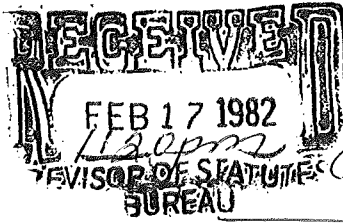


Ins 6.73



STATE OF WISCONSIN
RECEIVED AND FILED

FEB 15 1982

VEL PHILLIPS
SECRETARY OF STATE

STATE OF WISCONSIN)
) ss
OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Thomas R. Hefty, Deputy Commissioner of Insurance and
custodian of the official records of said office, do hereby certify that
the annexed order repealing and recreating a rule relating to reinsurance
was issued by this office February 15, 1982.

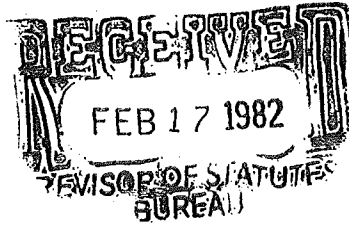
I further certify that said copy has been compared by me with
the original on file in this office and that the same is a true copy
thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto
subscribed my name in the City of Madison,
State of Wisconsin, this 15th day of
February, 1982.

Thomas R. Hefty
Deputy Commissioner of Insurance

5428B

5-1-82



STATE OF WISCONSIN
RECEIVED AND FILED

FEB 18 1982

VEL PHILLIPS
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

REPEALING AND RECREATING A RULE

Relating to reinsurance.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

The purpose of this rule is to establish requirements for determining an authorized reinsurer as described in ss. 627.23 (1), Stats., and to define the criteria that must be met to permit an insurer to include credit for reinsurance ceded in the annual statement blank filed with the Commissioner of Insurance.

Pursuant to the authority vested in the Commissioner of Insurance by section 601.41 (3), Wis. Stats., the Commissioner of Insurance hereby repeals and recreates a rule interpreting and implementing section 627.23, Wisconsin Statutes, as follows:

Section Ins 6.73 is repealed and recreated to read:

Ins 6.73 REINSURANCE. (1) PURPOSE. The purpose of this section is to establish requirements for determining an authorized reinsurer under s. 627.23 (1), Stats., and to define the criteria that must be met to permit an insurer to include credit for reinsurance ceded in the annual statement blank filed with the commissioner of insurance. This rule does not limit or change the requirements set forth in ss. 612.31 and 612.33, Stats., for town mutuals.

(2) SCOPE. This section shall apply to all insurers authorized to transact business in this state under Chs. 611 through 618, Stats., including the state life insurance fund.

(3) AUTHORIZED REINSURER. (a) A single reinsurer is authorized to assume reinsurance if it is in compliance with one of the following:

1. The reinsurer is authorized to transact business in Wisconsin under Chs. 611, 612, 614 or 618, Stats.
2. The reinsurer is licensed to transact business in another jurisdiction of the United States and its capital and surplus meets or exceeds the maximum capital and surplus required under s. 611.19, Stats.
3. The reinsurer is an underwriter at Lloyds, London, the United States government or any agency of the United States government.

(b) A group or pool of reinsurers is authorized to assume reinsurance only to the extent of the aggregate of the liability assumed by each individual reinsurer member of the group or pool meeting the requirements of sub. (3) (a).

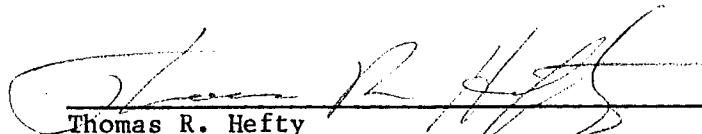
(4) CRITERIA REQUIRED TO PERMIT CREDIT FOR REINSURANCE. Credit for reinsurance ceded may be reported in the annual statement blank filed with the commissioner of insurance if the following criteria are met:

- (a) The reinsurer is an authorized reinsurer under sub. (3).
- (b) The ceding insurer can substantiate credit taken for reinsurance through evidence of an executed copy of the reinsurance agreement and reinsurance accounting documents.
- (c) Each reinsurance agreement shall contain an acceptable insolvency clause which guarantees payment of the liability of the reinsurer under the reinsurance contract without diminution because of the insolvency of the ceding insurer.
- (d) Each reinsurance agreement effected on or after January 1, 1980 which by its terms required payments to an intermediary shall contain a provision whereby the reinsurer assumes all credit risks of the intermediary related to payments to the intermediary.
- (e) The ceding insurer has established adequate gross liabilities or reserves.
- (f) If the reinsurer is not considered an authorized reinsurer under sub. (3), credit for reinsurance ceded may be taken to the extent that the balances due from the reinsurer are absolutely secured by express provision in the reinsurance contract by any or a combination of the following:
 - 1. Funds withheld from the same reinsurer and under exclusive control of the ceding insurer.

2. Securities on deposit with and under exclusive control of the ceding insurer and valued in accordance with the valuation standards permitted or prescribed by the commissioner.
3. Funds held in trust in a bank or trust company that is subject to supervision by any state of the United States or by the Dominion of Canada or a province thereof, or that is a member of the federal reserve system, and subject to withdrawal by and under the control of the ceding insurer. The funds may include letters of credit but they must be clean, irrevocable, unconditional letters of credit, with a bank or trust company that is subject to supervision by any state of the United States or by the Dominion of Canada or a province thereof or that is a member of the federal reserve system, termed to be funds held subject to withdrawal by and under the control of the ceding insurer. The letters of credit should be for a period of not less than one year.

As provided in s. 227.026 (1) (intro.), this rule shall take effect on the first day of the month following its publication.

Dated at Madison, Wisconsin, this 15th day of February, 1982.


Thomas R. Hefty
Deputy Commissioner of Insurance

5423B