

CR 85-95

STATE OF WISCONSIN  
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STATE OF WISCONSIN )  
 )  
OFFICE OF THE COMMISSIONER OF INSURANCE )

DOUGLAS LA FOLLETTE  
SECRETARY OF STATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Thomas P. Fox, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order amending a rule relating to mortgage guaranty insurance was issued by this office on September 12, 1985.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have  
hereunto subscribed my name in the  
City of Madison, State of Wisconsin,  
this 12<sup>th</sup> day of September, 1985.



Thomas P. Fox  
Commissioner of Insurance

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SEP 12 1985

DOUGLAS LA FOLLETTE  
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE  
AMENDING A RULE

To amend Ins 3.09 (3) (m) relating to mortgage guaranty insurance.

ANALYSIS BY THE COMMISSIONER OF INSURANCE

The commissioner amends s. Ins 3.09 (3) (m) relating to mortgage guaranty insurance so that "policyholders position" will include the deferred risk charge established under sub. (13) (b). Currently, "policyholder position" includes the contingency reserve and surplus as regards policyholders. The minimum policyholders position is the amount an insurer is required to maintain in relation to the risk assumed.

Section Ins 3.09 (13) (b) requires that the portion of the first year premium, excluding policy and other fees or similar charges, which exceeds twice the subsequent renewal premium rate is to be amortized over a 10 year term. Under certain circumstances, the commissioner may approve a lesser term than 10 years for the amortization of the deferred risk charge. This excess premium is described as a deferred risk charge. The establishment and amortization of the deferred risk charge delays the generation of surplus which is required to support mortgage guaranty insurance risks. The delay in earning "deferred risk charges" creates a substantial period between the time the policy is originally written and the time the premium is available as surplus.

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It is important to note that the deferred risk charge is not a liability which will ever be paid out in cash. This liability results merely from the intent to defer the premium earnings process. Therefore, the commissioner concludes that it is appropriate to include this liability in policyholders position.

The amendment to this rule interprets and implements financial reporting standards under s. 601.42, Stats., and will increase the capacity of an insurer to assume insurance risk.

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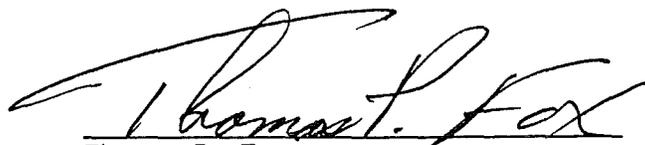
Pursuant to the authority vested in the commissioner of insurance by s. 601.41 (3), Stats., the commissioner hereby amends a rule implementing and interpreting ss. 601.42, 623.02, and 623.04, Stats., as follows:

SECTION 1. Ins 3.09 (3) (m) is amended to read:

(m) "Policyholders position" includes the contingency reserve established under sub. (14), the deferred risk charge established under sub. (13) (b) and surplus as regards policyholders. "Minimum policyholders position" is calculated as described in sub. (5).

This rule shall become effective on the first day of the month following its publication in the Wisconsin Administrative Register as provided in s. 227.026 (1) (intro.), Stats.

Dated at Madison, Wisconsin, this 12<sup>th</sup> day of September, E, 1985.



Thomas P. Fox  
Commissioner of Insurance

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09/12/85



The State of Wisconsin  
Office of the Commissioner of Insurance

Thomas P. Fox  
Commissioner  
(608) 266-3585

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DATE: September 12, 1985  
TO: Gary Poulson  
FROM: M. E. Van Cleave  
Assistant Deputy Commissioner of Insurance  
SUBJECT: Ins 3.09, Clearinghouse No. 85-95

A handwritten signature in dark ink, appearing to be "M. E. Van Cleave", written over the "FROM:" line of the memo.

Enclosed are two copies of an Order of the Commissioner of Insurance amending Ins 3.09 (3) (m), Clearinhouse No. 85-95, relating to mortgage guaranty insurance.

MEV:LH:mle  
Enclosure  
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