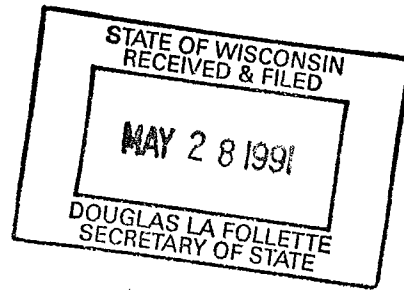


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STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE)

I, Robert D. Haase, Commissioner of Insurance and custodian of the official records of this Office, certify that the attached rule-making order affecting ss. Ins 13.05 (a) to (f), (4), and (6), Wis. Adm. Code, relating to financial records and controls for town mutual insurers, was issued by this Office on May 24, 1991.

I further certify that I have compared this copy with the original on file in this Office and that it is a true copy of the whole of the original.

Dated at Madison, Wisconsin, this 28th day of May, 1991.

A handwritten signature in cursive script that reads "Robert D. Haase".

Robert D. Haase
Commissioner of Insurance

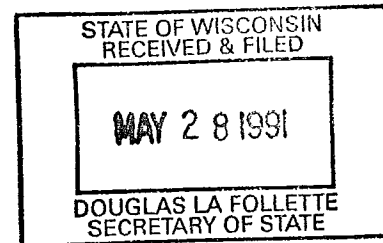
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ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE

AMENDING A RULE

To amend Ins 13.05 (3) (a) to (f), (4) and (6), relating to financial records and controls for town mutual insurers.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory authority: ss. 601.41 (3), 601.42 (3), 610.23, and 623.02, Stats.,

Statutes Interpreted: ss. 601.42 (3), 610.23, and 623.02 Stats.

This rule modifies the accounting record requirements applicable to town mutual insurers to make it clear they may be maintained on computer media, allows town mutuals more flexibility in internal controls and safekeeping arrangements for cash and securities and revises the fidelity bond requirements for town mutuals.

SECTION 1. Ins 13.05 (3) (a) to (f), (4), and (6) are amended to read:

Ins 13.05 (3) (a) Policy Register: A columnar register or other records which shall contain the policy number, policyholder's name, and address, ~~location of risk (city, village, or township and section(s))~~, effective date of policy, term of policy, risk in force, amount of risk in force reinsured, premium amount, policy fee, reinsurance premium, and provision for miscellaneous data.

(b) Cash Receipts Journal: A multi-columnar-form journal which shall contain columnar-headings-for the date, payor, identification,--amount received,--a-separate-column-for-each-of-the-principal-types-of-income-of-the company,--and-a-column-for-miscellaneous-receipts,---All-cash-received-by-the company-must-be-recorded-on-such-a-form, amount received, identification, and reference to the general ledger account and amount affected. All cash received by the company shall be recorded in the journal.

(c) Cash Disbursements Journal: A multi-columnar-form journal which shall contain column-headings-for the date, payee, check number, amount of check, a-separate-column-for-each-of-the-principal-types-of-expenses-of-the company,--and-a-column-for-miscellaneous-disbursements and a reference to the general ledger account and amount affected. All cash disbursed by the company shall be recorded in the journal.

(d) General Journal: A columnar-form journal for recording entries for all transactions affecting ledger items, which are not recorded in the cash receipts journal or cash disbursements journal. There-shall-be-provision for-reecording The general journal shall contain the date of the transaction, an explanation, of-the-transaction, the ledger account affected by-the transaction, and the amount of the transaction.

(e) General Ledger: A columnar-form ledger which shall have a-sheet an account for each ledger asset and ledger liability, surplus, as-well-as-the income and expense items of the company. There-shall-be-provision-on-each sheet-for Each account shall contain an account title and/or number, a date for each transaction, a description or-identification, debit amounts, credit amounts and an account balance.

(f) Loss Claim Register: A columnar-form register for recording all claims filed with the company. It shall list all claims in claim number order and contain the claimant's and policyholder's name, policy number, date of

loss, date that loss was reported to the company, cause of the loss, estimated amount of the loss, and the date the claim was settled and the amount of loss payments, if any. Claims closed without payment should be so noted.

(4) ACCOUNTING CONTROLS. The following minimum controls of records and data handling should be ~~carried-out~~ maintained:

(a) Cash Receipts: All cash receipts must ~~shall~~ be recorded on a cash ~~received-receivd~~ receipts journal. The cash receipts and cash funds of the company shall at all times be kept separate and distinct from any personal, agency funds or other funds. All cash received must ~~shall~~ be deposited in the bank intact, in the company's name ~~and-at-no-time-may-the~~ ~~cash-on-hand-consist-of-any-cash-items-such-as-small-bills-or-NSF-checks-held~~ ~~for-future-deposits~~. A duplicate deposit ticket must ~~shall~~ be retained in the company's office for each deposit. All checks in payment of premiums or received by the company for other purposes shall be endorsed for deposit immediately upon receipt. All cash receipts shall be deposited at least weekly. All cash deposits shall be prepared and made, whenever possible, by some individual other than the one who records the receipts or reconciles the bank accounts.

(b) Cash Disbursements: All disbursements except those made from the petty cash fund must ~~shall~~ be made by check. All checks issued by the company shall be recorded in chronological and numerical order in a cash disbursements ~~receivd~~ journal. Each disbursement shall be supported and explained in the records of the company. All checks used for disbursements shall be pre-numbered and properly accounted for. All checks shall be mailed or delivered immediately after being signed. All disbursements over a specified amount shall be approved by more than one officer, director or employe of the company. Whenever, possible, a person other than the person maintaining the company's cash disbursement ~~receivd~~, journal or reconciling the bank accounts shall sign the checks.

(c) Petty Cash Fund: A petty cash fund may be maintained for the payment of small bills or for making change,--each. Each disbursement must shall be supported by a signed voucher or receipted invoice and-at. At any time the total of the cash, checks and paid vouchers in the fund shall exactly equal the total of the fund as originally set up. The petty cash fund shall be reimbursed at regular intervals and always on the last business day of each year.

(d) Reconciliation of Bank Accounts: Bank statements shall be obtained from each of the banks in which the company maintains checking accounts at the end of each calendar month. The balance appearing on the bank statement shall be reconciled with the cash balance appearing on the company's records at the end of each month. Whenever possible, bank reconciliations should be made or reviewed by an individual other than the individuals preparing and making bank deposits, recording income and disbursements, and individuals signing company checks.

(e) Loss Claims: All claims reported to the company shall be assigned a claim number when reported. Claims in excess of a specified amount shall be approved by more than one officer, ~~or~~ director or employee of the company. All claims shall be adequately documented so that amounts for settlement and coverage can be verified. The claim file shall contain the reason for denial ~~when-the-payment-of-the-claim~~ if the claim is denied.

(f) General Internal Controls: Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained ~~in-a-safe-or-vault~~ to ensure their safekeeping with adequate safety controls ~~or-in-a-safety-deposit-box-in-a-bank~~. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank, or under a safekeeping agreement with a bank or banking and trust company pursuant to s. 610.23, Stats. Access to a company safety deposit box

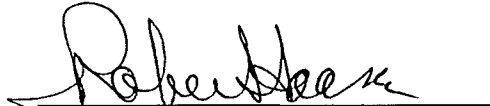
containing negotiable securities shall require the presence and signature of at least 2 officers, directors or ~~ether-responsible-individuals-associated~~ with employees of the company. Company accounting records shall be maintained in such detail that verification can be made to source documents supporting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

(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 employee dishonesty. The bond shall cover all fraudulent or dishonest acts, including larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction or willful application, committed by employees acting alone or in collusion. The bond shall cover all officers, directors and employees 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. A blanket bond covering all officers, directors and employees satisfies this requirement. The minimum amount of the bond shall be determined on the basis of 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-	\$ 0-	\$---300,000	\$ 500,000	\$10,000	\$ 20,000
---300,000-	500,001-	---400,000	1,000,000	-13,000	35,000
---400,000-	1,000,001-	---500,000	1,500,000	-17,000	50,000
---500,000-	1,500,001-	---600,000	2,000,000	-20,000	65,000
---600,000-	2,000,001-	---700,000	2,500,000	-23,000	80,000
---700,000-	2,500,001-	---800,000	3,000,000	-27,000	95,000
---800,000-	3,000,001-	---900,000	3,500,000	-30,000	110,000
---900,000-	3,500,001-	---1,000,000	4,000,000	-33,000	125,000
-1,000,000-	4,000,001-	---1,100,000	4,500,000	-37,000	140,000
-1,100,000-	4,500,001-	---1,200,000	5,000,000	-40,000	155,000
-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	

SECTION 2. EFFECTIVE DATE. This rule will take effect on the first day of the first month after publication, as provided in s. 227.22 (2) (intro.), Stats.

Dated at Madison, Wisconsin, this 28th day of May, 1991.


Robert D. Haase
Commissioner of Insurance

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