CHAPTER 620

INSURANCE — INVESTMENTS

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Cross-reference: See definitions in ss. 600.03, 610.01, 628.02.

NOTE: Chapter 260, laws of 1971, which created this chapter, contains explanatory notes.

620.01 Purpose and scope. (1) INVESTMENT OBJECTIVES. The purpose of this chapter is to protect and to further the interests of insureds, creditors and the public, by providing, with minimum interference with management initiative and judgment, standards for the development and administration of programs for the investment of the assets of insurers, which standards seek an optimal balance of the following objectives:

(a) Safety of principal, and to the extent consistent therewith, maximum yield and growth;

(b) Stability of value, except where higher risk and possible fluctuations of value are compensated by a commensurate increase in yield and growth possibilities, and either special reserves or surplus is available in sufficient amount to cover reasonably foreseeable fluctuations in value;

(c) Sufficient liquidity to avoid the necessity in reasonably expected circumstances for selling assets at undue sacrifice;

(d) Reasonable diversification with respect to geographical area, industry, maturity, types of investment, individual investments and other relevant variables; and

(e) Reasonable relationship between liabilities and assets as to term and nature.

(2) SCOPE. Except as otherwise provided, this chapter and the rules promulgated to interpret and implement it, apply to all insurers authorized to do business in this state.

History: 1971 c. 260.

Cross-reference: See also s. Ins 6.20, Wis. adm. code.

620.02 Segregated account investments. (1) GENERAL. Each segregated or separate account established under s. 611.24 or 611.25 shall be evaluated separately to determine compliance with this chapter.

(2) VARIABLE BENEFIT SEPARATE ACCOUNTS. (a) *General.* The amounts allocated to each account created under s. 611.25 and accumulations thereon may be invested and reinvested without regard to any requirements or limitations prescribed by this chapter.

(b) *Guaranteed benefits.* To the extent that the corporation's reserve liability, with regard to benefits guaranteed as to dollar amount and duration and funds guaranteed as to principal amount or stated rate of interest, is maintained in any separate account, a portion of the assets of the account at least equal to the reserve liability shall be invested in accordance with this chapter, or in accordance with such requirements as the commissioner prescribes by rule.

(3) VALUATION OF SEGREGATED ACCOUNT ASSETS. Assets allocated to a segregated account shall be valued at their market value on the date of valuation, or if there is no readily available market, then in accordance with the applicable contract; but a portion of the assets of the account at least equal to the corporation's reserve liability with regard to the guaranteed benefits and funds referred to in sub. (2), if any, shall be reported separately and valued in accordance with the rules otherwise applicable to the corporation's assets or in accordance with rules promulgated under sub. (2). No securities valuation reserve or other reserve for fluctuation in the value of securities need be maintained for assets that do not have to comply with this chapter.

History: 1971 c. 260.

620.03 Special investment restrictions. (1) SPECIAL RESTRICTIONS FOR NEW INSURERS. For the first 5 years after obtaining a certificate of authority in this state, an insurer shall be subject to the following restrictions:

(a) *Procedural requirements.* The commissioner may by rule prescribe for all or for certain classes of such insurers special procedural requirements including special reports, prior approval or subsequent disapproval of investments.

(b) *Substantive restrictions.* The commissioner may by rule prescribe for all, or separately for different classes of, such insurers substantive restrictions on investments, including:

1. Specification of classes of assets that may not be counted toward satisfaction of the compulsory surplus requirement or the security surplus standard even though they may be counted for unrestricted corporations;

2. Specification of maximum amounts of assets that may be invested in any single investment, or any issue, class or group of classes of investments, expressed as percentages of total assets, capital, surplus, legal reserves or other variables;

3. Prescription of qualitative tests for investments and conditions under which investments may be made, including requirements of specified ratings from investment advisory services, listing on specified stock exchanges, collateral, marketability, the financial and legal status of the issuer and its earnings capacity, and currency matching.

(2) EXEMPTIONS. The commissioner may by order grant an insurer exemption from any restriction under sub. (1) to the extent that the commissioner is satisfied that the interests of insureds, creditors and the public of this state are sufficiently protected in other ways, such as by the investment regulation actually exercised in the domicile of a nondomestic insurer; or by other evidence of the solidity of the insurer and the competence of its management and its investment advisers.

(3) EXTENSIONS. The commissioner may by rule apply to a class of insurers any restriction of sub. (1), more than 5 years after issuance of a certificate of authority, if the commissioner finds that financial condition or management require additional investment regulation for the protection of the interests of insureds, creditors or the public in this state.

History: 1971 c. 260; 1979 c. 102 s. 236 (6).

620.04 Specific orders. (1) ADDITIONAL RESTRICTIONS. If the commissioner finds that by reason of investment conditions generally or of the financial condition or current investment practice of an individual insurer, the interests of insureds, creditors, or the public are or may be endangered, the commissioner may do any of the following:

(a) For insurers that are not restricted under s. 620.03, impose reasonable and temporary restrictions upon the investments of an individual insurer, including prohibition or divestment of a particular investment.

(b) For insurers that are subject to s. 620.03, impose reasonable restrictions upon the investments of an individual insurer, including prohibition or divestment of a particular investment.

(2) CONSENT INVESTMENTS. The commissioner may count an asset toward satisfaction of the compulsory surplus requirement or the security surplus standard, or both, even if it does not conform to this chapter or rules promulgated thereunder, if the commissioner finds that counting it does not endanger the interests of insureds, creditors or the public.

(3) ALIEN INVESTMENTS. The commissioner may count toward satisfaction of the compulsory surplus requirement or the security surplus standard any assets in which an insurer must invest under the laws of a country other than the United States as a condition for doing business in that country if the commissioner finds that counting them does not endanger the interests of insureds, creditors or the public of this state.

History: 1971 c. 260; 1979 c. 102 s. 236 (6); 1991 a. 316; 2015 a. 90.

620.05 Protection against currency fluctuations. Any insurer doing business that requires it to make payment in different currencies shall have investments in securities in each of such currencies in an amount that independently of all other investments meets the requirements of chs. 600 to 646 as applied separately to the insurer's obligations in each currency. The commissioner may by order exempt an insurer, or by rule a class of insurers, from this requirement if the obligations in other currencies are small enough that no significant problem for solidity would be created by substantial fluctuations in relative currency values.

History: 1977 c. 339; 1979 c. 89.

620.12 Disposal of prohibited assets. (1) INVESTMENTS BECOMING ILLEGAL. The commissioner shall allow a reasonable time not longer than 10 years for disposal of any investment legally held on April 30, 1972, or of any investment legal when made but subsequently becoming illegal.

(2) HARDSHIP CASES. A reasonable time shall be allowed for disposal of assets if the investment was made by mistake or if forced sale of the asset would be contrary to the interests of insureds, creditors or the public of this state.

History: 1971 c. 260.

620.21 Effect of investment restrictions. (1) GENERAL. Assets may be counted toward satisfaction of the compulsory surplus requirement or the security surplus standard only so far as they are invested in compliance with this chapter and applicable rules promulgated by the commissioner.

(2) EXEMPTION FROM LIMITATIONS FOR ASSETS ACQUIRED IN ENFORCING RIGHTS. Assets necessarily acquired in the bona fide enforcement of creditors' rights may be counted for the purposes of sub. (1) for 5 years after acquisition if real property and one year if not real property, even if they could not otherwise be counted under this chapter. The commissioner may allow reasonable extensions of such periods if replacement of the assets within the periods would not be possible without substantial loss.

History: 1971 c. 260.

620.22 Permitted classes of investments. Any of the following classes of investments may be counted for the purposes specified in s. 620.21, whether the investments are made by the insurer alone or as a participant in a partnership or joint venture:

(1) Bonds or other evidences of indebtedness of governmental units in the United States or Canada, or the instrumentalities of such governmental units, or of private corporations domiciled in the United States or Canada.

(2) Loans secured by mortgages, trust deeds, or other security interests in tangible property located in the United States or Canada or secured by insurance against default issued by a government insurance corporation of the United States or Canada or an insurer authorized to do business in this state.

(3) Preferred or common stock of any United States or Canadian corporation.

(4) Property needed for the convenient transaction of the insurer's business.

(5) Real property, together with the fixtures, furniture, furnishings, and equipment pertaining to the real property, that is located in the United States or Canada and that produces, or after suitable improvement can reasonably be expected to produce, substantial income.

(6) Loans upon the security of the insurer's own policies in amounts that are adequately secured thereby and that in no case exceed the surrender values of the policies.

(7) Investments in property and facilities for the development and production of solar or geothermal energy, fossil or synthetic fuel, or gasohol, including, but not limited to, ownership and control of such property and facilities, of up to 5 percent of the portion of the insurer's assets that exceeds $2 billion.

(8) Any other investments that the commissioner authorizes by rule.

(9) Investments not otherwise permitted by this section, and not specifically prohibited by statute, to the extent of not more than 5 percent of the first $500,000,000 of the insurer's assets plus 10 percent of the insurer's assets exceeding $500,000,000.

History: 1971 c. 260; 1979 c. 279; 1981 c. 307; 2001 a. 103.

620.23 Limitations generally applicable. (1) CLASS LIMITATIONS. For the purposes of s. 620.21, the following limitations on classes of investments apply:

(a) Investments authorized by s. 620.22 (1) which are not amortizable under applicable valuation rules, 5 percent of assets;

(b) Investments authorized by s. 620.22 (4), 20 percent of assets in the case of nonassessable insurers, and 50 percent of the earned premium and assessments for the preceding calendar year in the case of assessable insurers;

(c) Investments authorized by s. 620.22 (5), 20 percent of assets in the case of life insurers, and 10 percent of assets in the case of nonlife insurers; and

(d) Investments by life insurers in common stock and in shares of mutual funds, 20 percent of assets.

(2) INDIVIDUAL LIMITATIONS. For the purposes of s. 620.21, the following limits on investments apply:

(a) *Common stock.* Common stock of a single corporation and its affiliates, other than subsidiaries of the types authorized under s. 611.26 (1) to (3) or mutual funds, 3 percent of assets;

(b) *Total investments.* All securities of a single issuer and its affiliates, other than the government of the United States and subsidiaries of the types authorized under s. 611.26 (1) to (3), 10 percent of assets.

(3) INVESTMENT SUBSIDIARIES. For the purpose of determining compliance with the limitations of this chapter, the assets of subsidiaries under s. 611.26 (2) shall be deemed to be owned directly by the insurer and any other investors in proportion to the market value, or if there is no market, the reasonable value, of their interest in the subsidiaries.

(4) EFFECT OF QUANTITY LIMITATIONS. To the extent that investments exceed the limitations specified in subs. (1) and (2),

the excess may be assigned to the investment class authorized in s. 620.22 (9), until that limit is exhausted.

(5) SPECIAL RULE FOR MUTUAL FUNDS AND OTHER INVESTMENT COMPANIES. If the commissioner considers it desirable in order to get a proper evaluation of the investment portfolio of an insurer, the commissioner may require that investments in mutual funds or other investment companies be treated for purposes of this chapter as if the investor owned directly its proportional share of the assets owned by the mutual fund or investment company.

History: 1971 c. 260; 1979 c. 102 s. 236 (6); 1979 c. 110 s. 60 (11); 1979 c. 279 s. 9; 1981 c. 307.

620.25 Relationship to other statutes. (1) This chapter shall prevail over any other statute purporting to authorize an insurer to make a particular investment if the other statute was enacted before May 13, 1980, and shall prevail over any statute enacted thereafter unless the latter negates the application of this section or of particular provisions in this chapter by specifically designating them by number.

(2) This section does not apply to s. 234.26.

History: 1979 c. 279; 2009 a. 33; 2013 a. 271.

620.31 Valuation of assets. For the purposes of this chapter, except as otherwise provided by chs. 600 to 646, all assets shall be valued as they are valued for purposes of the financial statements submitted under s. 601.42 (1g) (a), less the amount of any investment fluctuation reserves explicitly attributable to them.

History: 1971 c. 260; 1979 c. 89; 1987 a. 247.

620.32 Investment valuation reserves. (1) GENERAL. The commissioner may by rule, applicable to all or specified classes of insurers, provide for the establishment in reasonable amounts of investment valuation reserves that are necessary and appropriate to lessen the impact on surplus of the fluctuation of the values of specific classes of assets.

(2) SPECIFIC. The commissioner may by order require an individual insurer to establish investment valuation reserves in addition to those required for other insurers of the class to which the insurer belongs, to the extent that the financial condition of the insurer and the nature of its assets and liabilities or business require that such reserves be established for the adequate protection of its insureds.

(3) UNIFORMITY. So far as reasonably possible, reserves required under sub. (1) shall correspond with those generally required in other states.

History: 1971 c. 260.