

Chapter Ins 6

GENERAL

- Ins 6.01 Foreign company to operate 2 years before admission (p. 183)
- Ins 6.02 Company to transact a kind of insurance 2 years before admission (p. 184)
- Ins 6.05 Filing of property and casualty insurance forms (p. 184)
- Ins 6.07 Insurance policy language simplification (p. 187)
- Ins 6.09 Prohibited acts by captive agents of lending institutions and others (p. 190)
- Ins 6.11 Insurance claim settlement practices (p. 192-1)
- Ins 6.12 Qualification of actuaries (p. 194)
- Ins 6.13 Public inspection of records and reports (p. 194)
- Ins 6.17 Regulation of surplus lines insurance (p. 196)
- Ins 6.18 Reporting and payment of tax by unauthorized insurers transacting business in violation of law (p. 200)
- Ins 6.19 Reporting and taxation of directly placed unauthorized insurance (p. 200)
- Ins 6.20 Investments of insurance companies (p. 204)
- Ins 6.25 Joint underwriting and joint reinsurance associations (p. 209)
- Ins 6.30 Instructions for uniform classifications of expenses of fire and marine and casualty and surety insurers (p. 210)
- Ins 6.31 Interpretations of the instructions for uniform classifications of expenses of fire and marine and casualty and surety insurers (p. 252)
- Ins 6.40 Proxies, consents and authorizations of domestic stock insurers (p. 257)
- Ins 6.41 Insider trading of equity securities of domestic stock insurers (p. 268)
- Ins 6.42 Initial statement of beneficial ownership of securities (p. 279)
- Ins 6.43 Statement of changes in beneficial ownership of securities (p. 283)
- Ins 6.50 Kinds of individual intermediary-agent licenses (p. 285)
- Ins 6.51 Group coverage discontinuance and replacement (p. 286)
- Ins 6.52 Biographical data relating to company officers and directors (p. 291)
- Ins 6.54 Prohibited classification of risks for rating purposes (p. 294)
- Ins 6.55 Discrimination based on sex; unfair trade practice (p. 295)
- Ins 6.57 Listing of insurance agents by insurers (p. 297)
- Ins 6.58 Licensing of corporations and partnerships as insurance intermediaries (p. 298)
- Ins 6.59 Licensing of individuals as agents (p. 299)
- Ins 6.61 Intermediary records (p. 301)
- Ins 6.63 Regulation charge (p. 302)
- Ins 6.66 Proper exchange of business (p. 303)
- Ins 6.67 Unfair discrimination in life and disability insurance (p. 304)
- Ins 6.68 Unfair discrimination based on geographic location or age of risk (p. 304-1)
- Ins 6.70 Combinations of lines and classes of insurance (p. 305)
- Ins 6.72 Risk limitations (p. 306)
- Ins 6.73 Reinsurance (p. 306)
- Ins 6.74 Suretyship and risk limitations of surety obligations (p. 307)
- Ins 6.75 Classifications of insurance (p. 308)
- Ins 6.76 Grounds for disapproval of and authorized clauses for fire, inland marine and other property insurance forms. (p. 310)
- Ins 6.77 Exemption from mid-term cancellation requirements and required uninsured motorist and medical payment coverages (p. 314)
- Ins 6.78 Exemption from filing of rates (p. 315)
- Ins 6.79 Advisory councils (p. 315)
- Ins 6.80 Retention of records (p. 316)

Ins 6.01 Foreign company to operate 2 years before admission. Experience has demonstrated that until a company has engaged in the business of insurance for at least 2 years there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact business in Wisconsin will be considered until it has continuously trans-

acted the business of insurance for at least 2 years immediately prior to the making of such application for license.

Ins 6.02 Company to transact a kind of insurance 2 years before admission. (1) Experience has demonstrated that until a company has engaged in a kind of insurance or in another kind of insurance of the same class for at least 2 years, there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business in such kind of insurance or another kind in the same class of insurance, are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact a kind of insurance business in Wisconsin will be considered until it has continuously transacted that kind of insurance, or another kind of insurance in the same class of insurance as that for which it makes such application; for at least 2 years immediately prior to making such application. For the purposes hereof, insurance is divided into kinds of insurance according to the provisions of s. Ins 6.75 each subsection setting forth a separate kind, and into classes of insurance upon the basis of and including the said kinds as follows:

(a) Fire insurance includes the kinds in s. Ins 6.75 (2) (a).

(b) Life insurance includes the kinds in s. Ins 6.75 (1) (a) and (b) but excluding all insurance on the health of persons other than that authorized in s. 627.06, Stats., and s. Ins 6.70.

(c) Casualty insurance includes the kinds in s. Ins 6.75 (2) (c) through (n).

(2) Provided, however, that nothing herein shall preclude consideration of an application to transact the kind of insurance in Ins 6.75 (1) (e) or (2) (c) if the applicant company has transacted any of the kinds of insurance in Ins 6.75 (1) (a) and (b) or (2) (d), (e), (k) and (n) continuously for 2 years immediately prior to the making of application for license to transact the kind of insurance in Ins 6.75 (1) (e) or (2) (c).

History: 1-2-56; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76; am. Register, March, 1979, No. 279, eff. 4-1-79.

Ins 6.05 Filing of property and casualty insurance forms. (1) **PURPOSE.** This rule is intended to implement and interpret s. 631.20, Stats., for the purpose of establishing filing procedures for certain property and casualty insurance policy forms.

(2) **SCOPE.** The requirements of this rule shall apply to insurance forms as defined in s. 600.03 (21), Stats., to be used to provide any of the lines or classes of insurance listed in Ins 6.75 (2) (a), (d), (e), (f), (g), (h), (i), (j), (l), (m) and (n).

(3) **DEFINITIONS.** In this rule, unless the context otherwise requires, the following words and terms shall have the following meanings:

(a) "Filing" shall mean:

1. Any matter submitted under this rule.
2. The act of filing such matter.

(b) "Basic policy forms" shall mean the basic insurance contracts used by any insurer including coverage parts or forms necessary to complete the contracts, amendatory endorsements needed to effect statutory compliance, and applications which become a part of an insurance contract.

(c) "Standard basic policy forms" shall mean any basic policy forms filed by a rate service organization licensed under s. 625.32, Stats.

(d) "Endorsement" shall mean any form or rider attached to a basic policy form which is not necessary to complete the basic contract nor effect statutory compliance, but is attached to either define, extend, limit, exclude, condition or otherwise alter coverage under the form.

(e) "Standard endorsements" shall mean any endorsements filed by a rate service organization licensed under s. 625.32, Stats.

(f) "Affiliated insurer" means an insurer who is a member or subscriber to a rate service organization licensed under s. 625.32, Stats., and who has authorized a rate service organization to make form filings on its behalf.

(4) FILINGS REQUIRED. (a) Each licensed rate service organization shall file all basic policy forms and endorsements intended for use in Wisconsin for the commissioner's prior approval. Such filing shall be accompanied by a duplicate transmittal letter which sets forth the same information as that required of individual insurers in par. (b). Upon approval, such filings will automatically apply to affiliated insurers.

(b) Each licensed insurer shall file all basic policy forms, standard basic policy forms, endorsements and standard endorsements, as defined in the rule, for the commissioner's prior approval. Each filing shall be accompanied by a duplicate transmittal letter which sets forth the following:

1. A listing, by form number, title and edition date, of each basic policy form and/or endorsement included in the filing.

2. A listing, by form number, title, edition date and effective date, of each basic policy form and/or endorsement to be superseded by the filing.

3. The proposed effective date of the filing. Such effective date shall be not less than 30 days following the date of receipt of the filing by the commissioner.

4. With respect to basic policy forms, a summary of all changes resulting from the filing by paragraph and clause.

5. With respect to each endorsement, a listing of the basic policy forms with which the endorsement may be used unless such information is specified on the endorsement itself.

6. Each insurer shall maintain a file of basic policy forms and endorsements upon approval by the commissioner. The company's file shall be subject to examination by the commissioner's office and the commissioner may request any portion of the file to be submitted to the office within 10 days from the date of a written request; the file requested may be in original form or a copy of the original form. Such forms and endorsements shall be retained until all exposure on the risks insured against have terminated.

7. For information purposes, each insurer shall submit a listing of all basic policy forms and endorsements by form number, title and edition date that it intends to use in Wisconsin and shall update such list, as needed, but in no event less than once per year. Such filing is required from each individual insurer and filings by "insurer groups" are not per-

mitted. The listing of forms and endorsements submitted annually will become the permanent record of basic forms and endorsements for each insurer. Annual filings of lists are due during the month shown opposite the first letter of the company name in the following schedule:

A	February	M	July
B-C	March	N-O	August
D-F	April	P-R	September
G-H	May	S-T	October
I-L	June	U-Z	November

(c) *Additional filings.* The filings required under pars. (a) and (b) shall be accompanied by: 1. A certificate of compliance in a form substantially similar to that set forth in par. (d).

2. A final printed copy of the form or typed facsimile exactly as it will be offered for issuance or delivery in the State of Wisconsin after approval by the commissioner, except for hypothetical data and other appropriate variable material.

(d) *Certification of Compliance.*

CERTIFICATION OF COMPLIANCE

I, _____ (name) _____, an officer of _____ (company name) _____, hereby certify that I have authority to bind and obligate the company by filing of this form. I further certify that, to the best of my information, knowledge and belief:

1. The accompanying form as identified by the attached listing complies with all applicable provisions of the Wisconsin Statutes and with all applicable rules of the Commissioner of Insurance; and

2.a. The form does not contain any inconsistent; ambiguous, or misleading clauses;

b. The form does not contain specifications or conditions that unreasonably or deceptively limit the risk purported to be assumed in the general coverage of the policy form;

c. If the attached form is substantially similar to a standard basic policy form or standard endorsement or supercedes a form currently on file for this company with the Commissioner of Insurance, any variations from such standard or superceded form are clearly marked or otherwise indicated on the form or in an addendum attached thereto; and

d. The attached form is in final printed format or typed facsimile and is exactly as will be offered for issuance or delivery in the State of Wisconsin after approval by the Commissioner of Insurance, except for hypothetical data and other appropriate variable material.

(signature)

(title)

(date)

Individual responsible for this filing:

Name: _____ Title: _____

Address: _____

Phone Number: _____ Date: _____

(5) **EFFECTIVE DATE.** The effective date of all form filings made by a rate service organization shall automatically apply to all affiliated insurers or non-affiliated insurers who have elected to adopt form filings of such organization.

(6) **PENALTY.** Any insurer violating the provisions of this rule by using a form which has not been approved by the commissioner shall be subject to the penalties set forth in s. 601.64, Stats. Each form issued to each policyholder contrary to the provisions of this rule shall constitute a separate violation of this rule.

History: Cr. Register, July, 1958, No. 31, eff. 8-1-58; am. (3), Register, May, 1975, No. 233, eff. 6-1-75; emerg. am. (1), eff. 6-22-76; am. (1), Register, September, 1976, No. 249, eff. 10-1-76; r. and recr. Register, November, 1977, No. 263, eff. 12-1-77; r. and recr. (4), Register, January, 1980, No. 289, eff. 2-1-80; am. (4)(a), (b) (intro.) and 7., Register, February, 1982, No. 314, eff. 3-1-82; cr. (4) (c) and (d), Register, July, 1982, No. 319, eff. 8-1-82.

Ins 6.07 Insurance policy language simplification. (1) **PURPOSE.** The purpose of this rule is to establish minimum standards for legibility, coherence and understandability in consumer insurance policies delivered or issued for delivery in the state of Wisconsin on or after the effective dates stipulated in sub. (8). Sections of statutes interpreted or implemented by this rule are ss. 631.20 (2) (a) and 631.22.

(2) **SCOPE.** This rule shall apply to “consumer insurance policies” as defined in sub. (3) and not exempted under sub. (5).

(3) **DEFINITIONS.** (a) In this section “consumer insurance policy” means a life, disability, property or casualty insurance policy, or a certificate or a substitute for a certificate for group life, disability, property or casualty insurance coverage, which is issued to a person for personal, family or household purpose and a copy of which is customarily, in the insurance industry, delivered or is required by law, rule or agreement to be delivered to the person obtaining insurance coverage.

(b) The term “text” as used in this section shall include all printed matter except the following:

1. The name and address of the insurer; the name, number or title of the consumer insurance policy; the table of contents or index; captions and subcaptions; specification pages, schedules or tables; and

2. Any such form language which is drafted to conform to the requirements of any federal law, regulation or agency interpretation; any form language required by any collectively bargained agreement; any medical terminology; any words which are defined in the form; and any form language required by state law or regulation; provided, however, the insurer identifies the language or terminology excepted by this subdivision and certifies, in writing to the commissioner, that the language or terminology is entitled to be excepted by this subdivision.

(4) **MINIMUM STANDARDS.** (a) In addition to any other requirements of law, no consumer insurance policy, unless excepted under sub. (5), shall

be delivered or issued for delivery in this state on or after the dates such forms must be approved under this section, unless:

1. The text achieves a minimum score of 50 for those policies labeled as Medicare supplement policies as defined by s. Ins 3.39, and a minimum score of 40 for all other policies included under this rule, on the Flesch reading ease test as described in par. (b), or an equivalent score on any other comparable test as provided in par. (c) of this subsection unless a lower score is authorized under sub. (7);

2. It is printed, except for specification pages, schedules and tables, in not less than 10 point type, one point leaded;

3. It is appropriately divided and captioned, presented in a meaningful sequence, and the style, arrangement and overall appearance of the policy enhance its understandability;

4. It contains a table of contents or an index of the principal sections of the policy if the policy contains more than 3,000 words or if the policy has more than 3 pages;

5. It contains a single section listing exclusions, or the exclusions are given at least equal prominence;

6. It defines words and expressions which are not commonly understood, or whose commonly understood meaning is not intended;

7. Cross-referencing between sections of the policy is maintained at a minimum.

(b) For the purpose of this section, a Flesch reading ease test score shall be measured by the following method:

1. For consumer insurance policies containing 10,000 words or less of text, the entire form shall be analyzed. For such forms containing more than 10,000 words, the readability of two 200-word samples per page may be analyzed instead of the entire form. The samples shall be separated by at least 20 printed lines.

2. The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

3. The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

4. The sum of the figures computed under subs. 2. and 3. subtracted from 206.835 equals the Flesch reading ease score for the consumer insurance policy.

5. For purposes of subs. 2., 3., and 4., the following procedures shall be used:

a. A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

b. A unit of words ending with a period, semicolon, or colon, but excluding headings and captions, shall be counted as a sentence; and

by the office of the commissioner of insurance of a notification that the charge is due.

Note: A copy of form OCI 11-51 can be obtained from the Office of the Commissioner of Insurance, P.O. Box 7872, Madison, WI 53707.

(4) If payment of the biennial regulation fee is not made within 30 days after the date of billing, the license will be suspended. If payment is made during the suspension, the license will be reinstated.

(5) The license will be revoked if payment is not made within 60 days after suspension.

(6) Any individual intermediary-agent whose license has been revoked shall, in order to be relicensed, satisfy the examination and licensing requirements established by Ins 6.59.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1) to (3), Register, September, 1981, No. 309, eff. 1-1-82; r. and recr. (4) to (6), Register, October, 1981, No. 310, eff. 11-1-81.

Next page is numbered 303

(8) CHANGE IN RESIDENCY STATUS. (a) A licensed nonresident agent, after becoming a Wisconsin resident, may retain authority under the nonresident agent license for a maximum of 60 days, at which time all authority granted under the nonresident license shall cease.

(b) A licensed resident agent, after becoming a resident of another state, may retain authority under the resident agent license for a maximum of 60 days, at which time all authority granted under the resident license shall cease.

(c) If an agent changes residency status and becomes licensed under the new status, all authority granted by the license issued under the former status shall terminate on the date the new license is issued.

(d) Criteria used by the insurance commissioner to establish residency shall include, but not be limited to:

1. Jurisdiction for payment of state taxes.
2. Jurisdiction for automobile driver's license and motor vehicle registration.
3. Location of voter registration.
4. Location of principal residence, such as owned or rented dwelling, condominium or apartment.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77; am. (8), Register, June, 1978, No. 270, eff. 7-1-78; cr. (10), Register, September, 1978, No. 273, eff. 10-1-78; am. (3) and (7), Register, February, 1980, No. 290, eff. 3-1-80; r. (6) and (9), renum. (7), (8) and (10) to be (6), (7) and (8), Register, August, 1980, No. 296, eff. 9-1-80; r. and recr. Register, September, 1981, No. 309, eff. 10-1-81; am. (4), cr. (8), Register, December, 1984, No. 348, eff. 1-1-85; am. (2), (3), (4) (a) and (b) and (6), Register, May, 1987, No. 377, eff. 7-1-87.

Ins 6.61 Intermediary records. (1) Each intermediary shall maintain or have maintained, for a 3 year period, unless a specific period is provided elsewhere, records of the intermediary's policyholder financial transactions and records of transactions with brokerage clientele which occur in the regular course of business or are prescribed by rule, in accordance with accepted accounting principles. Such records shall include an accounting of such billings to and receipts from purchasers of insurance and payments to insurers or others for coverage provided, as have passed through the hands of the intermediary, or comparable records on an agency or partnership-wide basis. An insurer may by written agreement assume the responsibility to maintain these records for an individual intermediary-agent if the records can be made immediately available to the commissioner of insurance on demand.

(2) Each individual intermediary-agent shall maintain records for a 3 year period giving the effective date of the coverage on all newly issued contracts and indicating that the necessary suitability inquiry and replacement procedures required by Ins 2.07, 2.14 (5) (f), 3.27 (7), and 3.29 were followed for each individually-issued life and accident and health contract written and/or replaced.

(2m) After March 31, 1987, each intermediary who is employed by, or is, an affiliate of a producer of title insurance shall maintain records for 3 years for each application or order for title insurance accepted in this state. The records shall state whether the application or order was directly or indirectly referred as provided by s. Ins 3.32 (5) by a producer of title insurance which is an affiliate as defined by s. Ins 3.32 (3) (a),

Ins 6

(bm) and (c) and the name of each producer of title insurance who is an affiliate and acts as broker, agent, lender, representative or attorney in the transaction which resulted in the application or order. After March 31, 1987, each intermediary who is an affiliate of a producer of title insurance shall maintain a record of gross revenue from operations in this state from title insurance by quarter calendar year which shall separately show gross revenue from operations in this state derived from applications or orders for title insurance directly or indirectly referred by the affiliate.

(3) Records required by subs. (1) and (2) are to be maintained at the business address of the intermediary or the insurer recorded with the commissioner of insurance, or at another location only if notice has been provided the commissioner of insurance of such alternate location.

(4) Each agent intermediary shall, within 30 days, notify the commissioner of insurance in writing of any change in the intermediary's business or residence address or any change of address of location of the intermediary's records.

(5) Each Wisconsin licensed agent must notify the commissioner within 30 days of any felony conviction or any formal disciplinary action against the agent taken by any state's insurance regulatory agency, commission or board, excepting action taken by the Wisconsin office of the commissioner of insurance. Formal disciplinary action means consent decrees, cease and desist orders, stipulations, suspensions, revocations, license denials, fines, forfeitures or actions limiting the agent's method of conducting an insurance business. The notification must be in writing and give a description of the conviction or disciplinary action.

Note: Individual intermediary-agent records which are to be maintained and subject to examination by the commissioner of insurance, are limited to transactions where the individual intermediary-agent serves in a fiduciary capacity (i.e., collects or handles premiums from clients and remits that amount of the premium due the carrier providing the coverage). This record maintenance requirement is not intended to apply to individual intermediary-agent office expense accounts, general office management records, income tax returns, or any other individual intermediary-agent financial transactions other than financial and other records directly pertaining to the individual intermediary-agent insurance transactions between clients and providers of coverage. Amendments to the rule comprehend the records of account and disclosure set forth in Ins 6.64 which are to be maintained by intermediary-brokers and do not alter the previous requirements for intermediary-agents. Some intermediary-broker records are required to be maintained for 5 years as opposed to 3 years for intermediary-agent.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77; am., Register, March, 1979, No. 279, eff. 4-1-79; cr. (5), Register, September, 1981, No. 309, eff. 10-1-81; cr. (2m), Register, November, 1986, No. 371, eff. 12-1-86.

Ins 6.63 Regulation charge. (1) The regulation amount to be paid biennially, by each licensed individual intermediary-agent is established to be as follows:

Resident agent	\$ 10.00
Non-resident agent	\$ 30.00

(2) The commissioner shall mail notification on form OCI 11-51 of the biennial regulation charge due and payable to each agent to the resident address on file with the office of the commissioner of insurance.

(3) Biennially on or before January 1 of each even numbered year the regulation fee is billed, and shall be paid within 30 days after the mailing