

Chapter Ins 3

CASUALTY INSURANCE

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Note: Corrections made under s. 13.93 (2m) (b) 7., Stats., Register, August, 1997, No. 500.

Ins 3.01 Accumulation benefit riders attached to health and accident policies. Except where such rider is used only on a policy replacing the company's own policy, and so recites, no rider providing for accumulations of benefits will be approved for use upon any policy of health and accident insurance, whether it is proposed to issue such rider with or without an additional premium. Such rider operates as an aid to twisting the policies of another company in such manner as to make its use a direct encouragement of this practice.

Ins 3.02 Automobile fleets, vehicles not included in. Individually owned motor vehicles cannot be included or covered by fleet rates. The determining factor for inclusion under fleet coverage must be ownership and not management or use.

Ins 3.04 Dividends not deducted from premiums in computing loss reserves. Premiums returned to policyholders as dividends may not be deducted from the earned premiums in computing loss reserves under s. 623.04, Stats.

History: 1-2-56; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76.

Ins 3.08 Municipal bond insurance. (1) PURPOSE. This section implements and interprets ss. 601.42, 611.19 (1), 618.21, 623.03, 623.04, 627.05, 628.34 (2), 632.14, and 632.17, Stats., for the purpose of establishing minimum requirements for the transaction of a type of surety insurance known as municipal bond insurance.

(2) SCOPE. This section shall apply to the underwriting, marketing, rating, accounting and reserving activities of insurers which write municipal bond insurance.

(3) DEFINITIONS (a) "Annual statement" means the fire and casualty annual statement form specified in s. Ins 7.01 (5) (a).

(b) "Contingency reserve" means a reserve established for the protection of policyholders covered by policies insuring municipal bonds against the effect of excessive losses occurring during adverse economic cycles.

(c) "Cumulative net liability" means one-third of one percent of the insured unpaid principal and insured unpaid interest covered by in-force policies of municipal bond insurance.

(d) "Municipal bonds" means securities which are issued by or on behalf of or are paid or guaranteed by:

1. Any state, territory or possession of the United States of America;
2. Any political subdivision of any such state, territory or possession; or
3. Any agency, authority or corporate or other instrumentality of any one or more of the foregoing, or which are guaranteed by any of the foregoing.

(e) "Municipal bond insurance" means a type of surety insurance authorized by s. Ins 6.75 (2) (g) which is limited to the guaranteeing of the performance and obligations of municipal bonds.

(f) "Municipal bond insurer" means an insurer which issues municipal bond insurance.

(g) "Total net liability" means the average annual amount due, net of reinsurance, for principal and interest on the insured amount of any one issue of municipal bonds.

(h) "Person" means any individual, corporation for profit or not for profit, association, partnership or any other legal entity.

(i) "Policyholders' surplus" means an insurer's net worth, the difference between its assets and liabilities, as reported in its annual statement.

(4) MINIMUM CAPITAL OR PERMANENT SURPLUS. The minimum capital or permanent surplus of a municipal bond insurer shall be \$2 million for an insurer first authorized to do business in Wisconsin on or before January 1, 1984, or the amount required by statute or administrative order after that date for other municipal bond insurers.

(5) **LIMITATIONS AND RESTRICTIONS.** (a) Policies of municipal bond insurance shall be issued only to provide coverage on bonds of the type defined in sub. (3) (d).

(b) A municipal bond insurer may not have total net liability in respect to any one issue of municipal bonds in excess of an amount representing 10% of its policyholders' surplus.

(c) A municipal bond insurer may not have outstanding cumulative net liability, under in-force policies of municipal bond insurance, in an amount which exceeds the sum of:

1. Its capital and surplus, plus
2. The contingency reserve under sub. (9).

(d) A municipal bond insurer may not have more than 25% of the principal amount which it has insured represented by the principal amount of municipal bonds issued primarily to finance property for use in a trade or business carried on by any person other than a governmental unit, and secured by a pledge of payments to be made by the person or of revenues to be derived from the trade or business.

(6) **PREMIUM.** The total consideration charged for municipal bond insurance policies, including policy and other fees or similar charges, shall be considered premium and shall be subject to the reserve requirements of subs. (8) and (9).

(7) **FINANCIAL STATEMENTS AND REPORTING.** (a) The financial condition and operations of a municipal bond insurer shall be reported on the annual statement.

(b) The total contingency reserve required by sub. (9) shall be reported as a liability in the annual statement. This liability may be reported as unpaid losses or other appropriately labeled write-in item. Appropriate entries shall be made in the underwriting and investment exhibit—statement of income of the annual statement. The change in contingency reserve for the year shall be reported in the annual statement as a reduction of or a deduction from underwriting income. If the contingency reserve is recorded as a loss liability, the change in the reserve shall be excluded from loss development similar to fidelity and surety losses incurred but not reported.

(c) A municipal bond insurer shall compute and maintain adequate case basis loss reserves to be reported in the underwriting and investment exhibit, unpaid losses and loss adjustment expenses, of the annual statement. The method used to determine the loss reserve shall accurately reflect loss frequency and loss severity and shall include components for claims reported and unpaid, and for claims incurred but not reported, provided:

1. No deduction may be made for anticipated salvage in computing case basis loss reserves.

2. If the amount of insured principal and interest on a defaulted issue of municipal bonds which is due and payable over the period of the next 3 years exceeds 10% of a municipal bond insurer's capital, surplus and contingency reserve, its case basis reserve so established shall be supported by a report from a qualified independent source.

(8) **UNEARNED PREMIUM RESERVE.** A municipal bond insurer shall compute and maintain an unearned premium reserve on an annual or on a monthly pro rata basis on all unexpired coverage, except that in the case of premiums paid more than one year in advance, the premium shall be earned proportionally with the expiration of exposure except as provided under sub. (12).

(9) **CONTINGENCY RESERVE.** (a) A municipal bond insurer shall establish a contingency reserve which shall consist of allocations of sums representing 50% of the earned premium on policies of municipal bond insurance except as provided under sub. (12).

(b) The contingency reserve established by this subsection shall be maintained for 240 months. That portion of the contingency reserve established and maintained for more than 240 months shall be released and may no longer constitute part of the contingency reserve except as provided under sub. (12).

(c) Subject to the approval of the commissioner, withdrawals may be made from the contingency reserve in any year in which the actual incurred losses on municipal bond insurance policies exceed 35% of the earned premiums on municipal bonds insurance policies except as provided under sub. (12).

(d) A municipal bond insurer may invest the contingency reserve in tax and loss bonds purchased pursuant to 26 USC 832(e). The contingency reserve shall otherwise be invested only in classes of securities or types of investments specified in s. 620.22 (1), Stats., except as provided under sub. (12).

(10) **CONFLICTS OF INTEREST PROHIBITED.** No municipal bond insurer may pay any commission or make any gift of money, property or other valuable thing to any employe, agent, or representative of any issuer of municipal bonds or to any employe, agent or representative of any underwriter of any issue of the bonds as an inducement to the purchase of, or at any time there is in force, a policy insuring bonds, and no employe, agent or representative of the insurer or underwriter shall receive any payment or gift. However, violation of the provisions of this subsection does not render void the municipal bond insurance policy.

(11) **TRANSITION.** Unearned premium reserves and contingency loss reserves shall be computed and maintained on risks insured after the effective date of this section as required by subs. (8) and (9).

(12) **LAWS OR REGULATIONS OF OTHER JURISDICTIONS.** Whenever the laws or regulations of another jurisdiction in which a municipal bond insurer is licensed, require a larger unearned premium reserve or a larger contingency reserve in the aggregate than that set forth in this section, the establishment and maintenance of the larger aggregated, unearned premium reserve and contingency reserve complies with this rule.

History: Emerg. cr. eff. 6-5-84; cr. Register, October, 1984, No. 346, eff. 11-1-84; am. (3) (d) intro., (5) (c) and (9) (c), Register, March, 1986, No. 363, eff. 4-1-86.

Ins 3.09 Mortgage guaranty insurance. (1) **PURPOSE.** This section implements and interprets s. Ins 6.75 (2) (i) and (j) and ss. 601.01, 601.42, 611.19 (1), 611.24, 618.21, 620.02, 623.02, 623.03, 623.04, 623.11, 627.05 and 628.34 (12), Stats., for the purpose of establishing minimum requirements for the transaction of mortgage guaranty insurance.

(2) **SCOPE.** This rule shall apply to the underwriting, investment, marketing, rating, accounting and reserving activities of insurers which write the type of insurance authorized by s. Ins 6.75 (2) (i) and (j).

(3) **DEFINITIONS.** (a) "Amount at risk" means the coverage percentage or the claim settlement option percentage multiplied by the face of amount of a mortgage or by the insured amount of a lease.

(b) "Annual statement" means the fire and casualty annual statement form specified in s. Ins 7.01 (5) (a).

(c) "Contingency reserve" means the reserve established for the protection of policyholders against the effect of losses resulting from adverse economic cycles.

(d) "Equity" means the complement of the Loan-to-Value.

(e) "Face amount" means the entire indebtedness under an insured mortgage before computing any reduction because of an insurer's option limiting its coverage.

(f) "Loan-to-value" means the ratio of the entire indebtedness to value of the collateral property expressed as a percentage.

(g) "Mortgage guaranty account" means the portion of the Contingency Reserve which complies with 26 USC 832 (e) as amended.

(h) "Mortgage guaranty insurance" means that kind of insurance authorized by s. Ins 6.75 (2) (i).

(i) "Mortgage guaranty insurer" means an insurer which:

1. Insures pursuant to s. Ins 6.75 (2) (i), or
2. Insures pursuant to s. Ins 6.75 (2) (j) against loss arising from failure of debtors to meet financial obligations to creditors under evidences of indebtedness secured by a junior lien or charge on real estate.

(j) "Mortgage guaranty insurers report of policyholders position" means the annual supplementary report required by s. Ins 7.01 (24) (t).

(k) "NAIC Ratio—Investment Yield" means net investment income earned after taxes from the annual statement divided by mean invested assets.

(L) "Person" means any individual, corporation, association, partnership or any other legal entity.

(m) "Policyholders position" includes the contingency reserve established under sub. (14), the deferred risk charge established under sub. (13) (b) and surplus as regards policyholders. "Minimum policyholders position" is calculated as described in sub. (5).

(n) "Surplus as regards policyholders" means an insurer's net worth, the difference between its assets and liabilities, as reported in its annual statement.

(4) DISCRIMINATION. No mortgage guaranty insurer may discriminate in the issuance or extension of mortgage guaranty insurance on the basis of the geographic location of the property or the applicant's sex, marital status, race, color, creed or national origin.

(5) MINIMUM POLICYHOLDERS POSITION. (a) For the purpose of complying with s. 623.11, Stats., a mortgage guaranty insurer shall maintain at all times a minimum policyholders position in the amount required by this section. The policyholders position shall be net of reinsurance ceded but shall include reinsurance assumed.

(b) If a mortgage guaranty insurer does not have the minimum amount of policyholders position required by this section it shall cease transacting new business until such time that its policyholders position is in compliance with this section.

(c) If a policy of mortgage guaranty insurance insures individual loans with a percentage claim settlement option on such loans, a mortgage guaranty insurer shall maintain a policyholders position based on: each \$100 of the face amount of the mortgage; the percentage coverage; and the loan-to-value category. The minimum amount of policyholders position shall be calculated in the following manner:

1. If the loan-to-value is greater than 75%, the minimum policyholders position per \$100 of the face amount of the mortgage for the specific percent coverage shall be as shown in the schedule below:

Percent Coverage	Policyholders Position Per \$100 of the Face Amount of the Mortgage	Percent Coverage	Policyholders Position Per \$100 of the Face Amount of the Mortgage
5	\$0.20	55	\$1.50
10	0.40	60	1.55
15	0.60	65	1.60
20	0.80	70	1.65
25	1.00	75	1.75
30	1.10	80	1.80
35	1.20	85	1.85
40	1.30	90	1.90
45	1.35	95	1.95
50	1.40	100	2.00

2. If the loan-to-value is at least 50% and not more than 75%, the minimum amount of the policyholders position shall be 50% of the minimum of the amount calculated under subd. 1.

3. If the loan-to-value is less than 50%, the minimum amount of policyholders position shall be 25% of the amount calculated under subd. 1.

(d) If a policy of mortgage guaranty insurance provides coverage on a group of loans subject to an aggregate loss limit, the policyholders position shall be:

1. If the equity is not more than 50% and is at least 20%, or equity plus prior insurance or a deductible is at least 25% and not more than 55%, the minimum amount of policyholders position shall be calculated as follows:

Percent Coverage	Policyholders Position Per \$100 of the Face Amount of the Mortgage	Percent Coverage	Policyholders Position Per \$100 of the Face Amount of the Mortgage
1	\$0.30	50	\$0.825
5	0.50	60	0.85
10	0.60	70	0.875
15	0.65	75	0.90
20	0.70	80	0.925
25	0.75	90	0.95
30	0.775	100	1.00
40	0.80		

2. If the equity is less than 20%, or the equity plus prior insurance or a deductible is less than 25%, the minimum amount of policyholders position shall be 200% of the amount required by subd. 1.

3. If the equity is more than 50%, or the equity plus prior insurance or a deductible is more than 55%, the minimum amount of policyholders position shall be 50% of the amount required by subd. 1.

(e) If a policy of mortgage guaranty insurance provides for layers of coverage, deductibles or excess reinsurance, the minimum amount of policyholders position shall be computed by subtraction of the minimum position for the lower percentage coverage limit from the minimum position for the upper or greater coverage limit.

(f) If a policy of mortgage guaranty insurance provides for coverage on loans secured by junior liens, the policyholders position shall be:

1. If the policy provides coverage on individual loans, the minimum amount of policyholders position shall be calculated as in par. (c) as follows:

a. The loan-to-value percent is the entire loan indebtedness on the property divided by the value of the property;

b. The percent coverage is the insured portion of the junior loan divided by the entire loan indebtedness on the collateral property; and

c. The face amount of the insured mortgage is the entire loan indebtedness on the property.

2. If the policy provides coverage on a group of loans subject to an aggregate loss limit, the policyholders position shall be calculated according to par. (d) as follows:

a. The equity is the complement of the loan-to-value percent calculated as in subd. 1.;

b. The percent coverage is calculated as in subd. 1.; and

c. The face amount of the insured mortgage is the entire loan indebtedness on the property.

(g) If a policy of mortgage guaranty insurance provides for coverage on leases, the policyholders position shall be \$4 for each \$100 of the insured amount of the lease.

(h) If a policy of mortgage guaranty insurance insures loans with a percentage loss settlement option coverage between any of the entries in the schedules in this subsection, then the factor for policyholders position per \$100 of the face amount of the

mortgage shall be prorated between the factors for the nearest Percent Coverage listed.

(6) LIMITATION ON INVESTMENT. A mortgage guaranty insurer shall not invest in notes or other evidences of indebtedness secured by mortgage or other lien upon real property. This section shall not apply to obligations secured by real property, or contracts for the sale of real property, which obligations or contracts of sale are acquired in the course of the good faith settlement of claims under policies of insurance issued by the mortgage guaranty insurer, or in the good faith disposition of real property so acquired.

(7) LIMITATION ON ASSUMPTION OF RISKS. (a) A mortgage guaranty insurer shall not insure loans secured by properties in a single or contiguous housing or commercial tract in excess of 10% of the insurer's admitted assets. A mortgage guaranty insurer shall not insure a loan secured by a single risk in excess of 10% of the insurer's admitted assets. In determining the amount of such risk or risks, the insurer's liability shall be computed on the basis of its election to limit coverage and net of reinsurance ceded to an insurer authorized to transact such reinsurance in this state. "Contiguous" for the purpose of this subsection means not separated by more than one-half mile.

(b) A mortgage guaranty insurer shall not insure loans with balloon payment provisions unless the policy provides:

1. That liability for the balloon payment is specifically excluded; or
2. That at the time the lender calls the loan, the lender will offer new or extended financing at the then market rates; or
3. The scheduled maturity date of the balloon payment.

(7m) SEGREGATED TRUST REQUIREMENTS. A segregated trust established under this section shall be established by a reinsurer for the benefit of a mortgage guaranty insurer and shall satisfy all of the following requirements:

(a) Has a trustee domiciled in the mortgage guaranty insurer's state of domicile, domiciled in Wisconsin or approved by the commissioner.

(b) Meets the criteria in sub. (12) (g) and (h).

(c) Invests in the type of assets permitted by s. Ins 6.20 (5), or, for the reserves required by subs. (13) and (15), in funds as defined by ch. Ins 52.

(d) Makes quarterly and annual reports as required by the commissioner.

(e) Is subject to withdrawals only by and under the control of the ceding mortgage guaranty insurer.

(f) Permits examinations by the commissioner.

(g) Designates a Wisconsin agent for service of process.

(h) Provides to the commissioner an opinion of counsel stating that the segregated trust and its governing agreements comply with the applicable sections of this section and that the reinsured will have a valid and perfected security interest or an equitable interest in the assets transferred under the trust agreements, or both, and will be entitled to use those assets for the purpose of satisfying a reinsurer's obligations under the trust agreement in the event of the bankruptcy of the reinsurer.

(i) Is governed by an agreement which, together with all amendments, has been approved by the commissioner.

(8) REINSURANCE. (a) A mortgage guaranty insurer may, by contract, reinsure any insurance it transacts, except that no mortgage guaranty insurer may enter into reinsurance arrangements designed to circumvent the compensation control provisions of sub. (16) or the contingency reserve requirement of sub. (14). The unearned premium reserve required by sub. (13), the contingency reserve required by sub. (14) and the loss reserve required by sub. (15) shall be established and maintained by the original insurer or by the assuming reinsurer so that the aggregate

reserves shall be equal to or greater than the reserves required by subs. (13), (14) and (15).

(b) If reinsurance is assumed by an insurer which insures or reinsures other lines of insurance in addition to mortgage guaranty insurance, then in order for a mortgage guaranty insurer to receive credit for reinsurance ceded in its financial statements and in the calculation of minimum policyholders position, all of the following shall occur:

1. The reinsurance agreement and the segregated account or segregated trust arrangements shall be submitted to the commissioner for approval.

2. The reinsurer shall establish and maintain in a segregated account or segregated trust the reserves required by subs. (13), (14) and (15).

3. If the reinsurer establishes a segregated trust, the reinsurance agreement shall provide that:

a. The segregated trust shall be in a form approved by the commissioner;

b. The commissioner shall approve any amendments to the reinsurance agreement before the amendments become effective;

c. The ceding mortgage guaranty insurer has a right to terminate the ceding of additional insurance under the reinsurance agreement if so ordered by the commissioner;

d. The commissioner has the right to request from the assuming reinsurer information concerning its financial condition; and

e. The assuming reinsurer shall notify the commissioner of any material change in its financial condition.

(c) In reviewing a reinsurance arrangement with an insurer which writes other lines of insurance in addition to mortgage guaranty, the commissioner may consider any or all of the following:

1. The financial condition of the reinsurer and the trustee.
2. The reinsurance agreement and its compliance with this section.

3. The trust agreement and its compliance with this section. After review of the reinsurance and trust agreements, the commissioner may deny credit for the reinsurance on the ceding mortgage guaranty insurer's financial statements, if deemed necessary for the protection of the mortgage guaranty insurer or its Wisconsin insureds.

(9) ADVERTISING. No mortgage guaranty insurer or any agent or representative of a mortgage guaranty insurer shall prepare or distribute or assist in preparing or distributing any brochure, pamphlet, report or any form of advertising to the effect that the real estate investments of any financial institution are "insured investments", unless the brochure, pamphlet, report or advertising clearly states that the loans are insured by insurers possessing a certificate of authority to transact mortgage guaranty insurance in this state or are insured by an agency of the federal government, as the case may be.

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

(11) PREMIUM. (a) The total consideration charged for mortgage guaranty insurance policies, including policy and other fees or similar charges, shall be considered premium and must be stated in the policy and shall be subject to the reserve requirements of subs. (13) and (14).

(b) The rate making formula for mortgage guaranty insurance shall contain a factor or loading sufficient to produce the

amount required for the contingency reserve prescribed by sub. (14).

(12) REPORTING. (a) The financial condition and operations of a mortgage guaranty insurer shall be reported annually on the annual statement.

(b) The unearned premium reserve required by sub. (13) shall be reported in the underwriting and investment exhibit—recapitulation of all premiums schedule of the annual statement.

(c) The contingency reserve required by sub. (14) shall be reported as a liability in the annual statement. This liability may be reported as unpaid losses, mortgage guaranty account or other appropriately labeled write-in item. Appropriate entries shall be made in the underwriting and investment exhibit—statement of income of the annual statement. The change in contingency reserve for the year shall be reported in the annual statement as a reduction of or a deduction from underwriting income. If the contingency reserve is recorded as a loss liability, the change in the reserve shall be excluded from loss development similar to fidelity and surety losses incurred but not reported. The development of the contingency reserve and policyholders position shall be shown in an appropriate supplemental schedule to the annual statement as prescribed by the commissioner.

(d) The loss reserves required by sub. (15) shall be reported in the underwriting and investment exhibit—unpaid losses and loss adjustment schedule of the annual statement.

(e) Any property acquired pursuant to the exercise of the claim settlement option shall be valued net of encumbrances; and an aggregate amount of such property may be held as is permitted for nonlife insurer investments pursuant to s. 620.22 (5), Stats.

(f) Expenses shall be recorded and reported in accordance with ss. Ins 6.30 and 6.31.

(g) An insurer which writes mortgage guaranty insurance and any other class of insurance business shall establish a segregated account for mortgage guaranty insurance. An insurer which writes more than one class of mortgage guaranty insurance shall establish a segregated account for each class of mort-

gage guaranty insurance. An insurer which reinsures mortgage guaranty insurance and which writes or reinsures any other class of insurance business shall establish a segregated account or segregated trust for mortgage guaranty reinsurance. The classes of mortgage guaranty insurance are those types of insurance defined in:

1. Section Ins 6.75 (2) (i) 1. a. and c.; or
2. Section Ins 6.75 (2) (i) 1. b. and 2.; or
3. Section Ins 6.75 (2) (i) 1. d. and (j).

(h) Each segregated account or segregated trust established to comply with par. (g) shall contain all of the following applicable reserves:

1. The loss reserves required by sub. (15).
2. The unearned premium reserve required by sub. (13) or (18).
3. The contingency reserve required by sub. (14) or (18) or any surplus required by the commissioner.

(13) UNEARNED PREMIUM RESERVE. Subject to sub. (8), a mortgage guaranty insurer shall compute and maintain an unearned premium reserve on policies in force as follows:

(a) For premium plans on which the premium is paid annually, the unearned premium reserve shall be calculated on either an annual or monthly pro rata basis except that the portion of the first-year premium, excluding policy and other fees or similar charges, which exceeds twice the subsequent renewal premium rate, shall be considered a deferred risk premium. The deferred risk premium shall be contributed to and maintained in the unearned premium reserve until released as earned. The deferred risk premium shall be earned in accordance with the factors for a 10-year premium period in par. (b) or any other formula approved by the commissioner.

(b) For premium plans on which the premium is paid in advance for periods of time greater than one year but less than 16 years, the unearned premium reserve shall be calculated by multiplying the premiums collected by the appropriate unearned premium factor from the table set forth below:

UNEARNED PREMIUM FACTOR TO BE APPLIED TO PREMIUMS COLLECTED

Contract Year Current at Valuation Date	2-Year Premium Period	3-Year Premium Period	4-Year Premium Period	5-Year Premium Period	6-Year Premium Period	7-Year Premium Period	8-Year Premium Period
1	89.0%	93.7%	95.3%	96.0%	96.4%	96.6%	96.8%
2	39.0%	65.0%	73.6%	77.6%	79.8%	81.1%	82.0%
		21.3%	40.6%	49.6%	54.5%	57.5%	59.4%
			12.3%	25.5%	32.7%	37.2%	40.1%
				7.6%	16.5%	22.1%	25.7%
					4.9%	11.2%	7.8%
						3.3%	2.3%

Contract Year Current at Valuation Date	9-Year Premium Period	10-Year Premium Period	11-Year Premium Period	12-Year Premium Period	13-Year Premium Period	14-Year Premium Period	15-Year Premium Period
1	96.9%	97.0%	97.5%	97.1%	97.2%	97.3%	97.3%
2	82.6%	83.2%	83.7%	84.0%	84.4%	84.7%	85.0%
3	60.9%	62.2%	63.3%	64.1%	64.9%	65.6%	66.1%
4	42.3%	44.1%	45.8%	47.1%	48.2%	49.1%	49.9%
5	28.4%	30.7%	32.8%	34.4%	35.8%	36.9%	37.9%
6	18.5%	21.1%	23.4%	25.2%	26.9%	28.0%	29.2%
7	11.3%	14.1%	16.7%	18.6%	20.4%	21.7%	23.0%
8	6.1%	9.1%	11.8%	13.8%	15.8%	17.1%	18.5%
9	2.0%	5.2%	7.9%	10.0%	12.1%	13.4%	14.9%
10		1.7%	4.4%	6.7%	8.8%	10.2%	11.8%
11			1.4%	3.8%	5.9%	7.4%	9.0%
12				1.2%	3.3%	5.0%	6.6%
13					1.1%	2.8%	4.4%
14						9%	2.5%
15							8%

Note: For purposes of this calculation, premiums collected means either 90% of the premiums collected or the premium collected less a dollar amount or percentage amount approved by the commissioner to represent initial expenses of selling and issuing a new policy.

(c) For premium plans on which the premium is paid in advance for periods of 16 years or more, the unearned premium reserve shall be calculated either by a method approved by the commissioner or by dividing the premium collected, as defined above in par. (b), into 2 parts. The first part shall be the amount which is equal to the premium collected for a 15-year premium and which shall be earned in the same manner as a 15-year premium. The second part is the remaining amount of premium in excess of the 15-year premium, which shall be earned pro rata over the remaining term of the premium.

(14) CONTINGENCY RESERVE. (a) Subject to sub. (8), a mortgage guaranty insurer shall make an annual contribution to the contingency reserve which in the aggregate shall be the greater of:

1. 50% of the net earned premium reported in the annual statement; or
2. The sum of:
 - a. The policyholders position established under sub. (5) on residential buildings designed for occupancy by not more than four families divided by 7;
 - b. The policyholders position established under sub. (5) on residential buildings designed for occupancy by 5 or more families divided by 5;
 - c. The policyholders position established under sub. (5) on buildings occupied for industrial or commercial purposes divided by 3; and
 - d. The policyholders position established under sub. (5) for leases divided by 10.

(b) If the mortgage guaranty coverage is not expressly provided for in this section, the commissioner may establish a rate

formula factor that will produce a contingency reserve adequate for the risk assumed.

(c) The contingency reserve established by this subsection shall be maintained for 120 months. That portion of the contingency reserve established and maintained for more than 120 months shall be released and shall no longer constitute part of the contingency reserve.

(d) 1. With the approval of the commissioner, withdrawals may be made from the contingency reserve when incurred losses and incurred loss expenses exceed the greater of either 35% of the net earned premium or 70% of the amount which par. (a) requires to be contributed to the contingency reserve in such year.

2. On a quarterly basis, provisional withdrawals may be made from the contingency reserve in an amount not to exceed 75% of the withdrawal calculated in accordance with subd. 1.

(e) With the approval of the commissioner, a mortgage guaranty insurer may withdraw from the contingency reserve any amounts which are in excess of the minimum policyholders position. In reviewing a request for withdrawal pursuant to this paragraph, the commissioner may consider loss development and trends. If any portion of the contingency reserve for which withdrawal is requested pursuant to this paragraph is maintained by a reinsurer, the commissioner may also consider the financial condition of the reinsurer. If any portion of the contingency reserve for which withdrawal is requested pursuant to this paragraph is maintained in a segregated account or segregated trust and such withdrawal would result in funds being removed from the segregated account or segregated trust, the commissioner may also consider the financial condition of the reinsurer.