

Chapter Ins 6

GENERAL

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Ins 6.01 Foreign company to operate 2 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 trans-

acted 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 2 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 s. Ins 6.75 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 s. Ins 6.75 (2) (a).
- (b) Life insurance includes the kinds in s. Ins 6.75 (1) (a) and (b) but excluding all insurance on the health of persons other than that authorized in s. 627.06, Stats., and s. Ins 6.70.
- (c) Casualty insurance includes the kinds in s. Ins 6.75 (2) (c) through (n).
- (2) Provided, however, that nothing herein shall preclude consideration of an application to transact the kind of insurance in Ins 6.75 (1) (e) or (2) (c) if the applicant company has transacted any of the kinds of insurance in Ins 6.75 (1) (a) and (b) or (2) (d), (e), (k) and (n) continuously for 2 years immediately prior to the making of application for license to transact the kind of insurance in Ins 6.75 (1) (e) or (2) (c).

History: 1-2-56; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76; am. Register, March, 1979, No. 279, eff. 4-1-79.

**Ins 6.05 Filing of insurance forms.** (1) **PURPOSE.** This section interprets and implements ss. 601.42, 631.20, 631.22 and 631.61, Stats.

(2) **SCOPE.** The requirements of this section shall apply to forms subject to s. 631.01, Stats., for the lines of insurance listed in s. Ins 6.75, except sub. (2) (b) and (k).

(3) **DEFINITIONS.** (a) "Affiliated insurer" means an insurer which is a member or subscriber to a rate service organization licensed under s. 625.32, Stats., and which has authorized the rate service organization to file forms on its behalf.

(b) "Certificate of compliance" means a document in substantially identical format to Appendix A which is signed by an officer of the insurer.

(c) "Certificate of readability" means a written statement signed by an officer of the insurer stating that the form is subject to s. Ins 6.07 and that the form meets the minimum standards set forth in that section.

(d) "Insurance policy form transmittal" means a document substantially identical in format to the form included as Appendix B, on which an insurer shall list each form submitted for approval.

(e) "OCI" means the office of the commissioner of insurance.

**Ins 6.06 Minimum documentation in support of rate filings. (1) PURPOSE.** The purpose of this section is to establish the minimum supplementary rate information required to be submitted with rate filings to the commissioner. Statutes interpreted or implemented by this section are ss. 601.42 (1), 625.01, 625.02 (3), and 625.11, Stats.

(2) **SCOPE.** Except as provided in sub. (4), any insurer or rate service organization which is subject to s. 625.13 (1), Stats., and is filing rates for any kind or line of direct insurance in this state shall include, in that filing the supplementary rate information required by sub. (5) or (6).

(3) **DEFINITIONS.** (a) A "frequency trend factor" means any factor which adjusts the past number of paid or incurred claims to reflect more accurately the number of claims that can be expected to develop during the period the proposed rates will be used.

(b) A "loss adjustment factor" means any factor used to modify or adjust the actual losses paid or incurred during the period under examination or review.

(c) A "loss development factor" means any factor used either to adjust the reported amount of incurred losses to include incurred but not reported losses or to correct errors in the estimation of loss reserves for reported claims that have not been paid, or both.

(d) A "premium adjustment factor" means any factor used to modify or adjust the actual premiums earned during the period under examination or review.

(e) A "rate level factor" means any factor that adjusts prior earned premiums to the premiums that would have been earned if the present rates had been in effect throughout the period under examination or review.

(f) A "severity trend factor" means any factor which adjusts the past average claim amount to reflect more accurately the average claim amount that can be expected to develop during the period the proposed rates will be used.

(4) **EXEMPTIONS.** (a) Life and disability insurance as defined in s. Ins 6.75 (1), disability insurance as defined in s. Ins 6.75 (2) (c), title insurance as defined in s. Ins 6.75 (2) (h), mortgage guaranty insurance as defined in s. Ins 6.75 (2) (i), municipal bond insurance as defined in s. Ins 3.08 (3) (e), and worker's compensation insurance as defined in s. Ins 6.75 (2) (k) are exempt from the provisions of this section.

(b) All companies licensed under ch. 612, Stats., are exempt from the provisions of this section.

(c) The commissioner may, upon written application, exempt an insurer from full or partial compliance with this rule.

(5) **SUPPLEMENTAL RATE INFORMATION.** A rate filing and accompanying supplemental rate information shall be appropriately organized for the kind, class or line of business for which the filing is being made. Except as provided in sub. (6), all rate filings shall include the following supplementary rate information:

(a) (1) At least three separate and consecutive years of both Wisconsin and aggregate of all state's experience showing

1. Premiums earned;
2. Losses paid;
3. Separate reserves for reported but unpaid losses; and
4. Reserves for losses incurred but not reported.

(2) If any of the information required by (1) is omitted or less than three years' experience is provided, an explanation shall be submitted.

(b) An explanation of the rate-making procedures including a description of any statistical data and actuarial methods utilized; or a statement of facts and other detailed information which explain judgments used; or a statement as to how the rates of the filing company compare with those of the competition, providing detail where the rates are substantially higher or lower; or any combination.

(c) Explanation of the permissible or target loss ratio, including an explanation of how any investment income has been taken into account.

(d) When used, any premium adjustment factors and loss adjustment factors by year and an explanation of methods and judgments underlying each factor. Loss adjustment factors include but are not limited to loss development factors, frequency trend factors, and severity trend factors. Premium adjustment factors include but are not limited to rate level factors.

(6) OTHER SUPPLEMENTAL RATE INFORMATION. The commissioner may accept supplemental information other than that required by sub. (5) if the insurer or rate service organization can demonstrate to the commissioner that this information fully supports the rate filing and complies with s. 625.11, Stats.

(7) USE OF RATE SERVICE ORGANIZATION RATES. A member of or subscriber to a rate service organization licensed under s. 625.32, Stats., shall file supplementary rate information if its rates deviate from those filed on its behalf by the rate service organization. Such a filing shall be as required by subs. (5) and (6).

(8) ADDITIONAL INFORMATION. The commissioner may require additional rate filing information if the commissioner determines that the original filing does not explain the proposed rate. Such additional information shall be provided within 30 days of the request.

(9) CERTIFICATE OF COMPLIANCE. The filings required pursuant to sub. (2) shall be accompanied by a certificate of compliance in a form substantially similar to that set forth in Appendix I.

History: Cr. Register, March, 1988, No. 387, eff. 4-1-88.

APPENDIX I  
CERTIFICATE OF COMPLIANCE

I, \_\_\_\_\_ (name),  
an officer of \_\_\_\_\_ (company name),  
hereby certify that I have the authority to bind and obligate the company by the filing of this form. I further certify that, to the best of my information, knowledge and belief:

1. The accompanying filing complies with all applicable provisions of the Wisconsin Statutes and with all applicable rules of the Commissioner of Insurance; and

2. The accompanying filing complies with the minimum documentation required to be filed pursuant to Ins 6.06 (5) or (6).

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(title)

\_\_\_\_\_  
(date)

Individual responsible for this filing:

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: ( ) \_\_\_\_\_ Date: A \_\_\_\_\_

**Ins 6.07 Insurance policy language simplification.** (1) **PURPOSE.** The purpose of this rule is to establish minimum standards for legibility, coherence and understandability in consumer insurance policies delivered or issued for delivery in the state of Wisconsin on or after the effective dates stipulated in sub. (8). Sections of statutes interpreted or implemented by this rule are ss. 631.20 (2) (a) and 631.22.

(2) **SCOPE.** This rule shall apply to "consumer insurance policies" as defined in sub. (3) and not exempted under sub. (5).

(3) **DEFINITIONS.** (a) In this section "consumer insurance policy" means a life, disability, property or casualty insurance policy, or a certificate or a substitute for a certificate for group life, disability, property or casualty insurance coverage, which is issued to a person for personal, family or household purpose and a copy of which is customarily, in the insurance industry, delivered or is required by law, rule or agreement to be delivered to the person obtaining insurance coverage.

(b) The term "text" as used in this section shall include all printed matter except the following:

1. The name and address of the insurer; the name, number or title of the consumer insurance policy; the table of contents or index; captions and subcaptions; specification pages, schedules or tables; and

2. Any such form language which is drafted to conform to the requirements of any federal law, regulation or agency interpretation; any form language required by any collectively bargained agreement; any medical terminology; any words which are defined in the form; and any form language required by state law or regulation; provided, however, the insurer identifies the language or terminology excepted by this subdivision and certifies, in writing to the commissioner, that the language or terminology is entitled to be excepted by this subdivision.

(4) **MINIMUM STANDARDS.** (a) In addition to any other requirements of law, no consumer insurance policy, unless excepted under sub. (5), shall be delivered or issued for delivery in this state on or after the dates such forms must be approved under this section, unless:

1. The text achieves a minimum score of 50 for those policies labeled as Medicare supplement policies as defined by s. Ins 3.39, and a minimum score of 40 for all other policies included under this rule, on the Flesch reading ease test as described in par. (b), or an equivalent score on any other comparable test as provided in par. (c) of this subsection unless a lower score is authorized under sub. (7);

2. It is printed, except for specification pages, schedules and tables, in not less than 10 point type, one point leaded;

3. It is appropriately divided and captioned, presented in a meaningful sequence, and the style, arrangement and overall appearance of the policy enhance its understandability;

4. It contains a table of contents or an index of the principal sections of the policy if the policy contains more than 3,000 words or if the policy has more than 3 pages;

5. It contains a single section listing exclusions, or the exclusions are given at least equal prominence;

6. It defines words and expressions which are not commonly understood, or whose commonly understood meaning is not intended;

7. Cross-referencing between sections of the policy is maintained at a minimum.

(b) For the purpose of this section, a Flesch reading ease test score shall be measured by the following method:

1. For consumer insurance policies containing 10,000 words or less of text, the entire form shall be analyzed. For such forms containing more than 10,000 words, the readability of two 200-word samples per page may be analyzed instead of the entire form. The samples shall be separated by at least 20 printed lines.

2. The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

3. The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

4. The sum of the figures computed under subds. 2. and 3. subtracted from 206.835 equals the Flesch reading ease score for the consumer insurance policy.

5. For purposes of subds. 2., 3., and 4., the following procedures shall be used:

a. A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

b. A unit of words ending with a period, semicolon, or colon, but excluding headings and captions, shall be counted as a sentence; and

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