



Ins. 3

Filed Feb 18 - 1957  
8:30 am

Wisconsin Insurance Department

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AMERICA'S DAIRYLAND

Hon. James J. Burke  
Revisor of Statutes  
321 N. E.  
CAPITOL

This is to certify that I have compared the attached copy of Wis. Adm. Code section Ins 3.09, adopted by the Commissioner of Insurance, with the original now on file in the Department of Insurance of the State of Wisconsin and that the same is a true and correct copy of such original and the whole thereof.

IN WITNESS WHEREOF I have hereunto subscribed my name and affixed the official seal of the Department at the State Capitol, in the City of Madison, State of Wisconsin, this 15 day of February, A. D., 1957.

Paul J. Rogan  
Commissioner of Insurance

ORDER OF THE COMMISSIONER OF INSURANCE

ADOPTING RULES

Pursuant to authority vested in the commissioner of insurance by section 200.02 (2), Wis. Stats., the commissioner of insurance hereby adopts a rule as follows:

Section Ins 3.09 of the Wisconsin administrative code is adopted to read:

Ins 3.09 Mortgage guaranty insurance. (1) PURPOSE. This rule is intended to implement and interpret applicable statutes for the purpose of establishing minimum requirements for the transaction of Mortgage Guaranty insurance.

(2) DEFINITION. Mortgage guaranty insurance is defined as insurance of mortgage lenders against loss by reason of nonpayment of mortgage indebtedness by the borrower, and is authorized by section 201.04 (8), Wis. Stats.

(3) ACCOUNTING. (a) The financial statement required by section 201.50, Wis. Stats., shall be furnished on the Fire and Casualty annual statement form.

(b) Expenses shall be recorded and reported in accordance with the Uniform Classification of Expenses for Fire and Marine and Casualty and Surety Insurance.

(c) The unearned premium reserve shall be computed in accordance with section 201.18 (1), Wis. Stats.

(d) The case basis method shall be used to determine the loss reserve, which shall include a reserve for claims reported and unpaid and a reserve for claims incurred but not reported.

(e) A contingency reserve composed of a contribution from earned premium equal to the contingency factor permitted in the rate formula shall be established and reported in the financial statement as a liability.

(4) CONTINGENCY RESERVE. (a) The reserve established in paragraph (e) of subsection (3) shall be maintained indefinitely for the purpose of protecting against the effect of adverse economic cycles.

(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 30% of the premiums earned until the contingency reserve becomes equal to 5 times the current premiums in force. At such time the appropriate modification shall be made in the contingency factor and rate formula.

(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,  $2\frac{1}{2}\%$  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. 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.