage: An auto insurance policy under which the insurance company will pay damages to the insured for which another motorist is liable in an amount up to the point that total recovery equals the insured's UIM limits. If, for example, the at-fault driver had \$50,000 of liability coverage and caused \$70,000 worth of damage, a \$100,000 UIM policy would pay the additional \$20,000 to cover what the other party's insurance did not.

Uninsured motorists (UM) coverage: A policy that will pay bodily injury damages to the insured for which another motorist is liable if that motorist is uninsured, or in the event of a hit-and-run.

Whole life insurance: Life insurance that remains in force during the insured's entire lifetime, provided premiums are paid as specified in the policy. Whole life insurance also builds a savings called the cash value.

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