

Ins 6.74 Suretyship and risk limitations of surety obligations. (1) PURPOSE. The purpose of this rule is to establish minimum requirements for the transaction of surety obligations.

(2) SCOPE. This rule shall apply to the limitations on bond penal amounts imposed on insurers engaged in the business of suretyship. This section shall not apply to insurers issuing only that type of surety insurance known as municipal bond insurance.

(3) DEFINITIONS. (a) For purposes of this rule suretyship shall be construed to be insurance.

(b) An insurance corporation authorized to write fidelity insurance may guarantee the fidelity of, or become the surety for: 1. persons holding positions of public or private trust; 2. the performance of any act, duty or obligation or the refraining from any act; 3. the performance of any contract; 4. bonds of insurance companies required by law as a condition of transacting business; 5. indemnifying banks, brokers and other financial or moneyed associations or corporations, against the loss of documents and money, except against loss caused by marine risks or risks of transportation or navigation; 6. indemnifying any federal land bank against loss by reason of defective title to or incumbrances on real property on which such bank may have a mortgage.

(c) As used in this rule any one surety risk shall be equivalent to the penal amount established on the surety bond.

(4) RISK LIMITATIONS ON SURETY OBLIGATIONS. (a) No corporation shall execute any suretyship obligation or expose itself to any loss on any one surety bond in an amount in excess of one-tenth of its capital and surplus as reported in its most recent filed annual statement, unless it shall be protected in the excess of that amount: 1. by reinsurance in a corporation licensed to transact surety business where the risk is located; or 2. by the cosuretyship of a surety corporation likewise licensed.

(b) A surety corporation may execute transportation or warehousing bonds for the United States internal revenue taxes to an amount equal to 5 times the underwriting limitation specified in par. (a) of this rule.

(c) No corporation writing surety shall guarantee the deposits of any single financial institution in an aggregate amount in excess of the underwriting limitation set forth in par. (a) unless it shall be protected in excess of that amount by reinsurance or cosuretyship as specified in par. (a).

(d) A surety corporation shall not issue multiple bonds on a single contract (splitting bonds) and a surety corporation's liability on a single contract shall not be in excess of the limitations established in par. (a).

(e) No domestic corporation writing surety business shall execute, reinsure or be cosurety on a suretyship obligation in favor of the U.S. governments, or any other obligee, whereby a surety issues a bond to an obligee for a penal amount which is 10%, or an amount substantially less than, the total contract amount, unless the surety reinsures or obtains a cosurety for at least 50% of the bond penal amount with a corporation licensed to transact surety business where the risk is located. This is tantamount to a maximum exposure for any single loss on any one surety

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bond of this type of not more than one-twentieth of a domestic surety corporation's capital and surplus.

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Ins 6.75 Classifications of insurance. This rule defines and delimits lines and classes of insurance for any purposes within the commissioner's regulatory power unless the language or context of a statute or rule otherwise provides.

(1) **LIFE AND DISABILITY INSURANCE.** Life and disability insurance includes the following:

(a) **Life insurance and annuities**—insurance or annuities upon the lives of persons, except insurance or annuities included in par. (b);

1. **Credit life insurance**—insurance on the lives of borrowers or purchasers of goods in connection with specific loans or credit transactions when all or a portion of the insurance is payable to the creditor to reduce or extinguish the debt;

(b) **Variable life insurance and variable annuities**—insurance or annuities which provide for immediate or future benefits, the cost of which is funded and the payment of which is computed on the basis of experience factors derived from one or more segregated investments accounts established and managed as provided in ss. 611.24, 611.25, and 620.02, Stats.;

(c) **Disability insurance**—insurance covering injury or death of persons caused by accident, or insurance covering health of persons;

1. **Credit accident and sickness insurance**—insurance in connection with specific loans or credit transactions against loss of time of debtors resulting from accident or sickness when all or a portion of the insurance is payable to the creditor to reduce or extinguish the debt;

(2) **PROPERTY AND CASUALTY INSURANCE.** Property and casualty includes all lines or classes of insurance which may lawfully be the subject of insurance other than those classes defined in sub. (1) (a) or (b), including but not limited to the following:

(a) **Fire, inland marine and other property insurance**—insurance against loss or damage to real and personal property, while stationary or in transit, arising out of fire or any other peril but not including any insurance defined in any other paragraph of this rule;

(b) **Ocean marine insurance**—insurance against the perils of seas and other related perils usually insured against by ocean marine insurance.

(c) **Disability insurance**—insurance covering injury or death of persons caused by accident, or insurance covering health of persons;

1. **Credit accident and sickness insurance**—insurance in connection with specific loans or credit transactions against loss of time of debtors resulting from accident or sickness when all or a portion of the insurance is payable to the creditor to reduce or extinguish the debt;

(d) **Liability and incidental medical expense (other than automobile) insurance**—insurance against liability for damages to persons or property, and incidental insurance for medical expenses when written in the Register, October, 1984, No. 346

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same policy, but not including any liability insurance defined in other paragraphs of this rule;