

**Chapter Ins 6  
GENERAL**

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**Ins 6.01 Foreign company to operate two years before admission.** Experience has demonstrated that until a company has engaged in the business of insurance for at least 2 years there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact business in Wisconsin will be considered until it has continuously transacted the business of insurance for at least 2 years immediately prior to the making of such application for license.

**Ins 6.02 Company to transact a kind of insurance two years before admission.** (1) Experience has demonstrated that until a company has engaged in a kind of insurance or in another kind of insurance of the same class for at least 2 years, there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business in such kind of insurance or another kind in the same class of insurance, are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact a kind of insurance business in Wisconsin will be considered until it has continuously

transacted that kind of insurance, or another kind of insurance in the same class of insurance as that for which it makes such application; for at least 2 years immediately prior to making such application. For the purposes hereof, insurance is divided into kinds of insurance according to the provisions of subsection 201.04 of Ins 6.70 each subsection setting forth a separate kind, and into classes of insurance upon the basis of and including the said kinds as follows:

(a) Fire insurance includes the kinds in subsection 201.04 (1) of Ins 6.70.

(b) Life insurance includes the kinds in subsection 201.04 (3) of Ins 6.70 but excluding all insurance on the health of persons other than that authorized in section 206.03, Wis. Stats.

(c) Casualty insurance includes the kinds in subsection 201.04 (4) through (11), and (13) through (18) of Ins 6.70.

(2) Provided, however, that nothing herein shall preclude consideration of an application to transact the kind of insurance in subsection 201.04 (4), of Ins 6.70 if the applicant company has transacted any of the kinds of insurance in subsections 201.04 (3), (5), (13), (15), (16) and (18) of Ins 6.70 continuously for 2 years immediately prior to the making of application for license to transact the kind of insurance in subsection 201.04 (4) of Ins 6.70.

**History:** 1-2-58; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 6.03 Nonresident casualty and fire insurance agents.** (1) Separate licenses are required for the solicitation of casualty insurance business and of fire insurance business.

(4) The company which a nonresident wishes to represent as an agent must furnish a statement showing that the applicant is appointed to solicit insurance in Wisconsin as its agent and agree that it will be bound by his knowledge and acts to the same extent as it is in connection with authorized resident agents in Wisconsin.

(6) The applicant will be required to make full disclosure regarding any connection which he may have as an employe or member of any agency partnership, association or corporation, including the full names and residences of all members, officers, directors and stockholders.

(7) Licenses issued on or after November 1, 1949, shall expire on the next succeeding November 1st. The fee for each nonresident agent's license shall be \$10.00.

**History:** 1-2-58; r. (6) and renum. (7) and (8) to be (6) and (7), Register, February, 1976, No. 242, eff. 3-1-76; emerg. r. (2), (3) and (4); r. (2), (3) and (5), Register, September, 1976, No. 249, eff. 10-1-76.

**History:** Ins 6.04 Countersignature requirements. Cr. Register, April, 1958, No. 28, eff. 5-1-58; am. (2) (a), Register, April, 1963, No. 88, eff. 5-1-63; am. (2), Register, May, 1975, No. 233, eff. 6-1-75; emerg. r. eff. 6-22-76; r. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 6.05 Filing of insurance forms.** (1) **DEFINITIONS.** In this rule, unless the context otherwise requires, the following words and terms shall have the following meanings:

(a) "Insurance" shall mean any fire, liability, steam boiler, fidelity, title, credit, burglary, plate glass, sprinkler leakage, elevator, livestock,

(4) Examination and investigation of currently authorized agents will be based, in part, on information completed on such application.

(5) Examination and investigation activities may include a review of correspondence and complaints involving individual agents, a review of insurance company records and experience on selected agents, a review of data submitted in the application, individual interviews, and other steps prescribed in advance, in accordance with appropriate standards established by rule, to determine the competence and trustworthiness of the applicants.

(6) The application by a currently authorized agent for issuance of an individual intermediary-agent license shall be made on Office of the Commissioner of Insurance Form 11-40.

(7) An examination and investigation fee of \$25.00, authorized by section 601.31 (17), Wis. Stats., reflecting the estimated average cost of investigation and review, shall be submitted along with such application from a currently authorized insurance agent.

(8) Those applicants who satisfy the standards established by the office of the commissioner of insurance for determining the competence and trustworthiness of individual intermediary-agents will be notified prior to May 15, 1977, and upon timely payment of a license issuing fee of \$10.00, as authorized by section 601.31 (15), Wis. Stats., will receive an individual intermediary-agent license for those lines of insurance for which they are authorized.

(9) Any currently authorized insurance agent not making application as provided in this rule by January 31, 1977, will be subject to the same licensing procedure as any new applicant for a permanent individual intermediary-agent license.

(10) Applicants subject to subsection (2) who do not receive an individual intermediary-license will have hearing or appeal rights in accordance with law.

**Note:** Chapter 371, Laws of 1976, established a permanent individual intermediary-agent license. This rule outlines the method whereby agents holding licenses subject to annual renewal (i.e. agents who have a "track-record" and have been subject to some screening for competence under prior law) are to make application, be examined and investigated, and where standards of trust and competence are met, be issued a permanent license in accordance with the requirements of the law.

To determine competence and trustworthiness, as required by chapter 628, Wis. Stats., any new applicant for a permanent individual intermediary-agent license will be subject to a comprehensive written qualifying examination as well as such personal investigation as may be appropriate. The above rule does not cover procedures to be established for new (i.e. previously unlicensed) individual intermediary-agents. For these applicants, examination and investigation fees may be adjusted by rule to provide for the extra cost of a written examination.

**History:** Cr. Register, December, 1976, No. 252, eff. 1-1-77.

**Ins 6.59 Licensing procedures - individual intermediary-agent.**

(1) Application for individual intermediary-agent license shall be made on Insurance Forms 11-41 (resident) or 11-42 (non-resident) and filed with the commissioner of insurance, Madison, Wisconsin. The determination by the commissioner as to the trustworthiness of the applicant shall be based, in part, on data contained on the application form. Determination on the competence of the applicant shall be based on results of an examination process, which shall

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include a written examination, as well as a review of the application form in accordance with Ins 6.62.

(2) Applications shall be filed with the Commissioner of Insurance, Madison, Wisconsin, at least 30 days prior to the scheduled date of the written examination. Written examinations can be scheduled for one or more kinds of individual intermediary-agent license authority on the same date.

(3) The following fee schedule is established, in accordance with section 601.31 (17), Wis. Stats., for investigation and examination of an individual intermediary-agent:

(a) Individual not holding any kind of individual intermediary-agent authority as part of a license listed in Ins 6.50 (2):

Examination for one kind of authority	\$25.00
Examinations for two kinds of authority	29.00
Examinations for three kinds of authority	33.00
Examinations for four kinds of authority	37.00

(b) Individual holding one or more kinds of individual intermediary-agent authority as part of a license listed in Ins 6.50 (2), or individual seeking re-examination within four months of failure to attain a passing grade for the same kind or kinds of authority.

Examination for one additional kind of authority	\$16.00
Examinations for two additional kinds of authority	20.00
Examinations for three additional kinds of authority	24.00
Examinations for four additional kinds of authority	28.00

(4) The fee schedule in (3) shall be applicable to applications by non-residents seeking to become individual intermediary-agents. Where the commissioner determines that a non-resident has passed an examination as stringent as that of Wisconsin, the written examination requirement may be waived.

(5) A written examination shall be required for each kind of individual intermediary-agent license authority listed in Ins 6.50 which the applicant must personally take and pass to the satisfaction of the commissioner. Each such written examination shall be designed to effectively test the applicant's basic knowledge of the kinds of insurance for which he or she intends to solicit coverage, and the applicant's basic understanding of the applicable laws and regulations, necessary for service as a competent individual intermediary-agent.

(6) If the applicant fails an examination twice in a 6 months' period, a third application will not be accepted from that applicant prior to 6 months after the second examination date.

(7) An applicant obtaining a passing grade on the written examination who submits a satisfactory application and meets all requirements of Ins 6.62 (3) shall be issued an individual intermediary-agent license for those kinds of authority for which he or she is qualified upon timely payment of a license issuing fee of \$10.00 as authorized by section 601.31 (15), Wis. Stats. The same fee and procedure shall apply to an enlargement of authority for which an individual intermediary-agent qualified by the current examination.

(8) Written examinations for each kind of individual intermediary-agent authority will be administered at least once a month in accordance with a schedule adopted by the commissioner at the following examination centers: Eau Claire, Green Bay, LaCrosse, Platteville, Madison, Rhinelander, Racine, Rice Lake, Superior, and Stevens Point. Written examinations will be administered twice a month in Milwaukee and at least one other center.

(9) Any applicant who otherwise satisfies the standards for intermediary competence and trustworthiness who receives a grade on the written examination of at least 70% of the passing grade, can within 20 days of receiving the examination result notice, make application for an apprentice permit. An apprentice permit shall be issued when such applicant complies with the requirements established by Ins 6.60 (1), (2) and (3) and a permanent intermediary-agent license shall be issued when such applicant meets the requirement of Ins 6.60 (7).

**History:** Cr. Register, March, 1977, No. 255, eff. 4-1-77.

**Ins 6.60 Apprentice permit procedure - individual intermediary-agent apprentice.** (1) Applications for an individual intermediary-agent apprentice permit shall be made on Insurance Form 11-43 signed by the applicant and his or her sponsor and filed with the Commissioner of Insurance, Madison, Wisconsin. No individual may apply for an apprentice permit unless he or she has obtained a grade of at least 70% of the passing grade on the written test administered in accord with Ins 6.59.

(2) A licensing fee of \$10.00 shall be payable with the application for an apprentice permit.

(3) An apprentice permit shall be issued for a three-month period if the application and other information provided the commissioner establishes that the applicant:

(a) Is embarked on a recognized study program acceptable to the commissioner for each kind of authority for which the permit is requested, and

(b) Is sponsored by:

1. An individual intermediary-agent who has been licensed in Wisconsin for 2 or more years, or

2. A licensed insurer conducting an apprentice training program approved by the commissioner. In such a program a supervisory employe must serve as the individual sponsor of the apprentice.

(4) The sponsor of an apprentice shall supervise his or her study and work activities and assumes full legal responsibility for all insurance intermediary acts and omissions of the apprentice.

(5) An individual intermediary-agent sponsor or supervisory employe of an insurer sponsor shall have no more than two apprentices during each supervision period.

(6) The requirement of insurer filing of listing and termination of appointment notices for individual intermediary-agents, established by Ins 6.57, shall be applicable to individual intermediary-agent apprentices. Each insurer listing an apprentice in accordance with

Ins 6.57 shall also be responsible for the insurance intermediary acts and omissions of the apprentice.

(7) An individual intermediary-agent license shall be issued to an individual intermediary-agent apprentice upon conclusion of the three-month apprentice period upon receipt in the Office of the Commissioner of Insurance of completed Insurance Form 11-44 which shall include certification by the sponsor as to the competence and trustworthiness of the applicant, and certification that 40 hours of study in a recognized study course for each kind of individual intermediary-agent license authority have been completed.

*History:* Cr. Register, March, 1977, No. 255, eff. 4-1-77.

**Ins 6.61 Individual intermediary - agent records.** (1) Each individual intermediary-agent shall maintain or have maintained, for a three-year period, records of his or her policyholder financial transactions, in accordance with accepted accounting principles. Such records shall include an accounting of such billings to and receipts from purchasers of insurance and payments to insurance companies or others for coverage provided, as have passed through the hands of the individual intermediary-agent, or comparable records on an agency or partnership-wide basis. An insurer may by written agreement assume the responsibility to maintain these records for an individual intermediary-agent if the records can be made immediately available to the commissioner of insurance on demand.

(2) Each individual intermediary-agent shall maintain records for a 3-year period giving the effective date of the coverage on all newly issued contracts, and indicating that the necessary suitability inquiry and replacement procedures required by Ins 2.07, Ins 2.14 (4) (g), Ins 3.27 (7), and Ins 3.29 were followed for each individual life and accident and health contract written and/or replaced.

(3) Records required by subsection (1) and (2) are to be maintained at the business address recorded with the commissioner of insurance, or at another location only if notice has been provided the commissioner of insurance of such alternate location.

(4) Each agent shall, within 30 days, notify the commissioner of insurance in writing of any change in his or her business or residence address or any change of address of location of his or her business records.

*Note:* Individual intermediary-agent records, which are to be maintained and subject to examination by the commissioner of insurance, are limited to transactions where the individual intermediary-agent serves in a fiduciary capacity (i.e. collects or handles premiums from his clients and remits that amount of the premium due the carrier providing the coverage). This record maintenance requirement is not intended to apply to individual intermediary-agent office expense accounts, general office management records, income tax returns, or any other individual intermediary-agent financial transactions other than financial and other records directly pertaining to the individual intermediary-agent insurance transactions between clients and providers of coverage.

*History:* Cr. Register, March, 1977, No. 255, eff. 4-1-77.

**Ins 6.62 Competence and trustworthiness standards.** (1) The standards of competence and trustworthiness as applied to an insurance intermediary in section 628.04 (1) (b) 2., Wis. Stats., are determined to provide that intermediaries shall:

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(a) Be well-informed on the kinds of insurance they are qualified to write.

(b) Thoroughly analyze the insurance needs of their clients and recommend the forms of coverage best suited to their needs.

(c) Make no intentional false statements nor any material misrepresentations by omission of facts, inference or subterfuge in their relations with their clients, insurance companies, or other insurance agents.

(d) Take all reasonable steps so clients are informed on the extent and limitation of coverage provided by their contracts.

(e) Manage agency financial affairs in accordance with the high standards applicable to a fiduciary.

(f) Conform to all applicable insurance statutes and regulations.

(2) Standards of competence and trustworthiness established by (1) shall be applied to all applicants for individual intermediary-agent licenses.

(3) The following screening standards and procedures for determination of competence and trustworthiness of individual intermediary-agents submitting applications under the provisions of Ins 6.58 and 6.59 are adopted:

(a) Accuracy of application. Material misrepresentation in completing an application form (e.g. Insurance Form 11-40, 11-41 or 11-42) shall be considered evidence of untrustworthiness and cause for not issuing a permanent license.

(b) Complaint review. Information developed through consumer complaints involving an intermediary's activities during the prior three years (where applicable) shall be reviewed to determine whether the allegation, if proven, concerns a violation of the standards of competence and trustworthiness in subsection (1).

(c) Application data. Information reported in the application form (e.g. Insurance Form 11-40, sections 16, 22-25) shall be reviewed and investigated through correspondence with insurance companies, affected consumers, appropriate regulatory and law enforcement agencies, and, where necessary, follow-up investigation in the field to determine if the standards of competence and trustworthiness have been met.

(d) Competence. Where two or more verifiable instances of incompetence of an applicant making application under Ins 6.58 are developed through the procedures in (b) and (c), a license shall not be issued until the person makes application for and passes the written examination prescribed by Ins 6.59 for the kind or kinds of authority involved. Review under this paragraph will be in accordance with the standards for competence in subsection (1).

(e) Trustworthiness. Where information developed through the procedures in paragraphs (b) and (c) indicates that there has been substantial violation of the standards in paragraphs (b) through (f) of subsection (1) sufficient for the commissioner to institute proceedings to revoke a license, an intermediary-agent license shall not be issued.

(f) Notice. Applicants under Ins 6.58 shall be notified by May 1, 1977 where a determination has been made not to issue a permanent license.

1. Applicants shall have the right to request a review of such determination by a review committee designated by the Insurance Agent's Advisory Council established by Ins 6.10. Such request shall be made to the commissioner of insurance who shall proceed in a timely manner to arrange for a review by the council designated committee. The committee conclusion shall be transmitted to the applicant by the commissioner.

2. Applicants shall also have the right to a hearing to appeal a decision not to license. Such hearing and appeal shall be in accordance with procedures set forth in Chapter 227, Wis. Stats., and rules of the commissioner.

Note: The standards of competence and trustworthiness listed are not meant to be exclusive, nor are they intended to suggest that insurance intermediaries will never make mistakes. Professionals exercising broad discretion are always subject to second-guessing, in circumstances where there is no single "right" answer. The primary concern here is with substantial or persistent violations, or with a pattern of behavior which may endanger the legitimate interests of customers or the public.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77.

**Ins 6.70 Classification and combinations of insurance.** The texts of sections 201.04, 201.05 and 201.06, 1973 Wis. Stats., as amended by chapter 362, Laws of 1975, are incorporated herein by reference in their entirety, all statutory references therein being to 1973 Wis. Stats. as amended by chapter 362, Laws of 1975.

Note: References in the administrative code to parts of sections 201.04, 201.05, or 201.06 may be made as follows, for example, "... subsection 201.04 (19) of Ins 6.70" or "... paragraph (19) of subsection 201.04 of Ins 6.70".

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 6.71 Fire insurance.** The provisions of sections 203.01, 203.02, 203.06 [Excepting therefrom subsections (2) (a) 5., (2) (d), and (5)], and 203.28, 1973 Wis. Stats., are incorporated herein by reference, all statutory references therein being to 1973 Wisconsin Statutes.

Note: Subsections (2) (a) 5., (2) (d) and (5) of section 203.06, 1973 Wis. Stats., are replaced by sections 632.08, 632.05 and 631.41, 1976 Wis. Stats., respectively.

**Ins 6.72 Risk limitations.** The provisions of section 201.16, 1973 Wis. Stats., are incorporated herein by reference in their entirety, all statutory references therein being to 1973 Wisconsin Statutes.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 6.73 Reinsurance.** The provisions of sections 201.27 and 201.31, 1973 Wis. Stats., are incorporated hereby by reference in their entirety.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 6.74 Suretyship and risk limitations of surety obligations.** (1) PURPOSE. The purpose of this rule is to establish minimum requirements for the transaction of surety obligations.

(2) SCOPE. This rule shall apply to the limitations on bond penal amounts imposed on insurers engaged in the business of suretyship.

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(3) DEFINITIONS. (a) For purposes of this rule suretyship shall be construed to be insurance.

(b) An insurance corporation authorized to write fidelity insurance may guarantee the fidelity of, or become the surety for: 1. persons holding positions of public or private trust; 2. the performance of any act, duty or obligation or the refraining from any act; 3. the performance of any contract; 4. bonds of insurance companies required by law as a condition of transacting business; 5. indemnifying banks, brokers and other financial or moneyed associations or corporations, against the loss of documents and money, except against loss caused by marine risks or risks of transportation or navigation; 6. indemnifying any federal land bank against loss by reason of defective title to or incumbrances on real property on which such bank may have a mortgage.

(c) As used in this rule any one surety risk shall be equivalent to the penal amount established on the surety bond.

(4) RISK LIMITATIONS ON SURETYSHIP OBLIGATIONS. (a) No corporation shall execute any suretyship obligation or expose itself to any loss on any one surety bond in an amount in excess of one-tenth of its capital and surplus as reported in its most recent filed annual statement, unless it shall be protected in the excess of that amount: 1. by reinsurance in a corporation licensed to transact surety business where the risk is located; or 2. by the cosuretyship of a surety corporation likewise licensed.

(b) A surety corporation may execute transportation or warehousing bonds for United States internal revenue taxes to an amount equal to 5 times the underwriting limitation specified in subsection (4) (a) of this rule.

(c) No corporation writing surety shall guarantee the deposits of any single financial institution in an aggregate amount in excess of the underwriting limitation set forth in subsection (4) (a) unless it shall be protected in excess of that amount by reinsurance or cosuretyship as specified in subsection (4) (a).

(d) A surety corporation shall not issue multiple bonds on a single contract (splitting bonds) and a surety corporation's liability on a single contract shall not be in excess of the limitations established in subsection (4) (a).

(e) No domestic corporation writing surety business shall execute, reinsure or be cosurety on a suretyship obligation in favor of the United States government, or any other obligee, whereby a surety issues a bond to an obligee for a penal amount which is 10%, or an amount substantially less than, the total contract amount, unless the surety reinsures or obtains a cosurety for at least 50% of the bond penal amount with a corporation licensed to transact surety business where the risk is located. This is tantamount to a maximum exposure for any single loss on any one surety bond of this type of not more than one-twentieth of a domestic surety corporation's capital and surplus.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

Register, March, 1977, No. 255