



Viney weighs in on 612 statute revisions

The laws that govern Wisconsin's town mutual insurance companies are contained in Wisconsin Statutes chapter 612. The purposes of the 612 statutes are:

- To preserve and encourage cooperative low-cost insurance;
- To establish a framework in which mutuality in its true sense can be preserved and small mutual corporations can be kept viable;
- To preserve and strengthen the interest of the members in and their control of town mutuals;

• To enable town mutuals to satisfy as many of the essential insurance needs of their members as is consistent with the other statutes relating to insurance and insurance security;

- To provide financial guarantees sufficient to ensure the solidity of town mutuals and to encourage them to maintain adequate surpluses.



Jim Viney

The last major revision of these statutes came in 1973. Mutual insurance companies statewide have initiated a process to look at any potential changes to the 612 statutes to reflect the current state of the town mutual insurance industry. Jim Viney, president and CEO of Sugar Creek Mutual Insurance

Company of Elkhorn, Wisconsin, is one of the persons who is suggesting changes to chapter 612. *Mutual Interests* recently sat down with Jim and asked him about the proposed changes.

MI: *As you look at the 612 statutes that govern mutual insurance companies, what are your goals?*

JV: After surveying town mutual companies across the state it was determined that we needed to address the accessibility language in the statutes. This puts the town mutual insurance companies at a competitive disadvantage with larger companies. With modern reinsurance, which we are required to have, accessibility has not been used but the language is still in the law.

MI: *The last revision of these statutes took place in 1973. What surprised you the most about the language in the 612 statutes?*

JV: A lot of outdated language and mandated tasks that are no longer relevant.

MI: *The insurance industry has change a lot since 1973. How will the changes you suggest to the 612 statutes reflect those changes?*

—continued on back page—

Mutual insurance resolutions passed at Cooperative Network annual meeting

Cooperative Network held its annual meeting November 14-16 in Rochester, Minn. The theme for this year's annual meeting was Cooperatives: Making Communities Stronger. The meeting was an opportunity for cooperative members from all types of cooperatives including town mutual insurance companies to work together on issues that affect all cooperatives. Susan Eisenhower, granddaughter of President Dwight Eisenhower, was the keynote speaker. She spoke on the need for politicians to be able to work together.

Delegates approved resolutions that dealt with insurance issues. The delegates supported a long-term extension of the National Flood Insurance Program (NFIP) with changes that

will charge actuarially sound rates, eliminate subsidies, update and improve the accuracy of flood plain maps, and discourage repetitive loss properties. The delegates also opposed adding wind coverage to the NFIP.



Delegates also passed resolutions addressing building codes and changing the Internal Revenue Code section on investment income to reflect inflation. These resolutions were brought forward by directors of mutual insurance companies to reflect concerns facing Wisconsin's town mutual insurance companies. Cooperative Network's resolutions

process is a grassroots process that gets input from all cooperative sectors. These resolutions will govern Cooperative Network's stance on both state and federal legislation.

FHCW approves lowest rate increase

Farmer's Health Cooperative of Wisconsin (FHCW) recently held its 4th annual meeting. There are 1,800 members and they approved a 5 percent rate increase, which is the lowest increase in the history of the cooperative.

FHCW provides health insurance options for agricultural producers. Cooperative Network recognized that health care is at the top of the list of concerns facing farm families. Cooperative Network made it a priority to find a quality, affordable option for farmers and agribusiness, and this commitment led to the development of Farmers' Health Cooperative of Wisconsin. Since 2007 FHCW has allowed farmers and agribusiness to join together through a cooperative program to purchase affordable, quality health care coverage. Cooperative Network listened to farmers about their health care needs, secured the needed funding, and negotiated with national leaders in agricultural health care to provide multiple health care plan options.

For more information about FHCW visit www.farmershealthcooperative.com.



Federal Insurance Office established

The Federal Insurance Office is a new office within the U.S. Department of the Treasury. It was established by Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The office establishes needed insurance expertise at the federal level. Title V of the Dodd-Frank legislation does not provide the office with general supervisory or regulatory authority over the business of insurance. Insurance is generally regulated at the state level.

Cooperative Network supports maintaining the states as the sole regulator of the business of insurance and was concerned that the proposal to establish the Federal Insurance Office could lead to federal regulation of the insurance industry.

Cooperative Network contacted members of the Wisconsin congressional delegation during the debate on the Dodd-Frank Wall Street Reform and Consumer

Protection Act and opposed any efforts to establish a federal system of regulation of insurance.

Mutual Insurance Day at the Capitol date set

Cooperative Network and the Wisconsin Association of Mutual Insurance Companies (WAMIC) will hold their third Mutual Insurance Day at the Capitol on Wednesday, February 15, 2012.

An update and a discussion on proposed changes to Wisconsin's 612 statutes will occur (see article on page 1).

Mutual Insurance Day at the Capitol allows attendees to become lobbyists for a day and talk to elected officials about the size and scope of mutual insurance companies in Wisconsin. In addition, those in attendance will hear from insurance industry personnel on important issues facing the industry.

Fraud on the rise

Insurance fraud has existed ever since the beginning of insurance as a commercial business and accounts for a significant portion of all claims received by insurers. According to the Coalition Against Insurance Fraud (CAIF), fraudulent claims cost at least \$80 billion a year. The economic slowdown has contributed to an increase in insurance fraud. "It's clear that as the economy has gone down, the opportunity to commit fraud, to recover monies they may need, has increased," said Howard Goldblatt, director of government affairs at CAIF.

Because of their small operations and small staffs, town mutual insurance companies can become targets for those wanting to commit insurance fraud. In many cases people wanting to commit insurance fraud will show up five minutes before closing so they know people in these offices will be rushed and things could be overlooked. Is there evidence of financial trouble such as unemployment, divorce, a failing business, or a looming foreclosure? Financial distress can certainly be a motive for insurance fraud.

According to Alan Clark, vice president of special investigations at Grinnell Mutual Reinsurance, there are many possible indicators of fraud: "No one indicator is necessarily suspicious but when one or more indicators are present the insurance claim warrants further investigation."

Clark further explained that a team approach to fraud detection is needed. "Agents are the first line of defense but underwriters, claim representatives, and insurance investigators all play important roles in keeping companies safe from fraud."

Viney —continued from front page—

JV: Remove the accessibility language and be able to participate in the Wisconsin Insurance Security Fund.

MI: What is the timeline for any changes you suggest to the 612 statutes?

JV: Within the next year I'm hopeful we will have language to begin the legislative process. Jim Tlusty of the Wisconsin Association of Mutual Insurance Companies (WAMIC) is putting together a paper outlining the proposed changes. This will give town mutual insurance companies an opportunity to comment

on the proposed revisions. A discussion on the changes will take place at the Mutual Insurance Day at the Capitol.

MI: What role will Cooperative Network play in the proposed changes to the 612 statutes?

JV: Cooperative Network's expertise in lobbying the Legislature will be important. Cooperative Network can help counsel the town mutuals on how to talk to their legislators. Cooperative Network is not expert on insurance but it knows how government works.

Cooperative Network Mutual Interests

Prepared and distributed by Cooperative Network for its member mutual insurance companies.

Cooperative Network
1 S. Pinckney St. Ste. 810
Madison, WI 53703-2869
608-258-4400 f: 608-258-4407
www.cooperativenetwork.coop