

Ins 3

Filed Jan 5 - 1959 - 11:45
am

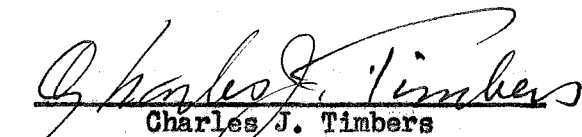
STATE OF WISCONSIN)
) ss.
DEPARTMENT OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Charles J. Timbers, Deputy Commissioner of Insurance and custodian of the official records of said department, do hereby certify that Wisconsin Administrative Code section Ins 3.09 was amended by this department on January 5, 1959, to be effective February 1, 1959, as provided in section 227.026 (1), Wis. Stats.

I hereby certify that the attached order is a true, correct, and complete copy of my order amending the aforementioned section of the Wisconsin Administrative Code, after public hearing held on December 11, 1958, pursuant to law, following due notice thereof.

IN TESTIMONY WHEREOF, I have here-
unto set my hand and affixed the
official seal of the Department
at the Capitol, in the City of
Madison, this 5th day of
January, A.D., 1959.


Charles J. Timbers
Deputy Commissioner of Insurance

ORDER OF THE DEPARTMENT OF INSURANCE

Amending Rules

Pursuant to authority vested in the Commissioner of Insurance by section 200.03 (2), Wis. Stats., the Commissioner of Insurance hereby amends a rule as follows:

Section Ins 3.09 of the Wisconsin administrative code is amended to read:

Ins 3.09 Mortgage guaranty insurance. (1) PURPOSE. This rule is intended to implement and interpret applicable statutes for the purpose of establishing minimum requirements for the transaction of mortgage guaranty insurance.

(2) DEFINITION. Mortgage guaranty insurance is defined as insurance of mortgage lenders against loss by reason of nonpayment of mortgage indebtedness by the borrower, and is authorized by section 201.04 (9), Wis. Stats.

(3) ACCOUNTING. (a) The financial statement required by section 201.50, Wis. Stats., shall be furnished on the Fire and Casualty annual statement form.

(b) Expenses shall be recorded and reported in accordance with the "Uniform Classification of Expenses of Fire and Marine and Casualty and Surety Insurers."

(c) The unearned premium reserve shall be computed in accordance with section 201.18 (1), Wis. Stats., except that in the case of premiums

paid in advance for ten-year policies the annual pro rata factors specified below or comparable monthly pro rata factors shall apply.

<u>Year</u>	<u>Unearned Factor to be Applied to Premiums in Force</u>	<u>Year</u>	<u>Unearned Factor to be Applied to Premiums in Force</u>
1	90.0%	6	19.0%
2	70.0%	7	12.0%
3	52.5%	8	7.0%
4	39.0%	9	3.5%
5	28.0%	10	1.0%

(d) From the premium remaining after establishment of the premium reserve specified in paragraph (c) of this subsection, a portion equal to the contingency factor prescribed in paragraph (c) of subsection (4) shall be maintained as a special contingency reservation of premium and reported in the financial statement as a liability.

(e) The case basis method shall be used to determine the loss reserve, which shall include a reserve for claims reported and unpaid and a reserve for claims incurred but not reported.

(4) CONTINGENCY RESERVE. (a) The reserve established in paragraph (d) of subsection (3) shall be maintained for 180 months for the purpose of protecting against the effect of adverse economic cycles. That portion of the special premium reserve established more than 180 months prior shall be released and shall no longer constitute part of the special reserve and may be used for usual corporate purposes.

(b) Subject to the approval of the commissioner, the reserve shall be available only for loss payments when the incurred losses in any

one year exceed the rate formula expected losses by 10% of the corresponding earned premiums.

(c) The contingency factor in the rate formula shall be based on the premium remaining after establishment of the premium reserve specified in paragraph (c) of subsection (3), and shall be: 1. 30% on insured loans which do not exceed 80% of the appraised value of the property, or 2. 50% on insured loans which initially exceed 80% of the appraised value of the property.

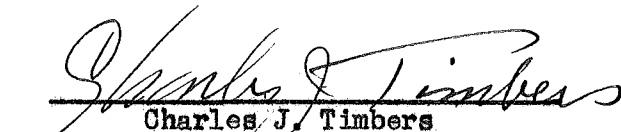
(d) In event of release of the special reserve for payment of losses, the contributions required by paragraph (d) of subsection (3) shall be treated on a first-in-first-out basis.

(5) RATE MAKING. (a) Mortgage guaranty insurance shall be subject to the provisions of sections 204.37 to 204.54 inclusive, Wis. Stats.

(b) The rate formula shall contemplate losses, expenses, contingency reserve, $2\frac{1}{2}\%$ of premium for profit, and any other relevant factors.

(c) All policy forms and endorsements shall be filed with and be subject to the approval of the commissioner of insurance. With respect to owner-occupied single-family dwellings, the mortgage insurance policy shall provide that the borrower shall not be liable to the insurance company for any deficiency arising from a foreclosure sale.

Department of Insurance


Charles J. Timbers
Deputy Commissioner of Insurance

Dated January 5, 1959.