

**REMARKS OF REPRESENTATIVE JEFF MURSAU
TO THE ASSEMBLY COMMITTEE ON
STATE AFFAIRS AND GOVERNMENT OPERATIONS
IN SUPPORT OF 2013 ASSEMBLY BILL 31**

February 5, 2014

Good morning Chair Weininger and committee members. As you know, I am Representative Jeff Mursau, and I chair the Special Committee on State-Tribal Relations. I am pleased to testify today in support of legislation developed by that committee.

First, I would like to comment briefly on the committee itself. As you know, the Joint Legislative Council is directed by statute to create this committee in each biennium. The committee consists of legislators and public members nominated by the tribes. The committee is a valuable tool for tribes to raise issues of concern to the Legislature. I am pleased to report that the committee is functioning very well. We have studied a number of important topics this session and developed three proposals that were introduced as bills by the Joint Legislative Council. One of them is AB 31.

AB 31 relates to the participation of tribal governments in the local government property insurance fund. As background, a local unit of government may insure its property in the local government property insurance fund, administered by the Office of the Commissioner of Insurance. Its purpose is to help local governments get insurance for hard to insure facilities, such as fire stations. A local unit of government that chooses to participate in this program must insure all of its facilities and observe other rules of the program.

Staff from the OCI came to the Special Committee on State-Tribal Relations to discuss this program. They reported that, in consultations with the tribes, they had determined that tribes faced challenges to insuring their government facilities similar to the challenges faced by local units of government, but were not eligible to participate in the program due to the that "local unit of government" is defined for that program. They suggested that the committee consider developing legislation to allow tribal governments to participate in the program,

which ultimately led to the introduction of AB 31 by the Joint Legislative Council.

AB 31 allows American Indian tribes to insure their property in the fund under terms substantially similar to the terms that apply to local units of government. It requires the governing body of a tribe to adopt a resolution authorizing the insurance and agreeing to abide by the rules of the program and terms of any policy issued to the tribe. It does not allow the insurance of tribal casinos or associated facilities in the fund.

I would be happy to answer any questions you have regarding AB 31. Also, the Legislative Council staff to the special committee are here, and I understand that OCI staff are here, as well.

Local Government Property Insurance Fund (Fund)

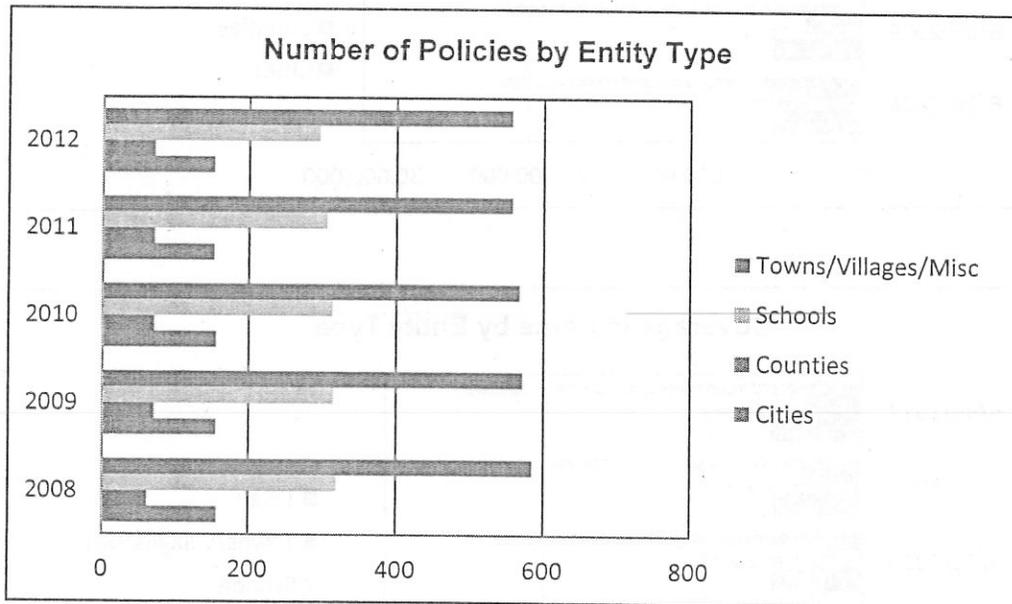
The Fund is established by ch. 605, Wis. Stat. The purpose of the Fund is to make property insurance available for local government units. The Commissioner of Insurance by law is designated as the Fund's manager. The Fund has one state employee who supervises day-to-day operations of the Fund by contracting for specialized services. The Fund contracts with: ASU Group (policy services), Crawford & Company (claims), C-BIZ (appraisal services), ISO (rate services), Pinsoft (software), Willis (broker of record), AMI Risk Consultants (actuarial services) and Borgelt, Powell, Peterson & Frauen (legal).

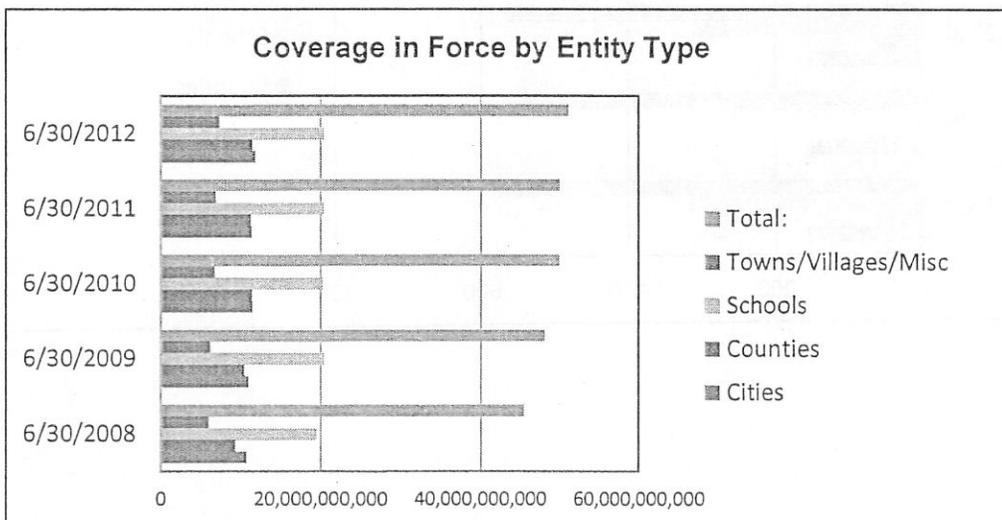
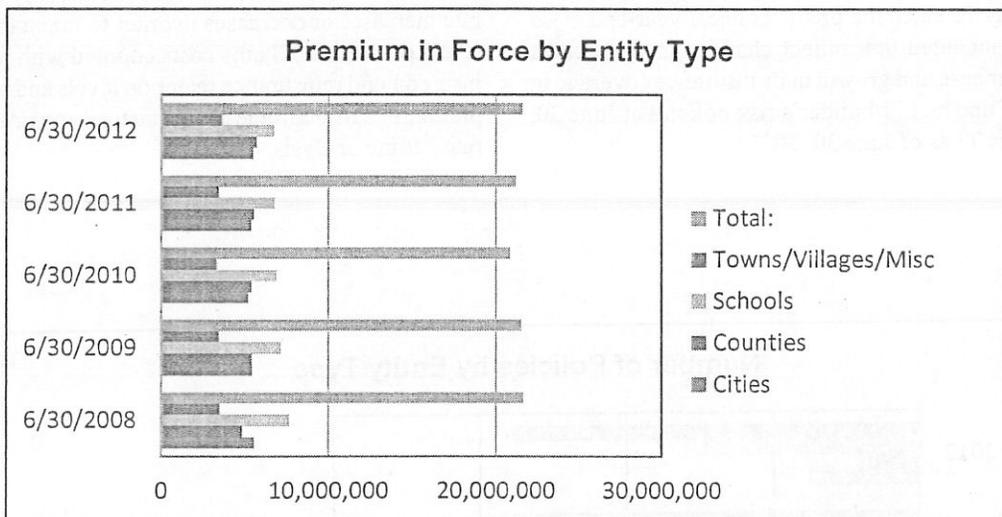
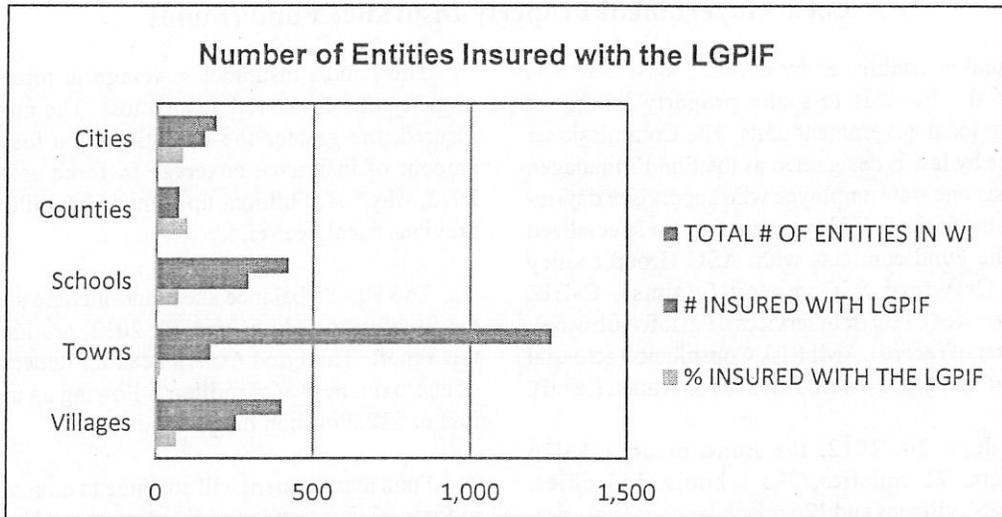
As of June 30, 2012, the Fund insured 1,076 policyholders: 71 counties, 295 schools, 153 cities, 174 towns, 257 villages and 126 miscellaneous (libraries, etc.) jurisdictions. Combining new business and terminations, the overall number of policyholders decreased by 11 since the previous fiscal year-end. Two graphs are included that reflect changes in the Fund's policyholder base and growth in its insurance coverage in force. The Fund had 71 builder's risk policies at June 30, 2012, versus 37 as of June 30, 2011.

The Fund's insurance coverage in force represents property that is insured against loss. The more property insured, the greater the potential for a loss. The total amount of insurance coverage in force as of June 30, 2012, was \$51.0 billion, up from \$50.0 billion as of the previous fiscal year-end.

The Fund's balance sheet and income statement for the fiscal year ending June 30, 2012, are included with this report. The Fund experienced an underwriting loss of approximately \$6.4 million following an underwriting loss of \$12.2 million the previous year.

Fund management will continue to monitor insurance in force, claims trends and Fund surplus when evaluating the Fund's rating structure. The decline in surplus also affects the Fund's rates. The Fund actuarially determines rate increases or decreases in order to maintain adequate levels of surplus. Claims costs coupled with higher self-insured Fund reinsurance retention levels and reinsurance premium will continue to be factors considered in the rate-setting analysis.





Wisconsin Insurance Report Business of 2012
Funds and Program Management, Local Government Property Insurance Fund

Following are financial statements—balance sheet and income statements—for the Fund for the fiscal year ending June 30, 2012.

| Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2012 | |
|---|----------------------------|
| Assets | |
| Bonds | \$ 5,536,598 |
| Investment Fund | 24,631,00 |
| Cash at Treasury | 103,056 |
| Premiums Receivable | 578,240 |
| Reinsurance Recoverable | 5,569 |
| Interest Receivable | <u>36,819</u> |
| Total Assets | <u>\$30,891,282</u> |
| Liabilities and Surplus | |
| Liabilities | |
| Net Loss Reserves | \$12,688,273 |
| Loss Adjustment Expenses Payable | 316,734 |
| Net Unearned Premiums | 3,355,426 |
| Reinsurance Payable | 0 |
| Premium Received in Advance | 48,813 |
| Dividends Payable | 0 |
| Other Expenses Payable | <u>433,530</u> |
| Total Liabilities | \$16,842,776 |
| Surplus | |
| Surplus - Beginning of Year | 20,105,996 |
| Net Income | <u>(6,186,039)</u> |
| Surplus - End of Year | <u>14,048,506</u> |
| Total Liabilities and Surplus | <u>\$30,891,282</u> |

| Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2012 | |
|--|------------------------------|
| Premiums Earned | |
| Direct Premium Earned | \$21,304,624 |
| Reinsurance Ceded | <u>(6,394,319)</u> |
| Net Premium Earned | \$ 14,910,305 |
| Losses Incurred | |
| Direct Losses Incurred | 18,547,487 |
| Reinsurance Loss Recoveries (Earned) Incurred | <u>(114,132)</u> |
| Net Losses Incurred | 18,661,619 |
| Loss Adjustment Expenses | 1,012,193 |
| Other Underwriting Expenses | <u>1,615,745</u> |
| Total Net Losses and Expenses | <u>21,289,557</u> |
| Underwriting Loss | (6,379,252) |
| Investment & Other Income | |
| Investment Fund Earnings | <u>193,213</u> |
| Net Investment Income | <u>193,213</u> |
| Net Loss | <u>\$ (6,186,039)</u> |

The Fund

- * The purpose of the Fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries, and motor vehicles.
- * Chapter 604 & 605, Wis. Stats
- * Commissioner is the manager of the Fund

Advisory Committee

- * 21 Members
- * Comprised of six Subcommittees
 - * Bylaws
 - * Excess of Loss
 - * Policy and Underwriting
 - * Loss Control and Claims
 - * Information Technology
 - * Rate Analysis

Operations

- * Eight Vendor contracts
 - * Policy Administration – ASU
 - * Claims Administration – Crawford
 - * Valuation – CBIZ
 - * Excess of loss brokerage services – Willis
 - * Actuarial – AMI Risk Consultants
 - * IT – Pinsoft, LLC
 - * Legal – Borgelt, Powell, Peterson & Frauen
 - * Rating - ISO

% of municipalities insured by the Fund

| Entity | Total in WI | Insured by Fund | % |
|----------|-------------|-----------------|-------|
| Villages | 402 | 257 | 63.9% |
| Towns | 1260 | 174 | 13.8% |
| Schools | 448 | 293 | 65.4% |
| Counties | 72 | 71 | 98.6% |
| Cities | 190 | 153 | 80.5% |

Composition of Insureds as of 9/30/12

| Entity Type | Number of Policies | Premium in Force | Coverage in Force |
|--------------|--------------------|---------------------|-------------------------|
| City | 153 | 5,586,270 | 10,702,906,025 |
| County | 71 | 4,859,715 | 9,321,115,264 |
| Misc | 126 | 951,329 | 3,070,486,934 |
| School | 293 | 7,700,100 | 19,506,685,719 |
| Town | 174 | 536,290 | 409,645,857 |
| Village | 257 | 2,015,366 | 2,489,719,915 |
| Total | 1074 | \$21,649,070 | \$45,500,559,714 |

Facts about the Fund

- * Participation is voluntary
- * No agents, no profit incentive or advertising budget.
- * No underwriting guidelines
- * Entities enter into, and exit out of, the Fund via resolution.
- * All real property must be insured by the Fund



GREAT LAKES INTER-TRIBAL COUNCIL, INC.

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Officers

Tom Maulson, *President*
Michael Wiggins, Jr., *Vice President*
Rose Soulier, *Secretary/Treasurer*

Michael W. Allen, Sr.
Executive Director

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Tribe of Chippewa Indians
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Edward Delgado, Chair

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St. Croix Chippewa Indians of
Wisconsin
Lewis Taylor, Chair

Sokaogon Chippewa Community
Chris McGeshick, Chair

Stockbridge-Munsee Community
Wallace Miller, President

January 24, 2014

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Madison, WI 53708

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PO Box 8953
Room 113 West, State Capitol
Madison, WI 53708

Representative Chad Weininger
PO Box 8953
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Madison, WI 53708

Representative Rob Swearingen
PO Box 8953
Room 107 West, State Capitol
Madison, WI 53708

Dear Assemblymen:

We are writing to urge immediate committee action on Assembly Bills 31 and 32, currently before the Assembly Committee on State Affairs and Government Operations. AB 31 would allow tribes to take advantage of the local property insurance fund to insure tribal property, just as local governments may do if they desire. AB 32 would recognize tribal treatment facilities as qualified assessment and treatment resources for tribal members convicted of operating a vehicle while intoxicated. These bills were introduced by the Joint Legislative Council in February of 2013, referred immediately to Committee, and have not seen any action since.

These two bills have been studied by the Legislative Council's Special Committee on State-Tribal Relations, and have been passed unanimously by both the Special Committee and the full Legislative Council. AB 31 was drafted with the approval and recommendation of the Office of the Commissioner of Insurance. It excludes tribal gaming facilities, is supported by the tribes and merely opens the door to a tribal choice to participate and contribute the necessary premiums. As such, it should be non-controversial, and we do not understand why it has failed to move out of committee to the floor.

AB 32 takes the step of putting tribal health, mental health, and educational facilities on an equal footing with other non-tribal facilities, allowing local facilities the same level of recognition and respect in conducting assessments, providing treatment, and conducting certified driver safety programs for those accused or convicted of intoxicated driver offenses.

The absence of this legislation casts an undue burden on tribal members who have to travel greater distances for assessment and treatment, it assures coordination between tribal facilities and county agencies, and it assures that tribal facilities will receive appropriate reimbursement for costs through the driver impairment surcharge.

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It is not clear what sort of objection might impede their passage through the Assembly, and Representative Weinger has not voiced any personal objection that we are aware of. Therefore we, the undersigned chairs of the respective tribes, request immediate committee and floor action to enable passage through both the Assembly and Senate in this session.

Respectfully,



Michael Wiggins, Jr., Chairman
Bad River Band of the Lake Superior
Tribe of Chippewa Indians



Michael J. Isham, Jr., Chairman
Lac Courte Oreilles Band of Lake Superior
Chippewa Indians of Wisconsin



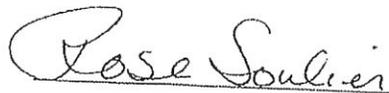
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Menominee Indian Tribe of Wisconsin



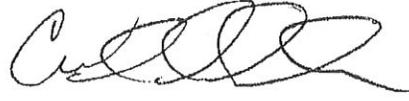
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