



John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

**Assembly Bill 584 Testimony
State Rep. John Nygren
January 14, 2016**

Thank you Chair Petersen and members of the Assembly Committee on Insurance for holding a public hearing on Assembly Bill 584.

This bill will make essential changes to the rate regulations, assessment levies, and dividends for the local government property insurance fund. These changes are necessary to re-establish and maintain solvency of the fund. Assembly Bill 584 ensures that the fund will be subjected to the same rate standards private insurance carriers are subjected to. In making this change, the fund must maintain a net premium to surplus ratio equivalent to the private market place. By applying these rate standards and premium to surplus ratio to the fund, it will alleviate the general fund from being on the hook to “loan” the fund money to cover claims in the event the fund has a negative balance, as it does currently.

This bill will also allow the fund, via the Office of the Commissioner of Insurance, to levy an assessment on policy holders if there is not adequate surplus in the fund. This will ensure that the fund maintains a healthy surplus. Importantly, this provision will alleviate the general fund’s responsibility unless a major catastrophe happens.

Finally, Under the Doyle administration, Commissioner Sean Dilweg granted a “premium holiday” or “dividend” to policy holders in the amount of \$12,000,000. This dividend contributed to the downward spiral the fund is currently experiencing. This bill will prevent the current or any future administration from granting such a dividend unless the fund has a healthy surplus. In the event that the fund is over capitalized and has a healthy surplus, it could pay a dividend to policy holders. This will ensure stabilization in that if the fund brought in too much money that it could return it to local units of government.

I appreciate the opportunity to testify before your committee today on this piece of legislation and welcome any questions you may have at this time.

Assembly Bill 584 – Public Hearing

Insurance Carrier Premium Development

- Premium = Rate times Value
 - Value = building and business personal property values, revenues, etc.

Insurance Carrier Property Rating Factors – Construction, Occupancy, Protection, Exposures, Losses. Over 20 plus factors go into rate development.

- Examples of some rating factors are:
 - Construction
 - 6 categories from Concrete to Frame
 - Includes age of buildings and ages of roof and utilities
 - Occupancy
 - Varies based on use of building
 - Schools, offices, garage, repair, manufacturing, etc.
 - Includes unique exposures like cooking, storage, maintenance, painting, manufacturing, etc.
 - Protection
 - Fire Department Public Protection Class from PC 1 to PC 10. PC 1 is the best
 - Sprinklered versus non-sprinklered and are sprinklers adequate for the occupancy.
 - Adequate protection for special hazards
 - Alarms, guards, monitoring
 - Exposure
 - Area of country
 - Exposures within 200 ft of buildings
 - Loss History – current year and 3 prior years.
 - Policy terms and conditions including coverages and deductibles.

Premium to Surplus

- Target of \$2 premium to \$1 surplus (bank account)
- Majority of private carriers closer to \$1 to \$1.
- Measure of Financial Solvency.
- Ability to pay claims and handle catastrophic losses.