

(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, 2½% 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.

History: Cr. Register, March, 1957, No. 15, eff. 4-1-57; am. (2), (3), (4) and (5), Register, January, 1959, eff. 2-1-59.

Ins 3.11 Multiple peril insurance contracts. (1) **PURPOSE AND SCOPE.** (a) This rule implements and interprets sections 201.05, 203.32, and 204.37 to 204.54 inclusive, Wis. Stats., by enumerating the minimum requirements for the writing of multiple peril insurance contracts. Nothing herein contained is intended to prohibit insurers or groups of insurers from justifying rates or premiums in the manner provided for by the rating laws.

(b) This rule shall apply to multiple peril insurance contracts permitted by section 201.05, Wis. Stats., and which include a type or types of coverage or a kind or kinds of insurance subject to section 203.32 or sections 204.37 to 204.54, inclusive, Wis. Stats.

(c) Types of coverage or kinds of insurance which are not subject to section 203.32 and sections 204.37 to 204.54 inclusive, Wis. Stats., or to the filing requirement provisions thereof, may not be included in multiple peril insurance contracts otherwise subject to said sections unless such entire multiple peril insurance contract is filed as being subject to this rule and said sections and the filing requirements thereof.

(2) **DEFINITION.** Multiple peril insurance contracts are contracts combining two or more types of coverage or kinds of insurance in-

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cluded in any one or more than one subsection of section 201.04, Wis. Stats. Such contracts may be on the divisible or single (indivisible) rate or premium basis.

(3) **RATE MAKING.** (a) Premiums or rates must be predicated on the rating plans on file for such insurer(s) for each type of coverage or kind of insurance. Premiums or rates must contain, in addition to the charges for said kinds or types of insurance, an appropriate charge for such other perils or coverage as may be contemplated by the multiple peril insurance contract.

(b) Premiums or rates may be modified for demonstrated, measurable, or anticipated variation from normal of the loss or expense experience resulting from the combination or types of coverage or kinds of insurance or other factors of the multiple peril insurance contract. Multiple peril contracts may be filed or revised on the basis of sufficient underwriting experience developed by the contract or such experience may be used in support of such filing.

(c) In the event that more than one rating organization cooperates in a single (indivisible) rate or premium multiple peril insurance filing, one of such cooperating rating organizations shall be designated as the sponsoring organization for such filing by each of the other cooperating rating organizations and evidence of such designation included with the filing.

(4) **STANDARD POLICY.** The requirements of section 203.06, Wis. Stats., shall apply to any multiple peril insurance contract which includes insurance against loss or damage by fire.

History: Cr. Register, July, 1958, No. 31, eff. 8-1-58.

Ins 3.12 Membership fees and policy fees. (1) **PURPOSE.** This rule is intended to implement and interpret section 204.405, Wis. Stats., consistent with the purpose and scope of the applicable insurance statutes.

(2) **DEFINITION.** (a) Automobile coverage means the insurance against any loss, expense, and liability resulting from the ownership, maintenance, or use of any automobile or other vehicle except aircraft.

(b) Initial membership fee is the fee charged for any automobile coverage for membership in an insurance company at the time the policyholder first procures insurance from the insurance company.

(c) Policy fee is the fee charged for issuing an insurance policy.

(3) **ACCOUNTING.** Every initial membership fee, policy fee, or other similar charge for any automobile coverage shall be considered as additional premium for the first policy term subsequent to the collection or payment thereof: (a) For all annual statement purposes, including all summaries, tabulations, schedules, and exhibits;

(b) For recording and reporting in accordance with the uniform classification of expense for fire, marine, and casualty and surety insurance;

(c) For tax purposes;