

## CHAPTER 201

## INSURANCE CORPORATIONS IN GENERAL

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**201.045 Certificate of authority; fee.** (1) **SCOPE.** This section applies to all insurers incorporated or organized under any law of this state except chs. 611, 612, 613 and 614.

(2) **REQUIREMENT OF LICENSE.** No insurer or plan subject to this section may transact insurance business in this state without having in effect a certificate of authority.

(3) **LICENSING.** The commissioner shall issue to any insurer or plan subject to this section a certificate of authority authorizing it to transact the business of insurance in this state if he is satisfied that it has met all requirements of law and that its methods and practices and the character and value of its assets will adequately safeguard the interests of its insureds and the public in this state. Each certificate shall be issued for a period of no longer than one year and shall expire on May 1. It may be renewed from year to year.

(4) **FEEES.** Except town mutuals, every insurer or plan obtaining or renewing its certificate shall pay the fee required by s. 601.31 (2) or (3).

**History:** 1971 c. 260; 1973 c. 22; 1975 c. 223, 373.

**201.24 Domestic companies; trading prohibited; real estate, investments.** (1) No domestic insurer organized or operating under any general law other than ch. 611 shall, directly or indirectly, deal in goods or commodities, excepting such as it may have insured and are claimed to be damaged by the risk insured against, and excepting that an insurer authorized to issue title insurance may prepare and sell abstracts of title and related documents and certificates.

(2) No such company shall acquire or hold real estate except such as shall be necessary for the convenient transaction of its business, including with its offices other apartments to rent, the value of which shall not exceed 20 per cent of its admitted assets or, in the case of insurance companies organized under ch. 612, the value thereof shall not exceed one mill on the

dollar on the amount of insurance in force; and such as has been or shall be conveyed or mortgaged to it in good faith by way of security for loans or for debts or for money due in its business, or such as may have been purchased at sales upon judgments or mortgages obtained or made for such debts.

(3) All real estate except that needed for its business shall be disposed of within five years after the same shall have been acquired, unless the commissioner shall upon the application of the company showing that it will suffer materially from a forced sale thereof, authorize the postponement of such sale, not exceeding five years. Such authority may be renewed from time to time.

(5) (a) Any material transaction between a domestic insurance corporation and one or more of its directors or officers, or between a domestic insurance corporation and any other person in which one or more of its directors or officers or any person controlling the corporation has a material interest, shall be voidable by the corporation unless:

1. The transaction at the time it is entered into is reasonable and fair to the interests of the corporation; and

2. The transaction has, with full knowledge of its terms and of the interests involved, been approved in advance by the board of directors or by the shareholders; and

3. The transaction has been reported to the commissioner immediately after such approval.

(b) Directors whose interest or status make the transaction subject to this section may be counted in determining a quorum for a board meeting approving a transaction under par. (a) 2, but may not vote. Approval shall require affirmative vote of a majority of those present.

(c) The commissioner may, by rule, require that any class of transactions subject to par. (a), which by their nature tend to be unreasonable or unfair to the interests of the corporation, shall be submitted to him in advance. Unless the

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commissioner approves of such a transaction, it shall not be carried out even though approved under par. (a) 2.

(d) This section does not apply to transactions subject to sub. (6), nor to transactions made between an insurance corporation and its wholly owned subsidiary, nor to policies of insurance, other than reinsurance, issued in the normal course of business. Nothing in this section shall deprive any person of any rights accruing at usual terms under a policy of insurance, other than reinsurance. The commissioner may, by rule, exempt other classes of transactions from the requirement of par. (a) 3 to the extent that the purposes of this section may be achieved without such report being made.

(6) (a) No transaction shall be entered into between a domestic stock insurance corporation and a person controlling it or between the corporation and a person controlled by the same person who controls it unless:

1. The transaction at the time it is entered into is reasonable and fair to the interests of the corporation; and

2. The books, accounts and records of each party to the transaction are kept in a manner that clearly and accurately disclose the nature and details of the transaction and are in accordance with an adequate cost accounting system permitting ascertainment of appropriate charges relating to the transaction; and

3. If the transaction is a reinsurance transaction, it is reported to the commissioner immediately.

(b) Transactions entered into in violation of par. (a) shall be voidable by the corporation.

(7) This section does not apply to fraternal societies or corporations organized or operating under ch. 611.

*History:* 1971 c. 260; 1973 c. 22 s. 12; 1975 c. 372, 373.

*Legislative Council Note, 1971:* The definition in s. 201.24

(5) (a) 4 is replaced in s. 600.03.

Sub. (8) is proposed since chs. 611 and 620 replace the whole of s. 201.24 as applied to domestic insurance corporations, except for sub. (1) which will be dealt with in another chapter. [Bill 469-S]

**201.71 Motor club service; definitions.** As used in ss. 201.71 to 201.82, unless the context or subject matter otherwise requires:

(1) "Commissioner" means the commissioner of insurance, or his assistants or deputies, or other persons authorized to act for him.

(2) "Company" means any person, firm, copartnership, company, association or corporation engaged in selling, furnishing or procuring, either as principal or agent, for a consideration, motor club service as herein defined.

(3) "Agent" means one who solicits the purchase of service contracts, as herein defined, or transmits for another any such contract, or application therefor, to or from the company, or

acts or aids in any manner in the delivery or negotiation of any such contract, or in the renewal or continuance thereof.

(4) "Towing service" means any act by a company, as herein defined, consisting of the drafting or moving of a motor vehicle from one place to another under other than its own power.

(5) "Emergency road service" means any act by a company, as herein defined, consisting of the adjustment, repair or replacement of the equipment, tires or mechanical parts of an automobile so as to permit it to be operated under its own power.

(6) "Insurance service" means any act by a company, as herein defined, consisting of the selling or giving with a service contract, as herein defined, or as a result of membership in or affiliation with a company, as herein defined, a policy of insurance covering liability or loss by the holder of a service contract with any such company as the result of injury to the person of such service contract holder following an accident resulting from the ownership, maintenance, operation or use of a motor vehicle.

(7) "Bail bond service" means any act by a company, as herein defined, the purpose of which is to furnish to, or procure for, any person accused of violation of any law of this state a cash deposit, bond or other undertaking required by law in order that the accused might enjoy his personal freedom pending trial.

(8) "Legal service" means any act by a company, as herein defined, consisting of the hiring, retaining, engaging or appointing of an attorney or other person to give professional advice to, or represent, holders of service contracts with any such company, in any court, as the result of liability incurred by the right of action accruing to the holder of a service contract as a result of the ownership, operation, use or maintenance of a motor vehicle.

(9) "Discount service" means any act by a company, as herein defined, resulting in the giving of special discounts, rebates or reductions of price on gasoline, oil, repairs, parts, accessories or service for motor vehicles, to holders of service contracts with any such company.

(10) "Financial service" means any act by a company, as herein defined, whereby loans or other advances of money, with or without security, are made to holders of service contracts with any such company.

(11) "Buying and selling service" means any act by a company, as herein defined, whereby the holder of a service contract with any such company is aided in any way in the purchase or sale of an automobile.

(12) "Theft service" means any act by a company, as herein defined, the purpose of which is to locate, identify or recover a motor vehicle,

owned or controlled by the holder of a service contract with any such company, which has been, or may be, stolen, or to detect or apprehend the person guilty of such theft.

(13) "Map service" means any act by a company, as herein defined, by which road maps are furnished without cost to holders of service contracts with any such company.

(14) "Touring service" means any act by a company, as herein defined, by which touring information is furnished without cost to holders of service contracts with any such company.

(15) "Motor club service" means the rendering, furnishing or procuring of towing service, emergency road service, insurance service, bail bond service, legal service, discount service, financial service, buying and selling service, theft service, map service and touring service, or any three or more thereof, as herein defined, to any person, in connection with the ownership, operation, use, or maintenance of a motor vehicle by such person, in consideration of such other person being or becoming a member of any company rendering, procuring or furnishing the same, or being or becoming in any manner affiliated therewith, or being or becoming entitled to receive membership or other motor club service therefrom by virtue of any agreement or understanding with any such company.

(16) "Service contract" means any written agreement whereby any company, as herein defined, for a consideration, promises to render, furnish, or procure for any other person, whether he is a member of such company or otherwise, motor club service, as herein defined.

#### **201.72 License to sell motor club service.**

No company shall sell or offer for sale any motor club service without first having deposited with the commissioner the sum of \$25,000, in cash or securities approved by the commissioner, or, in lieu thereof, a bond in the form prescribed by the commissioner, payable to the state of Wisconsin, in the sum of \$50,000, with corporate surety approved by the commissioner, conditioned upon the faithful performance in the sale or rendering of motor club service and payment of any fines or penalties levied against it for failure to comply with ss. 201.71 to 201.82. Upon the depositing of such security with the commissioner, it shall be the duty of said commissioner to issue a certificate of authority to said company. The provisions of this section shall not affect or apply to any company heretofore organized which has been in continuous operation in this state for a period of more than 3 years immediately prior to May 24, 1933 and has a fully paid annual membership of more than 500 members within this state. The foregoing cash deposit or bond is

not required in any instance as a penalty, but for the protection of the public only.

**201.73 Agent's license.** No agent, doing business in this state, shall execute, issue or deliver any service contract as herein defined to any person owning or operating a motor vehicle without first having obtained a license from the commissioner; nor shall any agent collect or receive from any person, in advance of the execution, issuance or delivery of any such service contract, any money or other thing of value upon any promise or agreement to execute, issue or deliver any such service contract, without first having obtained a license from said commissioner.

**201.74 Manner of obtaining company license; fee.** (1) No certificate of authority shall be issued by the commissioner until the company has filed with him the following:

(a) A formal application in such form and detail as the commissioner may require, executed under oath by its president or other principal officer;

(b) A certified copy of its charter or articles of incorporation and its bylaws, if any;

(c) A certificate from the secretary of state, if it is a nonprofit corporation, that it has complied with the corporation laws of this state; if it is a corporation the stock of which has been or is being sold to the general public, a certificate from the commissioner of securities that it has complied with the requirements of the securities law of this state.

(2) No certificate of authority shall be issued by the commissioner until the company has paid to the commissioner the fee required by s. 601.31 (2).

(3) Every certificate of authority issued hereunder shall expire annually on July 1, of each year, unless sooner revoked or suspended, as hereinafter provided.

History: 1971 c. 307.

**201.76 Form of service contract.** No service contract shall be executed, issued, or delivered in this state until the form thereof has been approved in writing by the commissioner.

**201.77 Execution of service contract.** Every service contract, executed, issued, or delivered in this state shall be made in duplicate, and shall be dated and signed by the company issuing the same, and countersigned by its duly authorized agent, and by the party purchasing the same, and one copy thereof shall be kept by said company, and the other copy shall be delivered to the party purchasing the same.

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**201.78 Contents of contract.** No service contract shall be executed, issued, or delivered in this state unless it contains the following:

(1) The exact corporate or other name of the company.

(2) The exact location of its home office and of its usual place of business in this state, giving street number and city.

**201.79 Only agents to solicit business.** No person shall solicit, or aid in the solicitation of, another person to purchase a service contract issued by a company not duly licensed under ss. 201.71 to 201.82.

**201.80 Misrepresentations forbidden.** No company, and no officer or agent thereof, shall orally, or in writing, misrepresent the terms,

benefits, or privileges of any service contract issued, or to be issued, by it.

**201.81 Company always bound by contract.** Any service contract made, issued, or delivered contrary to any provision of ss. 201.71 to 201.82 shall nevertheless be valid and binding on the company.

**201.82 Persons exempted from act.** Nothing in ss. 201.71 to 201.82 shall apply to a duly authorized attorney at law acting in the usual course of his profession, nor to any insurance company, bonding company, or surety company now or hereafter duly and regularly licensed and doing business as such under the laws of this state.