

(2) DEFINITION. Mortgage guaranty insurance is defined as insurance of mortgage lenders against loss by reason of nonpayment of mortgage indebtedness by the borrower, and is authorized by section 201.04 (9), Wis. Stats.

(3) ACCOUNTING. (a) The financial statement required by section 201.50, Wis. Stats., shall be furnished on the Fire and Casualty annual statement form.

(b) Expenses shall be recorded and reported in accordance with the "Uniform Classification of Expenses of Fire and Marine and Casualty and Surety Insurers."

(c) The unearned premium reserve shall be computed in accordance with section 201.18 (1), Wis. Stats., except that in the case of premiums paid in advance for ten-year policies the annual pro rata factors specified below or comparable monthly pro rata factors shall apply.

Year	Unearned Factor to be Applied to Premiums in Force	Year	Unearned Factor to be Applied to Premiums in Force
1	90.0%	6	19.0%
2	70.0%	7	12.0%
3	52.5%	8	7.0%
4	39.0%	9	3.5%
5	28.0%	10	1.0%

(d) From the premium remaining after establishment of the premium reserve specified in paragraph (c) of this subsection, a portion equal to the contingency factor prescribed in paragraph (c) of subsection (4) shall be maintained as a special contingency reservation of premium and reported in the financial statement as a liability.

(e) The case basis method shall be used to determine the loss reserve, which shall include a reserve for claims reported and unpaid and a reserve for claims incurred but not reported.

(4) CONTINGENCY RESERVE. (a) The reserve established in paragraph (d) of subsection (3) shall be maintained for 180 months for the purpose of protecting against the effect of adverse economic cycles. That portion of the special premium reserve established more than 180 months prior shall be released and shall no longer constitute part of the special reserve and may be used for usual corporate purposes.

(b) Subject to the approval of the commissioner, the reserve shall be available only for loss payments when the incurred losses in any one year exceed the rate formula expected losses by 10% of the corresponding earned premiums.

(c) The contingency factor in the rate formula shall be 50% of the premium remaining after establishment of the premium reserve specified in subsection (3) (c).

(d) In event of release of the special reserve for payment of losses, the contributions required by paragraph (d) of subsection (3) shall be treated on a first-in-first-out basis.

(5) RATE MAKING. (a) Mortgage guaranty insurance shall be subject to the provisions of sections 204.37 to 204.54 inclusive, Wis. Stats.

(b) The rate formula shall contemplate losses, expenses, contingency reserve, 2½% of premium for profit, and any other relevant factors.

(c) All policy forms and endorsements shall be filed with and be subject to the approval of the commissioner of insurance. With respect to owner-occupied single-family dwellings, the mortgage insurance policy shall provide that the borrower shall not be liable to the insurance company for any deficiency arising from a foreclosure sale.

**History:** Cr. Register, March, 1957, No. 15, eff. 4-1-57; am. (2), (3), (4) and (5), Register, January, 1959, eff. 2-1-59; am. (4) (c), Register, August, 1959, No. 44, eff. 9-1-59.

**Ins 3.11 Multiple peril insurance contracts.** (1) **PURPOSE AND SCOPE.** (a) This rule implements and interprets sections 201.05, 203.32, and 204.37 to 204.54 inclusive, Wis. Stats., by enumerating the minimum requirements for the writing of multiple peril insurance contracts. Nothing herein contained is intended to prohibit insurers or groups of insurers from justifying rates or premiums in the manner provided for by the rating laws.

(b) This rule shall apply to multiple peril insurance contracts permitted by section 201.05, Wis. Stats., and which include a type or types of coverage or a kind or kinds of insurance subject to section 203.32 or sections 204.37 to 204.54, inclusive, Wis. Stats.

(c) Types of coverage or kinds of insurance which are not subject to section 203.32 and sections 204.37 to 204.54 inclusive, Wis. Stats., or to the filing requirement provisions thereof, may not be included in multiple peril insurance contracts otherwise subject to said sections unless such entire multiple peril insurance contract is filed as being subject to this rule and said sections and the filing requirements thereof.

(2) **DEFINITION.** Multiple peril insurance contracts are contracts combining two or more types of coverage or kinds of insurance included in any one or more than one subsection of section 201.04, Wis. Stats. Such contracts may be on the divisible or single (indivisible) rate or premium basis.

(3) **RATE MAKING.** (a) When underwriting experience is not available to support a filing, the information set forth in sections 203.32 (4) (b) and 204.40 (1), Wis. Stats., may be furnished as supporting information.

(b) Premiums or rates may be modified for demonstrated, measurable, or anticipated variation from normal of the loss or expense experience resulting from the combination or types of coverage or kinds of insurance or other factors of the multiple peril insurance contract. Multiple peril contracts may be filed or revised on the basis of sufficient underwriting experience developed by the contract or such experience may be used in support of such filing.

(c) In the event that more than one rating organization cooperates in a single (indivisible) rate or premium multiple peril insurance filing, one of such cooperating rating organizations shall be designated as the sponsoring organization for such filing by each of the other cooperating rating organizations and evidence of such designation included with the filing.

(4) **STANDARD POLICY.** The requirements of section 203.06, Wis. Stats., shall apply to any multiple peril insurance contract which includes insurance against loss or damage by fire.

**History:** Cr. Register, July, 1958, No. 31, eff. 8-1-58; am. (3) (a), Register, November, 1960, No. 59, eff. 12-1-60.

Register, November, 1960, No. 59

**Ins 3.12 Membership fees and policy fees.** (1) **PURPOSE.** This rule is intended to implement and interpret section 204.405, Wis. Stats., consistent with the purpose and scope of the applicable insurance statutes.

(2) **DEFINITION.** (a) Automobile coverage means the insurance against any loss, expense, and liability resulting from the ownership, maintenance, or use of any automobile or other vehicle except aircraft.

(b) Initial membership fee is the fee charged for any automobile coverage for membership in an insurance company at the time the policyholder first procures insurance from the insurance company.

(c) Policy fee is the fee charged for issuing an insurance policy.

(3) **ACCOUNTING.** Every initial membership fee, policy fee, or other similar charge for any automobile coverage shall be considered as additional premium for the first policy term subsequent to the collection or payment thereof: (a) For all annual statement purposes, including all summaries, tabulations, schedules, and exhibits;

(b) For recording and reporting in accordance with the uniform classification of expense for fire, marine, and casualty and surety insurance;

(c) For tax purposes;

(d) And shall be subject to all statutory requirements for reserves and financial statements;

(e) And reasonable allocation consistent with the company's method of operation for renewal business shall be made to each coverage for which there is a premium charge contained in the policy.

(4) **INSURANCE RATES AND PREMIUM CHARGES.** (a) Every initial membership fee, policy fee, or other similar charge for any automobile coverage shall be considered as additional premium for the first policy term subsequent to the collection or payment thereof and:

1. Shall be reasonable, equitable, and consistent with the company's method of operation;

2. Shall not discriminate unfairly between risks or classes;

3. Reasonable allocation shall be made to each coverage in accordance with the statistical plans applicable for the specific coverages contained in the policy;

4. In event of cancellation within the first policy term, shall be subject to return to at least the same extent as premium;

5. The conditions applicable to such fees shall be stated in the policy.

(b) Each and every consideration for the policy, including initial membership fee, policy fee, or other similar charge, and the premium, must be stated in the policy.

(c) With respect to the same kind or class of automobile coverage, an insurer may operate only on a plan which is limited to the use of the conventional premium method or to the use of an initial membership fee or policy fee or other similar charge.

(d) No policy fee or other similar charge shall be charged for renewal or extension of an insurance policy by endorsement or certificate.

**History:** Cr. Register, February, 1958, No. 26, eff. 3-1-58.

Register, November, 1960, No. 59

**Ins 3.13 Individual accident and sickness insurance.** (1) **PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing procedures and requirements to expedite the review and approval of individual accident and sickness policies permitted by section 204.31, Wis. Stats., and franchise type accident and sickness policies permitted by section 204.32 (1), Wis. Stats. The requirements in subsections (2), (3), (4), (5), and (6) are to be followed in substance, and wording other than that described may be used provided it is not less favorable to the insured or beneficiary.

(2) **POLICY PROVISIONS.** (a) If a policy is not to insure against sickness losses resulting from conditions in existence prior to the effective date of coverage, or in existence prior to a specified period after such effective date, the policy by its terms shall indicate that it covers sickness contracted and commencing (or beginning, or originating, or first manifested or words of similar import) after such effective date or after such specified period. Wording shall not be used that requires the cause of the condition or sickness, as distinguished from the condition or sickness itself, to originate after such effective date or such specified period. (Note: It is understood that "sickness" as used herein means the condition or disease from which the disability or loss results.) Subsection (2) (a) shall not apply to nor prohibit the exclusion from coverage of a disease or physical condition by name or specific description.

(b) Where any "specified period" referred to in subsection (2) (a) exceeds 30 days, it shall apply to the occurrence of loss and not to the contracting or commencement of sickness after such period.

(c) A policy, other than a non-cancellable policy or a non-cancelable and guaranteed renewable policy or a guaranteed renewable policy, shall set forth the conditions under which the policy may be renewed, either by: A *brief description* of the policy's renewal conditions, or a *separate statement* referring to the policy's renewal conditions, or a separate appropriately captioned *renewal provision* appearing on or commencing on the first page.

1. The *brief description*, if used to meet the foregoing requirement, shall be printed, in type more prominent than that used in the policy's text, at the top or bottom of the policy's first page and on its filing back, if any, and shall describe its renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company", "Renewal at Option of Company as Stated in \_\_\_\_\_" (refer to appropriate policy provision), or "Renewal May be Refused as Stated in \_\_\_\_\_" (refer to appropriate policy provision). A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter.

2. The *separate statement*, if used to meet the foregoing requirement, shall be printed, in type more prominent than that used in the policy's text, at the top or bottom of the policy's first page and on its filing back, if any, and shall describe its renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company", "Renewal at Option of Company as Stated in \_\_\_\_\_" (refer to appropriate policy provision), or "Renewal May be Refused as Stated in \_\_\_\_\_" (refer to appropriate policy provision).

A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter.

3. The *renewal provision* appearing on or commencing on the policy's first page, if used to meet the foregoing requirement, shall be preceded by a caption which describes the policy's renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company", "Renewal at Option of Company as Stated Below", or "Renewal May be Refused as Stated Herein". A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter. The caption shall be in type more prominent than that used in the policy's text.

(d) If the policy is not renewable, it shall be so described in the brief description or in a separate statement at the top or bottom of the first page and on the filing back, if any, or it shall be so described in a separate appropriately captioned provision on the first page. The brief description, or the separate statement, or the caption shall be printed in type more prominent than that used in the policy's text.

(e) 1. The terms "non-cancellable" or "non-cancellable and guaranteed renewable" may be used only in a policy which the insured has the right to continue in force by the timely payment of premiums set forth in the policy a. until at least age 50, or b. in the case of a policy issued after age 44, for at least 5 years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the policy while the policy is in force.

2. A non-cancellable or non-cancellable and guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any description of the non-cancellable feature, a. the age to which the form is non-cancellable and b. the age at which the form's benefits are reduced, if applicable.

3. Except as provided above, the term "guaranteed renewable" may be used only in a policy which the insured has the right to continue in force by the timely payment of premiums a. until at least age 50, or b. in the case of a policy issued after age 44, for at least 5 years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the policy while the policy is in force, except that the insurer may make changes in premium rates by classes.

4. A guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any description of the guaranteed renewable feature, a. the age to which the form is guaranteed renewable, b. the age at which the form's benefits are reduced, if applicable, and c. the fact that the applicable premium rates can be changed.

5. The foregoing limitation on the use of the term "non-cancellable" shall also apply to any synonymous term such as "not cancellable" and the limitation on use of the term "guaranteed renewable" shall apply to any synonymous term such as "guaranteed continuable".

6. Nothing herein contained is intended to restrict the development of policies having other guarantees of renewability, or to prevent the accurate description of their terms of renewability or the classification of such policies as guaranteed renewable or non-cancellable for

any period during which they may actually be such, provided the terms used to describe them in policy contracts and advertising are not such as may readily be confused with the above terms.

7. The provisions of section 204.31 (3) (a) 2. am. and 4. b. and (3) (b) 6. b. are applicable to non-cancellable or non-cancellable and guaranteed renewable or guaranteed renewable policy forms as herein defined.

(f) Policies issued on a family basis shall clearly set forth the conditions relating to termination of coverage of any family member.

(g) Surgical benefit provisions or schedules shall provide that the benefit for any covered surgical procedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

(h) A limited policy is one that contains unusual exclusions, limitations, reductions, or conditions of such a restrictive nature that the payments of benefits under such policy are limited in frequency or in amounts. All limited policies shall be so identified by having the words "THIS IS A LIMITED POLICY—READ IT CAREFULLY" imprinted or stamped diagonally across the face of the policy and the filing back, if any, in contrasting color from the text of the policy and in outline type not smaller than 18-point. When appropriate, these words may be varied by the insurer in a manner to indicate the type of policy; as for example, "THIS POLICY IS LIMITED TO AUTOMOBILE ACCIDENTS—READ IT CAREFULLY". Without limiting the general definition above, policies of the following types shall be defined as "limited": 1. School Accident, 2. Aviation Accident, 3. Polio, 4. Specified Disease, 5. Automobile Accident.

(i) If the policy excepts coverage while the insured is in military or naval service, the policy must provide for a refund of pro rata unearned premium upon request of the insured for any period the insured is not covered. However, if coverage is excluded only for loss resulting from military or naval service or war, the refund provision will not be required. This section shall not apply to non-cancellable policies or non-cancellable and guaranteed renewable policies or guaranteed renewable policies.

(j) Policies which include sickness benefits and which do not cover pre-existing conditions, except single premium non-renewable policies, shall have printed thereon or attached thereto a notice stating in substance that the purchaser may return the policy within ten (10) days of delivery requesting cancellation and have any premium paid refunded if, after examination of the policy, the purchaser is not satisfied with it for any reason; or, in lieu of the foregoing notice, a statement calling the applicant's attention to the status of pre-existing conditions under his coverage shall be set forth by the company by means of any one of the following methods:

1. Included in application.
2. Included in notice attached to the policy.
3. Printed or stamped on the policy.

The above enumerated methods are set forth without prejudice to the right of a company to submit another method, subject to approval by the commissioner, which it believes is equally clear or effective.

(3) **RIDERS AND ENDORSEMENTS.** (a) A rider is an instrument signed by one or more officers of the insurer issuing the same to be attached to and form a part of a policy. All riders shall comply with the requirements of section 204.31 (2) (a) 4, Wis. Stats.

(b) If the rider reduces or eliminates coverage of the policy, signed acceptance of the rider by the insured is necessary. However, signed acceptance of the rider is not necessary when the rider is attached at the time of the original issuance of the policy if notice of the attachment of the rider is affixed on the face and filing back, if any, in contrasting color, in not less than 12-point type. Such notice shall be worded in one of the following ways:

"Notice! See Elimination Rider Attached"

"Notice! See Exclusion Rider Attached"

"Notice! See Exception Rider Attached"

"Notice! See Limitation Rider Attached"

"Notice! See Reduction Rider Attached"

A company may submit, subject to approval by the commissioner, other wording which it believes is equally clear or more definite as to subject matter.

(c) An endorsement differs from a rider only in that it is applied to a policy by means of printing or stamping on the body of the policy. All endorsements shall comply with the requirements of section 204.31 (2) (a) 4, Wis. Stats.

(d) If the endorsement reduces or eliminates coverage of the policy, signed acceptance of the endorsement by the insured is necessary. However, signed acceptance of the endorsement is not necessary when the endorsement is affixed at the time of the original issuance of the policy if notice of the endorsement is affixed on the face and filing back, if any, in contrasting color, in not less than 12-point type. Such notice shall be worded in one of the following ways:

"Notice! See Elimination Endorsement Included Herein"

"Notice! See Exclusion Endorsement Included Herein"

"Notice! See Exception Endorsement Included Herein"

"Notice! See Limitation Endorsement Included Herein"

"Notice! See Reduction Endorsement Included Herein"

A company may submit, subject to approval by the commissioner, other wording which it believes is equally clear or more definite as to subject matter.

(4) **APPLICATIONS.** (a) Application forms shall indicate that answers to questions about the health of any proposed insured that call for an opinion, or require the exercise of judgment, are to the best of the applicant's knowledge and belief or words of similar import.

(b) It shall not be necessary for the applicant to sign a proxy provision as a condition for obtaining insurance. The applicant's signature to the application must be separate and apart from any signature to a proxy provision.

(c) The application form, or the copy of it, attached to a policy shall be plainly printed or reproduced in light-faced type of a style in general use, the size of which shall be uniform and not less than 10-point.

(5) **FILING PROCEDURE.** Policy forms, riders or endorsements submitted for review and approval must be filed as follows: (a) One copy of all such forms (two copies should be submitted if company desires one copy stamped as approved and returned) shall be submitted with a copy of the application applying thereto, if such application is to be made a part of the contract. If such application is already on file and has been previously approved, the form number and date of approval may be submitted rather than the application.

(b) If the nature of the information to be inserted in any blank space of any such form cannot be determined from the wording of the form, such blank space shall be filled in with hypothetical data to the extent needed to indicate the purpose and use of the form. As an alternative such purpose and use may be explained in the filing letter submitted with the form.

(c) The filing letter shall be in duplicate and shall contain the following information:

1. The identifying form number and title, if any, of the form.
2. A general description of the form.
3. In case of a rider or endorsement, the form numbers, identifying symbols or types of policies with which the rider or endorsement will be used.
4. The form number and date of department approval of any form superseded by the filing.

(6) **RATE FILINGS.** (a) The following must be accompanied by a rate schedule:

1. Policy forms.
2. Rider or endorsement forms which affect the premium rate.

(b) The rate schedule shall bear the insurer's name and shall contain or be accompanied by the following information:

1. The form number or identification symbol of each policy, rider or endorsement to which the rates apply.
2. A schedule of rates including policy fees or rate changes at renewal, if any, and variations, if any, based upon age, sex, occupation, or other classification.
3. An indication of the anticipated loss ratio on an earned-incurred basis.
4. Any revision of a rate filing shall be accompanied by a statement of the experience on the form and the anticipated loss ratio on an earned-incurred basis under the revised rate filing.

5. Subsection (6), paragraphs (b) 3 and (b) 4, shall not apply to non-cancellable policies or riders or non-cancellable and guaranteed renewable policies or riders or guaranteed renewable policies or riders.

**History:** Cr. Register, March, 1958, No. 27; subsections (1), (5), (6) eff. 4-1-58; subsections (2), (3), (4) eff. 5-15-58; am. (2) (c) and cr. (4) (c), Register, March, 1959, No. 39, eff. 4-1-59; am. (2) (e), (6) (b) 3 and 4, Register, November, 1959, No. 47, eff. 12-1-59; am. and renum. (2) (c), (d), (e), (f), (g) and (h); am. (3) and (6) (b) 5, Register, June, 1960, No. 54, eff. 7-1-60; am. (2) (e) 4, Register, November, 1960, No. 59, eff. 12-1-60.



**Ins 3.14 Group accident and sickness insurance.** (1) **PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing procedures and requirements to expedite the review and approval of group accident and sickness policies permitted by section 204.32 (2) (a), Wis. Stats.

(2) **FILING PROCEDURE.** Policy forms, including certificates, riders or endorsements submitted for review and approval must be filed as follows: (a) One copy of all such forms (2 copies should be submitted if company desires one copy stamped as approved and returned) shall be submitted with a copy of the application applying thereto, if such application is to be made a part of the contract. If