

company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or other responsible individuals associated with the company. Company accounting records shall be maintained in such detail that verification can be made to source documents supporting each transaction.

(5) **FINANCIAL STATEMENTS.** Financial statements shall be prepared by the secretary and treasurer of the company showing the financial condition of the company as of December 31, of each year or whenever requested by the commissioner. The report shall be prepared as prescribed by the commissioner.

(6) **FIDELITY BOND REQUIREMENTS.** All insurers subject to this rule shall procure and maintain in force a fidelity bond or honesty insurance as a guaranty against financial loss caused by employe dishonesty. The bond shall cover all fraudulent or dishonest acts, including larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction or willful application, committed by employes acting alone or in collusion. The bond shall cover all officers, directors and employes having direct access to the company's assets and with responsibility for the handling and processing of income of the company and disbursements of the company. The minimum amount of the bond shall be determined on the basis of the total admitted assets, plus gross income of the company as set forth in the following schedule:

Total Admitted Assets Plus Gross Income		Minimum Amount of Bond
\$ 0-\$	300,000	\$10,000
300,000-	400,000	13,000
400,000-	500,000	17,000
500,000-	600,000	20,000
600,000-	700,000	23,000
700,000-	800,000	27,000
800,000-	900,000	30,000
900,000-	1,000,000	33,000
1,000,000-	1,100,000	37,000
1,100,000-	1,200,000	40,000
1,200,000-	1,300,000	43,000
1,300,000-	1,400,000	47,000
1,400,000-	1,500,000	50,000
1,500,000-	2,000,000	60,000
2,000,000-	2,500,000	75,000
2,500,000-	3,000,000	90,000

History: Cr. Register, August, 1974, No. 224, eff. 9-1-74; reprinted to correct error, Register, March, 1980, No. 291; am. (3)(e), Register, April, 1982, No. 316, eff. 6-1-82.

**Ins 13.06 Surplus requirements.** (1) **PURPOSE.** This rule implements and interprets ss. 612.31 and 612.33, Stats., for the purpose of setting minimum surplus requirements as a condition for the transaction of specified types of business.

(2) **SCOPE.** This rule shall apply to all town mutual insurers subject to ch. 612, Stats.

(3) **NONPROPERTY INSURANCE.** Any town mutual insurer that retains any portion of a risk covering nonproperty insurance must maintain a surplus of not less than \$50,000.

(4) **PROPERTY INSURANCE.** Any town mutual insurer that writes property insurance shall maintain a surplus of the greater of \$50,000 or 20% of the net written premiums and assessments in the 12-month period ending on or not more than 60 days before the date as of which the calculation is made. Every town mutual shall achieve and maintain this minimum surplus by December 31, 1987.

(5) **PROPERTY AND NONPROPERTY INSURANCE.** Any town mutual insurer that writes nonproperty insurance and property insurance shall meet the requirements of sub. (4).

(6) **INDIVIDUAL CIRCUMSTANCES.** In the event of special circumstances of an individual town mutual insurer, the commissioner may by order adjust the factors in this section to calculate the minimum surplus, or may establish additional factors in relation to any relevant variables in determining the amount of minimum surplus required for the town mutual insurer.

History: Cr. Register, December, 1974, No. 228, eff. 1-1-75; cr. (4) to (6), Register, July, 1984, No. 343, eff. 8-1-84.

**Ins 13.08 Valuation of liabilities.** (1) **PURPOSE.** This rule implements and interprets s. 623.04, Stats., for the purpose of determining liabilities for financial statements filed with the commissioner.

(2) **SCOPE.** This rule shall apply to all town mutual insurers subject to ch. 612, Stats.

(3) **UNEARNED PREMIUM RESERVE.** The financial statements of town mutuals which charge advance premiums shall show as a liability an unearned premium reserve. The unearned premium reserve must be calculated on all advance premiums, on the original or full-term premium basis, plus all advance premiums on reinsurance assumed from other town mutual insurers, less advance premiums on risks assumed by other insurers under reinsurance contract. The minimum unearned premium reserves shall be calculated on the premiums in force as follows:

(a) One year policies or policies on which premiums are paid annually.

1. 50% of the net advanced premium.

(b) Two year policies on which the entire premium is paid in advance.

1. 75% on policies in first year of term.

2. 25% on policies in second year of term.

(c) Three year policies on which entire premium is paid in advance.

1. 83% on policies in first year of term.

2. 50% on policies in second year of term.

3. 17% on policies in third year of term.

(d) Four year policies on which the entire premium is paid in advance.

1. 87.5% on policies in first year of term.

2. 62.5% on policies in second year of term.

3. 37.5% on policies in third year of term.

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4. 12.5% on policies in fourth year of term.

(e) Five year policies on which the entire premium is paid in advance.

1. 90% on policies in first year of term.

2. 70% on policies in second year of term.

3. 50% on policies in third year of term.

4. 30% on policies in fourth year of term.

5. 10% on policies in fifth year of term.

(4) The unearned premium reserve shall be the sum of the amounts as calculated above. Any other method of calculating the unearned premium reserve must be approved by the commissioner.

History: Cr. Register, December, 1974, No. 228, eff. 1-1-75; am. (3) (Intro.), Register, April, 1982, No. 316, eff. 5-1-82.

**Ins 13.09 Reinsurance.** (1) **PURPOSE.** This rule implements and interprets s. 612.33, Stats., for the purpose of setting rules or guidelines for permitted and prohibited reinsurance and required reinsurance.

(2) **SCOPE.** This rule shall apply to all town mutual insurers subject to ch. 612, Stats.

(3) **REQUIRED REINSURANCE.** (a) Reinsurance of windstorm and hail insurance. Any town mutual which provides coverage against windstorm or hail shall obtain reinsurance providing either of the following:

1. At least a 90% pro rata share of the liability assumed on any such insurance contract; or

2. All liability for incurred ultimate net losses in the aggregate during any calendar year in excess of 3 mills on the average net insurance in force during the calendar year against windstorm or hail.

(b) Reinsurance of nonproperty insurance. Any town mutual which provides nonproperty insurance coverage shall obtain reinsurance as required by s. 612.33 (2) (b), Stats.

History: Cr. Register, December, 1974, No. 228, eff. 1-1-75.