CHAPTER 623

INSURANCE — ACCOUNTING AND RESERVES

623.01 Applicability.
623.02 Standards for accounting rules.
623.03 Valuation of assets.
623.04 Valuation of liabilities.
623.06 Standard valuation law.
623.11 Amount of compulsory surplus.
623.12 Amount of security surplus.
623.15 Fraternal rates and reserves.
623.21 Adjustment of reserves.
623.34 Accounting for repurchased shares.

Cross-reference: See definitions in ss. 600.03 and 628.02.
Cross-reference: See also chs. Ins 41, 50, 51, 52, and 55, Wis. adm. code.

623.01 Applicability. Except as otherwise provided, this chapter and the rules promulgated under it apply to all insurers authorized to do business in this state.
History: 1979 c. 102.
Cross-reference: See also s. Ins 3.17, Wis. adm. code.

623.02 Standards for accounting rules. When promulgating accounting rules, the commissioner shall consider recommendations made by the National Association of Insurance Commissioners, generally accepted accounting principles both in the insurance industry and outside it, the requirements of the law and the needs of regulation, including detection of insolvency, and the needs for information of insureds, investors, and the public.
History: 1973 c. 293.
Cross-reference: See also ch. Ins 50, Wis. adm. code.
NOTE: The bill that created ss. 623.02 to 623.04 and s. 623.21, 1973 SB 174, contained extensive explanatory notes that may be found in the bill drafting file in the Legislative Reference Bureau for Chapter 293, laws of 1973.

623.03 Valuation of assets. The commissioner shall promulgate rules for the valuation of assets to be reported on the statements submitted under s. 601.42 (1g) (a) as well as for other purposes. The commissioner may specify that certain classes of assets shall be valued at zero or given a nominal value, and when necessary to achieve the purposes of this section may specify different bases of valuation for different purposes.
History: 1973 c. 293; 1979 c. 102 s. 236 (7); 1987 a. 247.
Cross-reference: See also ch. Ins 50, Wis. adm. code.

623.04 Valuation of liabilities. The commissioner shall promulgate rules specifying the liabilities required to be reported by insurers in the financial statements submitted under s. 601.42 (1g) (a) and the methods of valuing them. In the case of life insurance such methods shall be consistent with s. 623.06.
History: 1973 c. 293; 1977 c. 153 s. 6; 1977 c. 339 s. 44; 1987 a. 247.
Cross-reference: See also ch. Ins 50 and s. Ins 3.04, Wis. adm. code.

623.06 Standard valuation law. (1) In this section:

(a) "Accident and health insurance contract" means a contract that incorporates morbidity risk and provides protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual.

(b) "Appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required in sub. (1r).

(c) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risks and as may be specified in the valuation manual.

(d) "Law enforcement agency," "National Association of Insurance Commissioners," or "regulatory agency" includes the employees, agents, consultants, and contractors of each such entity.

(e) "Life insurance," "life insurance contract," "life insurance policy," or "plan of life insurance" means a contract that incorporates mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

(f) "Operative date of the valuation manual" means January 1, 2017, as determined under sub. (9) (b).

(g) "Principle-based valuation" means a reserve valuation that uses one or more methods, or one or more assumptions, determined by the insurer and that is required to comply with sub. (10) as specified in the valuation manual.

(h) "Qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American academy of actuaries qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual, if the valuation manual is in effect, and any other requirements that the commissioner may by rule specify.

(i) "Tail risk" means a risk that occurs either when the frequency of low probability events is higher than expected under a normal probability distribution or when there are observed events of very significant size or magnitude.

(j) "Valuation manual" means the manual of valuation instructions as adopted by the National Association of Insurance Commissioners under sub. (9) or as subsequently amended.

(1f) (a) For policies and contracts issued before the operative date of the valuation manual, the commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in the calculation of such reserves. In calculating such reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves herein required of any foreign or alien company, the commissioner may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction if such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction. Subsections (2) to (7) apply to all policies and contracts issued before the operative date of the valuation manual.

(b) For policies and contracts issued on or after the operative date of the valuation manual, the commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance contracts, annuity and pure endowment contracts, accident and health insurance contracts, and deposit-type contracts of every insurer doing business in this state. In lieu of the valuation of the reserves required of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction if the valuation complies with the minimum standard provided in this section.

Subsections (9) and (10) apply to all policies and contracts issued on or after the operative date of the valuation manual.

(1m) Before the operative date of the valuation manual, all of the following apply:

(a) 1. For each year ending on or after December 31, 1996, every life insurance company doing business in this state shall submit to the commissioner, with its annual statement due by March 1 of the following year, an opinion by a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commissioner by rule satisfy all of the following:

a. They are computed appropriately.

b. They are based on assumptions that satisfy contractual provisions.

c. They are consistent with prior reported amounts.

d. They comply with the applicable laws of this state.

2. The commissioner shall by rule specify in detail the nature of the information required in the opinion under subd. 1. and may by rule require any additional information that the commissioner determines is necessary to the scope of the opinion.

(b) 1. Every life insurance company not exempted by rule shall include with the opinion required under par. (a) the opinion of the qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commissioner by rule, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including but not limited to the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts. The commissioner may by rule provide for a transition period for an insurance company to establish any higher reserves that the qualified actuary determines are necessary to make adequate provision for the company's obligations under the policies and contracts.

2. An insurance company that is required to submit an opinion under subd. 1. shall have prepared by the qualified actuary who renders the opinion a memorandum in support of the opinion under subd. 1. The commissioner shall specify by rule the form and content of the memorandum. The insurance company shall provide the memorandum to the commissioner, at the commissioner's request, for his or her examination. After examination, the commissioner shall return the memorandum to the insurance company. The memorandum shall not be considered a record of the commissioner's office.

3. If an insurance company fails to provide a supporting memorandum to the commissioner upon request within the period specified by rule, or if the commissioner determines that the supporting memorandum provided by an insurance company fails to meet the standards prescribed by rule or is otherwise unacceptable, the commissioner may retain a qualified actuary at the expense of the insurance company to review the opinion required under subd. 1. and the basis for the opinion and to prepare such supporting memorandum as the commissioner requires.

(c) The following provisions apply to an opinion required under par. (a) or (b):

1. The opinion shall apply to all business in force, including individual and group health insurance plans, in form and substance acceptable to the commissioner as specified by rule.

2. The opinion shall be based on standards adopted from time to time by the actuarial standards board established by the American academy of actuaries and on such additional standards as the commissioner may by rule prescribe.

3. In the case of an opinion required to be submitted by a foreign or alien company, the commissioner may accept the opinion filed by that company with the insurance supervisory official of another state if the commissioner determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state.

(d) Except for fraud or willful misconduct, a qualified actuary may not be held liable for damages to any person other than the insurance company or the commissioner for any act, error, omission, decision or conduct with respect to an opinion required under this subsection.

(e) The commissioner shall specify by rule any disciplinary action that the commissioner may take against an insurance company or a qualified actuary related to any of the requirements under this subsection.

(f) 1. The commissioner shall keep confidential any memorandum in support of, and any other material provided by an insurance company to the commissioner in connection with, an opinion required under this subsection. Any such memorandum or other material may not be made public and may not be subject to subpoena except for the purpose of defending an action seeking damages from any person on account of an act required under this subsection or required by a rule authorized or required under this subsection.

2. The commissioner may release any such memorandum or other material with the written consent of the insurance company, or to the American academy of actuaries upon its request if the memorandum or other material is required for professional disciplinary proceedings and if the request sets forth procedures that are satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

3. A memorandum loses its confidentiality if the insurance company cites any portion of the memorandum for marketing purposes or before any governmental agency other than a state insurance department or if the insurance company releases any portion of the memorandum to the news media.

(1r) Beginning on the operative date of the valuation manual, all of the following apply:

(a) Every insurance company that has outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and that is subject to regulation by the commissioner shall submit to the commissioner, as prescribed in par. (c), the opinion of the appointed actuary as to whether the reserves and related actuarial items held in support of those outstanding contracts are computed appropriately, are based on assumptions that satisfy contractual provisions, are consistent with prior reported amounts, and comply with applicable laws of this state. The valuation manual shall prescribe the specifics of this opinion, including any items that are necessary to its scope.

(b) Every insurance company that has outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and that is subject to regulation by the commissioner, except as exempted in the valuation manual, shall also annually include in the opinion required under par. (a) an opinion of the same appointed actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified in the valuation manual, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including the benefits under and expenses associ-

ated with the policies and contracts. The opinion required under this paragraph shall be governed by the following:

1. A memorandum, in form and substance as specified in the valuation manual and acceptable to the commissioner, shall be prepared to support each actuarial opinion.

2. If the insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified in the valuation manual, or the commissioner determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the valuation manual or is otherwise unacceptable to the commissioner, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting memorandum required by the commissioner.

(c) All opinions required under this subsection shall be governed by the following:

1. The opinion shall be in form and substance as specified in the valuation manual and acceptable to the commissioner.

2. The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending after the operative date of the valuation manual.

3. The opinion shall apply to all policies and contracts described in pars. (a) and (b), plus other actuarial liabilities as may be specified in the valuation manual.

4. The opinion shall be based on standards adopted from time to time by the actuarial standards board or its successor and on any additional standards prescribed in the valuation manual.

5. With respect to an opinion required to be submitted by a foreign or alien company, the commissioner may accept the opinion filed by that company with the insurance supervisory official of another state if the commissioner determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state.

6. Except in cases of fraud or willful misconduct, the appointed actuary shall not be liable for damages to any person, other than the insurance company and the commissioner, for any act, error, omission, decision, or conduct with respect to the appointed actuary's opinion.

(2) Except as provided in subs. (2a) and (2m), the minimum standard for the valuation of all policies and contracts specified by the commissioner under sub. (1m) (a) 1. issued prior to the effective date of this section [see sub. (13) and s. 632.43 (9)] shall be that provided by the laws in effect immediately prior to such date. Except as provided in subs. (2a) and (2m), the minimum standard for the valuation of all such policies and contracts issued on or after the effective date of this section shall be the commissioners reserve valuation methods defined in subs. (3) to (4m) and (7), with 3.5 percent interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after June 19, 1974, and prior to November 8, 1977, 4 percent interest, and for policies issued on or after November 8, 1977, 4.5 percent interest and the following tables:

(a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in those policies, the commissioners 1941 standard ordinary mortality table for those policies issued before the operative date of s. 632.43 (6) (b), and the commissioners 1958 standard ordinary mortality table for those policies issued on or after the operative date of s. 632.43 (6) (b) and before the operative date of s. 632.43 (6m). For any category of those policies issued on female risks all modified net premiums and present values referred to in this section may be calculated according to an age not more than 6 years younger than the actual age of the insured.

(am) For policies under par. (a) issued on or after the operative date of s. 632.43 (6m):

1. The commissioners 1980 standard ordinary mortality table;

2. At the election of the company for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with 10-year select mortality factors; or

3. Any ordinary mortality table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies.

(b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in those policies, the 1941 standard industrial mortality table for those policies issued before the operative date of s. 632.43 (6) (c), and for those policies issued on or after the operative date of s. 632.43 (6) (c) the commissioners 1961 standard industrial mortality table or any industrial mortality table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies.

(c) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies — the 1937 standard annuity mortality table or, at the option of the company, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the commissioner.

(d) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies — the group annuity mortality table for 1951, any modification of such table approved by the commissioner, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(e) For total and permanent disability benefits in or supplementary to ordinary policies or contracts issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with regard to the type of benefit, or any tables of disablement rates and termination rates adopted after 1980 by the National Association of Insurance Commissioners, that are approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies; for policies or contracts issued on or after January 1, 1961 and before January 1, 1966, either those tables or, at the option of the company, the Class (3) disability table (1926); and for policies issued before January 1, 1961, the Class (3) disability table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For accidental death benefits in or supplementary to policies issued on or after January 1, 1966, the 1959 accidental death benefits table or any accidental death benefits table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies; for policies issued on or after January 1, 1961 and before January 1, 1966, either that table or, at the option of the company, the intercompany double indemnity mortality table; and for policies issued before January 1, 1961, the intercompany double indemnity mortality table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(g) For group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the commissioner.

(2a) Except as provided in sub. (2m), the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subsection, as defined in sub. (2b), and for all annuities and pure endowments purchased on or after that operative date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation methods defined in subs. (3) to (4m) and the following tables and interest rates:

(a) For individual annuity and pure endowment contracts issued prior to November 8, 1977, excluding any disability and accidental death benefits in such contracts — the 1971 individual annuity mortality table, or any modification of this table approved by the commissioner, and 6 percent interest for single premium immediate annuity contracts, and 4 percent interest for all other individual annuity and pure endowment contracts.

(b) For individual single premium immediate annuity contracts issued on or after November 8, 1977, excluding any disability and accidental death benefits in those contracts, the 1971 individual annuity mortality table or any individual annuity mortality table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those contracts or any modification of either table approved by the commissioner, and 7.5 percent interest. For other individual annuity and pure endowment contracts issued on or after November 8, 1977, excluding any disability and accidental death benefits in those contracts, the 1971 individual annuity mortality table or any individual annuity mortality table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those contracts, or any modification of either table approved by the commissioner, and 5.5 percent interest for single premium deferred annuity and pure endowment contracts and 4.5 percent interest for all other individual annuity and pure endowment contracts.

(c) For all annuities and pure endowments purchased prior to November 8, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts — the 1971 group annuity mortality table, or any modification of this table approved by the commissioner, and 6 percent interest.

(d) For all annuities and pure endowments purchased on or after November 8, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits in those contracts, the 1971 group annuity mortality table or any group annuity mortality table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those annuities and pure endowments, or any modification of either table approved by the commissioner, and 7.5 percent interest.

(2b) After June 19, 1974, any company may file with the commissioner a written notice of its election to comply with sub. (2a) after a specified date before January 1, 1979, which shall be the operative date of sub. (2a) for such company, but a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of sub. (2a) for such company shall be January 1, 1979.

(2m) (a) In this subsection:

1. "Change in fund basis" means a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under an annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

2. "Guarantee duration" means:

a. For life insurance, the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates, nonforfeiture values or both which are guaranteed in the original policy.

b. For annuities and guaranteed interest contracts with cash settlement options, the number of years for which the contract guarantees interest rates in excess of the calendar year valuation interest rate for life insurance policies with a guarantee duration of more than 20 years.

c. For annuities and guaranteed interest contracts without cash settlement options, the number of years from the date of issue or date of purchase to the date annuity or guaranteed interest benefits are scheduled to begin.

3. "I" means the applicable calendar year valuation interest rate determined under par. (c), rounded to the nearest 0.25 percent.

4. "Issue year basis" means a valuation basis under which the interest rate used to determine the minimum valuation standard for the full duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract.

5. "Moody's monthly average" means the corporate bond yield monthly average, as published by Moody's Investors Service, Inc.

6. "Plan type A" means a policyholder may:

a. Withdraw funds with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company;

b. Withdraw funds without adjustment in installments over 5 years or more;

c. Withdraw funds as an immediate life annuity; or

d. Not withdraw funds.

7. "Plan type B" means that a policyholder is subject to any of subd. 6. a., b. or d. At the end of the interest rate guarantee, funds may be withdrawn without the adjustment under subd. 6. a. in a single sum or installments over less than 5 years.

8. "Plan type C" means a policyholder may withdraw funds before the end of the interest rate guarantee in a single sum or installments over less than 5 years without the adjustment under subd. 6. a. or subject to a fixed surrender charge stipulated in the contract as a percentage of the fund.

9. "R" means the applicable reference interest rate determined under par. (f).

10. "R1" means the lesser of R and 0.09.

11. "R2" means the greater of R and 0.09.

12. "W" means the applicable weighting factor determined under par. (e).

(b) Except as provided in par. (d), the formulas under par. (c) shall be used in determining the minimum standard for the valuation of all of the following:

1. Life insurance policies issued in a calendar year on or after the operative date of s. 632.43 (6m).

2. Individual annuity and pure endowment contracts issued in a calendar year after 1982.

3. Annuities and pure endowments purchased in a calendar year after 1982 under group annuity and pure endowment contracts.

4. The net increase in a calendar year after 1982, in amounts held under guaranteed interest contracts.

(c) 1. For life insurance, I = 0.03 + W (R1 - 0.03) + W/2 (R2 - 0.09).

2. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options, I = 0.03 + W (R - 0.03).

3. Except as provided under subd. 2., for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having guarantee durations greater than 10 years, I = 0.03 + W (R1 - 0.03) W/2 (R2 - 0.09).

4. Except as provided under subd. 2., for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having guarantee durations not exceeding 10 years, I = 0.03 + W (R - 0.03).

5. For annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, I = 0.03 + W (R - 0.03).

6. For annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, I = 0.03 + W (R - 0.03).

(d) Notwithstanding par. (c) 1., if the calendar year valuation interest rate determined under par. (c) 1. differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 0.5 percent, the calendar year valuation interest rate for those policies is the corresponding actual rate for the immediately preceding calendar year. For purposes of this paragraph, the calendar year valuation interest rate for policies issued in 1980 shall be determined using the reference interest rate for 1979 and shall be determined under this paragraph for subsequent calendar years notwithstanding s. 632.43 (6m).

(e) 1. For life insurance having a guarantee duration of:

a. Not more than 10 years, the weighting factor is 0.50.

b. More than 10 years and not more than 20 years, the weighting factor is 0.45.

c. More than 20 years, the weighting factor is 0.35.

2. For single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the weighting factor is 0.80.

3. Except as provided in subd. 2., for annuities and guaranteed interest contracts valued on an issue year basis and having a guarantee duration of:

a. Not more than 5 years, the weighting factor is 0.80 for plan type A, 0.60 for plan type B and 0.50 for plan type C.

b. More than 5 years and not more than 10 years, the weighting factor is 0.75 for plan type A, 0.60 for plan type B and 0.50 for plan type C.

c. More than 10 years and not more than 20 years, the weighting factor is 0.65 for plan type A, 0.50 for plan type B and 0.45 for plan type C.

d. More than 20 years, the weighting factor is 0.45 for plan type A and 0.35 for plan types B and C.

4. Except as provided in subd. 2., for annuities and guaranteed interest contracts valued on a change in fund basis, the weighting factor is that specified under subd. 3. increased by 0.15 for plan type A, 0.25 for plan type B and 0.05 for plan type C.

5. Except as provided under subd. 2., for annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date, the weighting factor is that specified under subd. 3. or 4. increased by 0.05 for plan types A, B and C.

(f) 1. For life insurance, the reference interest rate is the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year next preceding the year of issue, of Moody's monthly average.

2. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or year of purchase, of Moody's monthly average.

3. Except as provided under subd. 2., for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having a guarantee duration in excess of 10 years, the reference interest is the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

4. Except as provided under subd. 2., for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having a guarantee duration of 10 years or less, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

5. For annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

6. Except as provided under subd. 2., for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of the change in the fund, of Moody's monthly average.

(g) If Moody's monthly average is no longer published, or if the national association of insurance commissioners determines that Moody's monthly average is no longer appropriate for the determination of the reference interest rate, an alternative method for determination of the reference interest rate, which is adopted by the National Association of Insurance Commissioners and approved by rule adopted by the commissioner, may be substituted.

(h) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on an issue year basis or a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis.

(3) Except as provided in subs. (4m) and (7), reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such bene-

fits provided for by the policy and the excess of par. (a) over par. (b), as follows:

(a) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, that such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy.

(b) A net one-year term premium for such benefits provided for in the first policy year.

(3m) (a) In this subsection:

1. "Assumed ending date" means the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium.

2. "Excess premium" means the amount by which a contract premium in the first policy year exceeds the contract premium in the 2nd policy year.

(b) Except as provided under sub. (7), any life insurance policy issued on or after January 1, 1984, for which no comparable benefit is provided in the first year for an excess premium and which provides an endowment benefit or a cash surrender value or a combination of both in an amount greater than the excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date is the greater of the reserve on that policy anniversary calculated under sub. (3) and the reserve on that policy anniversary calculated under sub. (3) subject to the following computational assumptions:

1. The value defined in sub. (3) (a) is reduced by 15 percent of the amount of the excess premium.

2. All present values of benefits and premiums are determined without reference to premiums or benefits provided by the policy after the assumed ending date.

3. The policy matures on the assumed ending date as an endowment.

4. The cash surrender value provided on the assumed ending date is an endowment benefit.

(c) In making the comparison under par. (b) the mortality and interest bases stated in subs. (2) and (2m) shall be used.

(4) Reserves according to the commissioners reserve valuation method for the following shall be calculated by a method consistent with the principles of sub. (3), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums:

(a) Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums.

(b) Group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the internal revenue code, as amended.

(c) Disability and accidental death benefits in all policies and contracts.

(d) All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts.

(4m) This subsection applies to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code. Reserves according to the commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

(5) (a) In no event may a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the effective date of this section, be less than the aggregate reserves calculated in accordance with the method set forth in subs. (3) to (4m) and (7) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(b) In no event may a company's aggregate reserves for all policies, contracts and benefits be less than the aggregate reserves determined by a qualified actuary in an opinion under sub. (1m) (b) 1. to be necessary to make adequate provision for the company's obligations under the policies and contracts.

(6) Reserves for all policies and contracts issued prior to the effective date of this subsection may be calculated, at the option of the company, according to any standards that produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date. Reserves for any category of policies, contracts or benefits as established by the commissioner, issued on or after the effective date of this subsection, may be calculated, at the option of the company, according to any standards that produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. Any such company that at any time has adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided. For the purposes of this subsection, holding any additional reserves that a qualified actuary, in an opinion under sub. (1m) (b) 1., determined to be necessary to make adequate provision for the company's obligations under the policies and contracts shall not be considered the adoption of a higher standard of valuation.

(7) (a) If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating its reserve but using the minimum valuation standards of mortality and rate of interest under subs. (2) and (2m), the minimum reserve required for the policy or contract shall be the greater of either the reserve calculated according

to the mortality table, rate of interest, and method actually used for the policy or contract, or the reserve calculated by the method actually used for the policy or contract but using the minimum valuation standards of mortality and rate of interest under subs. (2) and (2m) and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.

(b) 1. In this paragraph, "excess premium" means the amount by which a gross premium in the first policy year exceeds the gross premium in the 2nd policy year.

2. If a life insurance policy issued on or after January 1, 1984, provides no comparable benefit in the first year for an excess premium and provides an endowment benefit, cash surrender value or both in an amount greater than the excess premium, the minimum reserve at each policy anniversary is the greater of the minimum reserve under subs. (3) to (4) and the minimum reserve under par. (a).

3. For purposes of par. (a), the method used in calculating the reserve of a policy under subd. 2. is specified under subs. (3) to (4).

(c) If a plan of life insurance provides for future determination of premiums based on recent estimates of future experience available at the time of the determination, or if the minimum reserves for a plan of life insurance or an annuity cannot be determined under subs. (3) to (4m) and this subsection, the commissioner shall by rule adopt a method for determining the minimum reserves for the plan or annuity. A rule adopted under this paragraph shall specify a method consistent with the principles of this section and appropriate in relation to the benefits and pattern of premiums for the plan or annuity.

(8m) For accident and health insurance contracts issued on or after November 13, 2015, but before the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the commissioner by rule. For accident and health insurance contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual shall be the minimum standard of valuation required under sub. (1f) (b).

(9) (a) For policies and contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under sub. (1f) (b), except as provided in pars. (e) and (g).

(b) The operative date of the valuation manual is January 1 of the first calendar year beginning after the first July 1 as of which all of the following have occurred:

1. The valuation manual has been adopted by the National Association of Insurance Commissioners by an affirmative vote of at least 42 members or three-fourths of the members voting, whichever is greater.

2. The standard valuation law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by states representing more than 75 percent of the direct premiums written as reported in all of the following annual statements submitted for 2008:

a. Life, accident, and health annual statements.

b. Health annual statements.

c. Fraternal annual statements.

3. The standard valuation law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least 42 of the following 55 jurisdictions:

a. The 50 states of the United States.

b. American Samoa.

c. The American Virgin Islands.

d. The District of Columbia.

e. Guam.

f. Puerto Rico.

(c) Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual shall be effective on the first January 1 after the date when such changes have been adopted by the National Association of Insurance Commissioners by an affirmative vote representing all of the following:

1. At least three-fourths of the members of the National Association of Insurance Commissioners voting, but not less than a majority of the total membership.

2. Members of the National Association of Insurance Commissioners representing the jurisdictions specified in par. (b) 3. with more than 75 percent of the direct premiums written as reported in all of the following annual statements most recently available before the vote under subd. 1.:

a. Life, accident, and health annual statements.

b. Health annual statements.

c. Fraternal annual statements.

(d) The valuation manual must specify all of the following:

1. Minimum valuation standards for and definitions of the policies and contracts subject to sub. (1f) (b). The minimum valuation standards shall be all of the following:

a. The commissioners reserve valuation method for life insurance contracts, other than annuity contracts, subject to sub. (1f) (b).

b. The commissioners annuity reserve valuation method for annuity contracts subject to sub. (1f) (b).

c. Minimum reserves for all other policies and contracts subject to sub. (1f) (b).

2. Which policies or contracts, or types of policies or contracts, are subject to the requirements of a principle-based valuation in sub. (10) (a) and the minimum valuation standards consistent with those requirements.

3. For policies and contracts subject to a principle-based valuation under sub. (10), all of the following:

a. Requirements for the format of reports to the commissioner under sub. (10) (b) 3., which reports shall include information necessary to determine if the valuation is appropriate and in compliance with this section.

b. Requirements regarding the treatment of risks over which the insurance company does not have significant control or influence.

c. Procedures for corporate governance and oversight of the actuarial function and a process for appropriate waiver or modification of such procedures.

4. The minimum valuation standard for policies not subject to a principle-based valuation under sub. (10), which minimum valuation standard shall be the greater of the following:

a. Reserves that are consistent with the minimum standard of valuation before the operative date of the valuation manual.

b. Reserves that quantify the benefits, guarantees, and funding associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring. This does not preclude, for policies with significant tail risk, reflecting in the reserve conditions appropriately adverse to quantify that tail risk.

5. Other requirements, including those relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of insurance company experience, risk measurement, disclosure, certifications, reports, actu-

arial opinions and memoranda, transition rules, and internal controls.

6. The data and form of the data required under sub. (11) and to whom the data must be submitted. The valuation manual may specify other related requirements, including data analyses and reporting of analyses.

(e) In the absence of a specific valuation requirement, or if a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with this section, the insurance company shall, with respect to such requirements, comply with minimum valuation standards prescribed by the commissioner by rule.

(f) The commissioner may engage a qualified actuary, at the expense of the insurance company, to perform an actuarial examination of the company and opine on the appropriateness of any reserve assumption or method used by the company, or to review and opine on a company's compliance with any requirement in this section. The commissioner may rely on the opinion, regarding provisions in this section, of a qualified actuary engaged by the commissioner of another state or district or territory of the United States. As used in this paragraph, the term "engage" includes both "employ" and "contract with."

(g) The commissioner may require an insurance company to make any change to an assumption or method that, in the opinion of the commissioner, is necessary to comply with the requirements of the valuation manual or this section. An insurance company shall adjust the reserves as required by the commissioner. The commissioner may take any disciplinary action permitted under ss. 601.41 (4) and 601.64.

(h) 1. The commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in Wisconsin from the requirements of this subsection if all of the following are satisfied:

a. The commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing.

b. The company computes reserves using assumptions and methods used before the operative date of the valuation manual in addition to any requirements established by the commissioner and promulgated by rule.

2. For policy forms and product lines for which a company is granted an exemption under subd. 1., subs. (1f) (a), (1m), and (2) to (7) apply, and any reference to the valuation manual does not apply.

(10) (a) For policies and contracts issued on or after the operative date of the valuation manual, an insurer must establish reserves for policies and contracts as specified in the valuation manual using a principle-based valuation that does all of the following:

1. Quantifies the benefits, guarantees, and funding associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the contracts. For policies or contracts with significant tail risk, the principle-based valuation should reflect conditions appropriately adverse to quantify the tail risk.

2. Incorporates assumptions, risk analysis methods and financial models, and management techniques that are consistent with, but not necessarily identical with, those used within the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods.

3. Incorporates assumptions that are derived in one of the following ways:

a. The assumption is prescribed in the valuation manual.

b. For an assumption that is not prescribed in the valuation manual, the assumption is established using the company's available experience to the extent it is relevant and statistically credible. To the extent that company data is not available, relevant, or statistically credible, the assumption is established using other relevant, statistically credible experience.

4. Provides margins for uncertainty, including adverse deviation and estimation error, such that the greater the uncertainty, the larger the margin and resulting reserve.

(b) A company using a principle-based valuation for one or more policies or contracts subject to this section as specified in the valuation manual shall do all of the following:

1. Establish procedures for corporate governance and oversight of the actuarial valuation function consistent with those described in the valuation manual.

2. Provide to the commissioner and the board of directors an annual certification of the effectiveness of the internal controls with respect to the principle-based valuation. The internal controls shall be designed to ensure that all material risks inherent in the liabilities and associated assets subject to the valuation are included in the valuation and that valuations are made in accordance with the valuation manual. The certification shall be based on the controls in place as of the end of the preceding calendar year.

3. Develop, and file with the commissioner upon request, a principle-based valuation report that complies with standards prescribed in the valuation manual.

(c) A principle-based valuation may include a prescribed formulaic reserve component.

(11) Beginning on the operative date of the valuation manual, a company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data for all policies and contracts in force as prescribed in the valuation manual.

(12) (a) In this subsection:

1. "Experience data" means any documents, materials, data, or other information submitted by a company under sub. (11).

2. "Experience materials" means any documents, materials, data, or other information, including all working papers and copies of working papers, created or produced in connection with experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner, together with any experience data.

(am) For purposes of pars. (b) and (c), all of the following are confidential information:

1. A memorandum in support of an opinion submitted under sub. (1m) or (1r) and any other documents, materials, or other information, including all working papers and copies of working papers, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with the memorandum.

2. All documents, materials, and other information, including all working papers and copies of working papers, created, produced, or obtained by or disclosed to the commissioner or any other person in the course of an examination made under sub. (9) (f), except that if an examination report or other material prepared in connection with an examination made under ss. 601.43 and 601.44 is not held as private and confidential information under s. 601.465 (1m) (b), an examination report or other material prepared in connection with an examination made under sub. (9) (f) is not confidential information to the same extent as if the examination report or other material had been prepared under ss. 601.43 and 601.44.

3. Any reports, documents, materials, or other information

developed by a company in support of, or in connection with, an annual certification by the company under sub. (10) (b) 2. evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation and any other documents, materials, or other information, including all working papers and copies of working papers, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with the reports, documents, materials, and other information.

4. Any principle-based valuation report developed under sub. (10) (b) 3. and any other documents, materials, or other information, including all working papers and copies of working papers, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with the report.

5. Experience data, experience materials, and any other documents, materials, data, or other information, including all working papers and copies of working papers, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with experience materials.

(b) 1. Information described as confidential under par. (am) is confidential and privileged; is not subject to receipt, inspection, or copying under s. 19.35 (1); is not subject to subpoena; and is not subject to discovery or admissible in evidence in any private civil action. The commissioner is authorized to use the confidential information in the furtherance of any regulatory or legal action brought against the company as a part of the commissioner's official duties.

2. Neither the commissioner nor any person who received confidential information while acting under the authority of the commissioner may testify in any private civil action concerning any confidential information.

3. a. In furtherance of the performance of the commissioner's regulatory duties, the commissioner may share confidential information with other state, federal, and international regulatory agencies; the National Association of Insurance Commissioners and its affiliates and subsidiaries; the Actuarial Board for Counseling and Discipline or its successor, in the case of confidential information under par. (am) 1. and 4. only, upon request stating that the confidential information is required for the purposes of professional disciplinary proceedings; and state, federal, and international law enforcement agencies.

b. Confidential information may be shared under subd. 3. a. only if the recipient agrees, and has the legal authority to agree, to maintain the confidentiality and privileged status of such documents, materials, data, and other information in the same manner and to the same extent as required for the commissioner.

c. The commissioner may receive documents, materials, or other information, including otherwise confidential and privileged documents, materials, data, or information from the National Association of Insurance Commissioners and its affiliates and subsidiaries, from regulatory or law enforcement agencies of other foreign or domestic jurisdictions, and from the Actuarial Board for Counseling and Discipline or its successor, and shall maintain as confidential or privileged any document, material, or other information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information.

d. The commissioner may enter into agreements governing sharing and use of information consistent with this subsection.

e. No waiver of any applicable privilege or claim of confidentiality in the confidential information shall occur as a result of disclosure of such information or documents to the commissioner under this subsection or as a result of the commissioner sharing such information or documents as authorized in this subsection.

f. A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under this subsection shall be available and enforced in any proceeding in, and in any court of, this state.

(c) Notwithstanding par. (b), any confidential information specified in par. (am) 1. and 4. is subject to all of the following:

1. The confidential information may be subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary submitting the related memorandum in support of an opinion submitted under sub. (1m) or (1r) or the principle-based valuation report developed under sub. (10) (b) 3. by reason of an action required by this section or rules promulgated under this section.

2. The confidential information may otherwise be released by the commissioner with the written consent of the company.

3. If any portion of a memorandum in support of an opinion submitted under sub. (1m) or (1r) or any portion of the principle-based valuation report developed under sub. (10) (b) 3. is cited by the company in its marketing, is publicly volunteered to or before a government agency other than a state insurance department, or is released by the company to the news media, all portions of such memorandum or report shall no longer be confidential.

(13) (a) Except for subs. (1), (1f) (b), (1r), and (8m) to (12), this section shall become effective on the same date as does s. 632.43.

(b) Subsections (1), (1f) (b), (1r), and (8m) to (12) shall become effective on November 13, 2015.

(c) The provisions of this section shall supersede all provisions of law inconsistent or in conflict therewith.

History: 1973 c. 303; 1977 c. 153 ss. 2, 4, 6; 1977 c. 273; 1977 c. 339 ss. 17, 44; Stats. 1977 s. 623.06; 1979 c. 110 s. 60 (13); 1981 c. 307 ss. 1x to 6, 13; 1989 a. 56; 1993 a. 490; 1995 a. 396; 1999 a. 85; 2001 a. 103; 2011 a. 257; 2015 a. 90.

Cross-reference: See also ch. Ins 50, Wis. adm. code.

623.11 Amount of compulsory surplus.

(1) DETERMINATION OF AMOUNT. Except as provided in sub. (3), the commissioner shall, when necessary, determine the amount of compulsory surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41 (4), as an amount that will provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance.

(a) *Types of contingencies.* The commissioner shall consider the risks of:

1. Increases in the frequency or severity of losses beyond the levels contemplated by the rates charged;

2. Increases in expenses beyond those contemplated by the rates charged;

3. Decreases in the value of or the return on invested assets below those planned on;

4. Changes in economic conditions that would make liquidity more important than contemplated and would force untimely sale of assets or prevent timely investments;

5. Currency devaluation to which the insurer may be subject; and

6. Any other contingencies the commissioner can identify which may affect the insurer's operations.

(b) *Controlling factors.* In making the determination under this subsection, the commissioner shall take into account the following factors:

1. The most reliable information available as to the magnitude of the various risks under par. (a);

2. The extent to which the risks in par. (a) are independent of each other or are related, and whether any dependency is direct or inverse;

3. The insurer's recent history of profits or losses;

4. The extent to which the insurer has provided protection

against the contingencies in other ways than the establishment of surplus, including redundancy of premiums; adjustability of contracts under their terms; investment valuation reserves whether voluntary or mandatory; appropriate reinsurance; the use of conservative actuarial assumptions to provide a margin of security; reserve adjustments after rate increases for policies written at earlier and less adequate rates; contingency or catastrophe reserves; diversification of assets and underwriting risks;

5. Independent judgments of the soundness of the insurer's operations, as evidenced by the ratings of reliable professional financial reporting services; and

6. Any other relevant factors.

(2) RULES. Except as provided in sub. (3), the commissioner may, subject to adjustment to the circumstances of individual insurers in accordance with the factors in sub. (1) (b), establish by rule minimum ratios for the compulsory surplus in relation to any relevant variables, including the following:

(a) Amounts at risk;

(b) Premiums written or premiums earned;

(c) Liabilities;

(d) Equity investments of all or certain kinds in combination with any of the variables under pars. (a) to (c).

(3) HEALTH MAINTENANCE ORGANIZATION INSURERS. The amount of compulsory surplus required of a health maintenance organization insurer is the amount provided in s. 609.97.

History: 1971 c. 260; 1979 c. 102; 1989 a. 23.

NOTE: Chapter 260, laws of 1971, which created this chapter of the statutes, contained notes explaining the revision.

623.12 Amount of security surplus. The security surplus shall be set by the commissioner between 110 percent and 140 percent of the compulsory surplus. In setting the figure the commissioner may consider such factors as the size of the insurer, its recent experience, the volatility of the lines of insurance in which it engages and any other relevant factors.

History: 1971 c. 260.

623.15 Fraternal rates and reserves. (1) NONRESERVE FRATERNALS. (a) In this subsection, "owner" means the owner of a policy or certificate issued by a fraternal in accordance with s. 614.10.

(b) A fraternal may be organized for the transaction of business on a plan set forth in the contract which provides for sufficient contributions by each owner in each year to pay the owner's share of the actual death claims of the year through advance payments graded according to any mortality table approved by the commissioner, without any reserve, or with such reserve as may accumulate from overpayments of individual owners, in which case each owner shall each year be informed of the owner's credit and of the cost of the owner's insurance.

(2) RATES. Every fraternal shall collect regular premiums for each coverage it provides at adequate rates that are approved by the commissioner or conform to standards set in rules promulgated by the commissioner.

(3) RESERVES. The reserves of a fraternal are subject to the same requirements as those of ch. 611 insurers writing the same coverages except that the commissioner may authorize the use of suitable fraternal mortality tables or other appropriate tables instead of the tables used by ch. 611 insurers.

History: 1975 c. 373, 421; 1989 a. 336; 1997 a. 177.

Cross-reference: See also s. Ins 1.01, Wis. adm. code.

Legislative Council Note, 1975: Sub. (1) continues s. 208.18 with a change from a specified mortality table to one approved by the commissioner. A nonreserve society can be perfectly sound actuarially and should be permitted if it is. The natural premium basis contemplated by this section is sound but not very attractive in the market.

Sub. (2) continues in simplified form the provisions of s. 208.15 (1) and (2).

Sub. (3) much simplifies ss. 208.09 (2) (b) and (c) and 208.15 (4) and (5). [Bill 643-S]

623.21 Adjustment of reserves. The commissioner may order an insurer to adjust its reserves if they do not bear an appropriate relationship to its obligations.

History: 1973 c. 293.

623.34 Accounting for repurchased shares. When a corporation acquires its own shares under s. 611.34 or in any other way, the acquired shares shall be accounted for as a deduction from capital and not as assets.

History: 1979 c. 102.