

Ins 13

Filed December 2, 1974
7:50 am

STATE OF WISCONSIN)
)ss
OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, S. C. DuRose, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order adopting rules relating to minimum surplus requirements, valuation of liabilities and reinsurance of town mutual insurers was issued by this office on November 29, 1974.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 29th day of November, 1974.



S. C. DuRose
Commissioner of Insurance

STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

NOV 29 1974

ROBERT C. ZIMMERMAN
SECRETARY OF STATE

ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE

Adopting Rules

Pursuant to authority vested in the Commissioner of Insurance by section 601.41 (3), Wis. Stats., the Commissioner of Insurance hereby adopts rules as follows:

Sections Ins 13.06, Ins 13.08 and Ins 13.09 are adopted to read:

Ins 13.06 Surplus requirements.

(1) PURPOSE. This rule implements and interprets sections 612.31 and 612.33, Wis. Stats., for the purpose of setting minimum surplus requirements as a condition for the transaction of specified types of business.

(2) SCOPE. This rule shall apply to all town mutual insurers subject to Chapter 612, Wis. Stats.

(3) NONPROPERTY INSURANCE. Any town mutual insurer that retains any portion of a risk covering nonproperty insurance must maintain a surplus of not less than \$50,000.

Ins 13.08 Valuation of liabilities.

(1) PURPOSE. This rule implements and interprets section 623.04, Wis. Stats., for the purpose of determining liabilities for financial statements filed with the commissioner.

(2) SCOPE. This rule shall apply to all town mutual insurers subject to Chapter 612, Wis. Stats.

(3) **UNEARNED PREMIUM RESERVE.** All financial statements of town mutuals shall show as a liability an unearned premium reserve. The unearned premium reserve must be calculated on all advance premiums including policy or membership fees on policies issued to policyholders plus all advance premium on reinsurance assumed from other town mutual insurers, less advance premiums on risks assumed by other insurers under reinsurance contracts.

The minimum unearned premium reserve shall be calculated on the premiums in force as follows:

- (a) One year policies or policies on which premiums are paid annually.
 - 1. 30% of the net advanced premium.
- (b) Two year policies on which the entire premium is paid in advance.
 - 1. 75% on policies in first year of term.
 - 2. 25% on policies in second year of term.
- (c) Three year policies on which entire premium is paid in advance.
 - 1. 83% on policies in first year of term.
 - 2. 50% on policies in second year of term.
 - 3. 17% on policies in third year of term.

(d) Four year policies on which the entire premium is paid in advance.

1. 87.5% on policies in first year of term.
2. 62.5% on policies in second year of term.
3. 37.5% on policies in third year of term.
4. 12.5% on policies in fourth year of term.

(e) Five year policies on which the entire premium is paid in advance.

1. 90% on policies in first year of term.
2. 70% on policies in second year of term.
3. 50% on policies in third year of term.
4. 30% on policies in fourth year of term.
5. 10% on policies in fifth year of term.

The unearned premium reserve shall be the sum of the amounts as calculated above.

Any other method of calculating the unearned premium reserve must be approved by the commissioner.

Ins 13.09 Reinsurance.

(1) PURPOSE. This rule implements and interprets section 612.33, Wis. Stats., for the purpose of setting rules or guidelines for permitted and prohibited reinsurance and required reinsurance.

(2) SCOPE. This rule shall apply to all town mutual insurers subject to Chapter 612, Wis. Stats.

(3) REQUIRED REINSURANCE.

(a) Reinsurance of windstorm and hail insurance.

Any town mutual which provides coverage against windstorm or hail shall obtain reinsurance providing either of the following:

1. At least a 90% pro rata share of the liability assumed on any such insurance contract; or
2. All liability for incurred ultimate net losses in the aggregate during any calendar year in excess of three mills on the average net insurance in force during the calendar year against windstorm or hail.

(b) Reinsurance of nonproperty insurance. Any town mutual which provides nonproperty insurance coverage shall obtain reinsurance as required by section 612.33 (2) (b), Wis. Stats.

Dated: November 29, 1974

STATE OF WISCONSIN
DEPARTMENT OF STATE
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ROBERT C. ZIMMERMAN
SECRETARY OF STATE



S. C. DuRoi
Commissioner of Insurance