

Chapter Ins 6

GENERAL

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Ins 6.01 Foreign company to operate 2 years before admission. Experience has demonstrated that until a company has engaged in the business of insurance for at least 2 years there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact business in Wisconsin will be considered until it has continuously transacted the business of insurance for at least 2 years immediately prior to the making of such application for license.

Ins 6.02 Company to transact a kind of insurance 2 years before admission. (1) Experience has demonstrated that until a company has engaged in a kind of insurance or in another kind of insurance of the same class for at least 2 years, there is not a sufficient basis upon which to form a judgment as to whether its methods and practices in the conduct of its business in such kind of insurance or another kind in the same class of insurance, are such as to safeguard the interests of its policyholders and the people of this state. Therefore, no application of a foreign insurance company or mutual benefit society for a license to transact a kind of insurance business in Wisconsin will be considered until it has continuously transacted that kind of insurance, or another kind of insurance in the same class of insurance as that for which it makes such application; for at least 2 years immediately prior to making such application. For the purposes hereof, insurance is divided (A) into kinds of insurance according to the provisions of section 201.04, Wis. Stats., each subsection setting forth a separate kind, and (B) into classes of insurance upon the basis of and including the said kinds as follows: (a) Fire insurance includes the kinds in section 201.04 (1), Wis. Stats., (as extended by section 203.28), (2) and (12).

(b) Life insurance includes the kinds in section 201.04 (3), Wis. Stats., but excluding all insurance on the health of persons other than that authorized in section 206.03, Wis. Stats.

(c) Casualty insurance includes the kinds in section 201.04 (4) through (11), and (13) through (18), Wis. Stats.

(2) Provided, however, that nothing herein shall preclude consideration of an application to transact the kind of insurance in section 201.04 (4), Wis. Stats., if the applicant company has transacted any of the kinds of insurance in sections 201.04 (3), (5), (13), (15), (16) and (18), Wis. Stats., continuously for 2 years imme-

diately prior to the making of application for license to transact the kind of insurance in section 201.04 (4), Wis. Stats.

Ins 6.03 Nonresident casualty and fire insurance agents. (1) Separate licenses are required for the solicitation of casualty insurance business and of fire insurance business.

(2) A separate license is required for each company for which the nonresident agent solicits business in Wisconsin but the provisions of subsections 201.53 (5) and 209.04 (5), Wis. Stats., permit a licensed nonresident agent to interchange business and receive the whole or any part of the commission from a resident agent on business obtained under such nonresident license and exchanged with the resident agent.

(3) A license will be revoked if the nonresident agent brokers insurance, either in Wisconsin, his state of residence, or elsewhere, of the class (casualty or fire) of insurance covered by the license, unless the placing of such business constitutes an exchange between agents as authorized by subsection 209.04 (5), Wis. Stats. One who solicits brokerage business is not eligible to have a nonresident agent's license for the same class (casualty or fire) of business.

(4) The company which a nonresident wishes to represent as an agent must furnish a statement showing that the applicant is appointed to solicit insurance in Wisconsin as its agent and agree that it will be bound by his knowledge and acts to the same extent as it is in connection with authorized resident agents in Wisconsin.

(5) The applicant for a nonresident agent's license must agree that each policy written by him covering property or risks in Wisconsin will be countersigned by a duly licensed resident agent of the company issuing the policy.

(6) A statement by the supervisory head of the insurance department of the state of residence showing that the applicant is a licensed agent in his state of residence for the company which he desires to represent in Wisconsin must be furnished when application is made for a nonresident agent's license.

(7) The applicant will be required to make full disclosure regarding any connection which he may have as an employe or member of any agency partnership, association or corporation, including the full names and residences of all members, officers, directors and stockholders.

(8) Licenses issued on or after November 1, 1949, shall expire on the next succeeding November 1st. The fee for each nonresident agent's license shall be \$10.00.

Ins 6.04 Countersignature requirements. (1) Every policy of insurance issued or delivered in this state shall be countersigned by a licensed resident agent. Except in the case of the standard fire policy, an agent's signature on a copy of an application attached to and forming a part of a policy will be considered as satisfying this requirement.

(2) This rule shall not apply to: (a) Policies issued in accordance with sections 201.44 (6), 201.44 (8), 202.08, or 209.04 (10) (c), (d), (e) and (f), Wis. Stats.;

(b) Policies of life insurance;

(c) Service contracts issued by hospital service corporations authorized under section 182.032, Wis. Stats.;

(d) Contracts issued by state or county medical societies authorized under section 148.01, Wis. Stats.;

(e) Contracts issued under authority of chapter 185, Wis. Stats.

History: Cr. Register, April, 1958, No. 28, eff. 5-1-58; am. (2) (a), Register, April, 1963, No. 88, eff. 5-1-63.

(m) *Restatement of accounts.* If action is to be taken with respect to the restatement of any asset, capital, or surplus of the insurer, furnish the following information:

1. State the nature of the restatement and the date as of which it is to be effective.

2. Outline briefly the reasons for the restatement and for the selection of the particular effective date.

3. State the name and amount of each account affected by the restatement and the effect of the restatement thereon.

(n) *Matters not required to be submitted.* If action is to be taken with respect to any matter which is not required to be submitted to a vote of stockholders, state the nature of such matter, the reason for submitting it to a vote of stockholders and what action is intended to be taken by the management in the event of a negative vote on the matter by the stockholders.

(o) *Amendment of charter, by-laws, or other documents.* If action is to be taken with respect to any amendment of the insurer's charter, by-laws or other documents as to which information is not required above, state briefly the reasons for and general effect of such amendment and the vote needed for its approval.

(13) INFORMATION TO BE INCLUDED IN STATEMENTS FILED BY OR ON BEHALF OF A PARTICIPANT (OTHER THAN THE INSURER) IN A PROXY SOLICITATION IN AN ELECTION CONTEST. (a) *Insurer.* State the name and address of the insurer.

(b) *Identity and background.* 1. State the following:

a. Your name and business address.

b. Your present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is carried on.

2. State the following:

a. Your residence address.

b. Information as to all material occupations, positions, offices or employments during the last 10 years, giving starting and ending dates of each and the name, principal business and address of any business corporation or other business organization in which each such occupation, position, office or employment was carried on.

3. State whether or not you are or have been a participant in any other proxy contest involving this company or other companies within the past 10 years. If so, identify the principals, the subject matter and your relationship to the parties and the outcome.

4. State whether or not, during the past 10 years, you have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) and, if so, give dates, nature of conviction, name and location of court, and penalty imposed or other disposition of the case. A negative answer to this subparagraph need not be included in the proxy statement or other proxy soliciting material.

(c) *Interest in stock of the insurer.* 1. State the amount of each class of stock of the insurer which you own beneficially, directly or indirectly.

2. State the amount of each class of stock of the insurer which you own of record but not beneficially.

3. State with respect to the stock specified in subsection (13) (c) 1. and 2. the amounts acquired within the past 2 years and the dates of acquisition and the amounts acquired on each date.

4. If any part of the purchase price or market value of any of the stock specified in subsection (13)(c) 3. is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such stock, so state and indicate the amount of the indebtedness as of the latest practicable date. If such funds were borrowed or obtained otherwise than pursuant to a margin account or bank loan in the regular course of business of a bank, broker or dealer, briefly describe the transaction, and state the names of the parties.

5. State whether or not you are a party to any contracts, arrangements or understandings with any person with respect to any stock of the insurer, including but not limited to joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. If so, name the persons with whom such contracts, arrangements, or understandings exist and give the details thereof.

6. State the amount of stock of the insurer owned beneficially, directly or indirectly, by each of your associates and the name and address of each such associate.

7. State the amount of each class of stock of any parent, subsidiary or affiliate of the insurer which you own beneficially, directly or indirectly.

(d) *Further matters.* 1. Describe the time and circumstances under which you became a participant in the solicitation and state the nature and extent of your activities or proposed activities as a participant.

2. Describe briefly, and where practicable state the approximate amount of, any material interest, direct or indirect, of yourself and of each of your associates in any material transactions since the beginning of the company's last fiscal year, or in any material proposed transactions, to which the company or any of its subsidiaries or affiliates was or is to be a party.

3. State whether or not you or any of your associates have any arrangement or understanding with any person.

a. With respect to any future employment by the insurer or its subsidiaries or affiliates; or

b. With respect to any future transactions to which the insurer or any of its subsidiaries or affiliates will or may be a party. If so, describe such arrangement or understanding and state the names of the parties thereto.

(e) *Signature.* The statement shall be dated and signed in the following manner:

I certify that the statements made in this statement are true, complete, and correct, to the best of my knowledge and belief.

(Date)

(Signature of participant or
authorized representative)

Ins 6.41 Insider trading of equity securities of domestic stock insurers. (1) **DEFINITIONS.** (a) *Insurer* means any domestic insurance company with an equity security subject to the provisions of section 201.105, Wis. Stats., and not exempt thereunder.

(b) *Officer* means a president, vice president, treasurer, actuary, secretary, controller and any other person who performs for the insurer functions corresponding to those performed by the foregoing officers.

(c) *Equity security* means any stock or similar security; or any voting trust certificate or certificate of deposit for such a security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right.

(d) *Securities held of record.* 1. For the purpose of determining whether the equity securities of an insurer are held of record by 100 or more persons, securities shall be deemed to be "held of record" by each person who is identified as the owner of such securities on records of security holders maintained by or on behalf of the insurer, subject to the following:

a. In any case where the records of security holders have not been maintained in accordance with accepted practice, any additional person who would be identified as such an owner on such records if they had been maintained in accordance with accepted practice shall be included as a holder of record.

b. Securities identified as held of record by a corporation, a partnership, a trust whether or not the trustees are named, or other organization shall be included as so held by one person.

c. Securities identified as held of record by one or more persons as trustees, executors, guardians, custodians or in other fiduciary capacities with respect to a single trust, estate or account shall be included as held of record by one person.

d. Securities held by 2 or more persons as co-owners shall be included as held by one person.

e. Each outstanding unregistered or bearer certificate shall be included as held of record by a separate person, except to the extent that the insurer can establish that, if such securities were registered, they would be held of record, under the provisions of this rule, by a lesser number of persons.

f. Securities registered in substantially similar names where the insurer has reason to believe because of the address or other indications that such names represent the same person, may be included as held of record by one person.

2. Notwithstanding subsection (1) (e) 1:

a. Securities held, to the knowledge of the insurer, subject to a voting trust, deposit agreement or similar arrangement shall be included as held of record by the record holders of the voting trust certificates, certificates of deposit, receipts or similar evidences of interest in such securities; provided, however, that the insurer may rely in good faith on such information as is received in response to its request from a nonaffiliated insurer of the certificates or evidences of interest.

b. If the insurer knows or has reason to know that the form of holding securities of record is used primarily to circumvent the pro-

visions of section 201.105, Wis. Stats., the beneficial owners of such securities shall be deemed to be the record owners thereof.

(e) *Class* means all securities of an insurer which are of substantially similar character and the holders of which enjoy substantially similar rights and privileges.

(2) **TRANSACTIONS EXEMPTED FROM THE OPERATION OF SECTION 201.105 (2), WIS. STATS.** Any acquisition or disposition of any equity security by a director or officer of an insurer within 6 months prior to the date on which section 201.105, Wis. Stats., became applicable with respect to the equity securities of such insurer shall not be subject to the operation of section 201.105, (2), Wis. Stats.

(3) **REGULATIONS UNDER SECTION 201.105 (1), WIS. STATS.**

(a) *Filing of statements.* Initial statements of beneficial ownership of equity securities required by section 201.105 (1), Wis. Stats., shall be filed on the form prescribed by Wis. Adm. Code section Ins 6.42. Statements of changes in such beneficial ownership required by section 201.105 (1), Wis. Stats., shall be filed on the form prescribed by Wis. Adm. Code section Ins 6.43. All such statements shall be prepared and filed in accordance with the requirements of the applicable form.

(b) *Ownership of more than 10% of an equity security.* In determining, for the purpose of section 201.105 (1), Wis. Stats., whether a person is the beneficial owner, directly or indirectly, of more than 10% of any class of any equity security, such class shall be deemed to consist of the total amount of such class outstanding, exclusive of any securities of such class held by or for the account of the insurer or a subsidiary of the insurer; except that for the purpose of determining percentage ownership of voting trust certificates or certificates of deposit for equity securities, the class of voting trust certificates or certificates of deposit shall be deemed to consist of the amount of voting trust certificates or certificates of deposit issuable with respect to the total amount of outstanding equity securities of the class which may be deposited under the voting trust agreement or deposit agreement in question, whether or not all of such outstanding securities have been so deposited. For the purpose of this subsection (3) (b) a person acting in good faith may rely on the information contained in the latest annual statement form, prescribed by Wis. Adm. Code section Ins 7.01 (5), filed with the commissioner with respect to the amount of securities of a class outstanding or in the case of voting trust certificates or certificates of deposit the amount thereof issuable.

(c) *Disclaimer of beneficial ownership.* Any person filing a statement may expressly declare therein that the filing of such statement shall not be construed as an admission that such person is, for the purpose of section 201.105, Wis. Stats., the beneficial owner of any equity securities covered by the statement.

(d) *Exemptions from section 201.105 (1) and (2), Wis. Stats. 1.* During the period of 12 months following their appointment and qualification, securities held by the following persons shall be exempt from section 201.105 (1) and (2), Wis. Stats.:

- a. Executors or administrators of the estate of a decedent;
- b. Guardians or committees for an incompetent; and
- c. Receivers, trustees in bankruptcy, assignees for the benefit of creditors, conservators, liquidating agents, and other similar persons

duly authorized by law to administer the estate or assets of other persons.

2. After the 12-month period following their appointment or qualification the foregoing persons shall be required to file reports with respect to the securities held by the estates which they administer under section 201.105 (1), Wis. Stats., and shall be liable for profits realized from trading in such securities pursuant to section 201.105 (2), Wis. Stats., only when the estate being administered is a beneficial owner of more than 10% of any class of equity security of an insurer subject to section 201.105, Wis. Stats.

3. Securities reacquired by or for the account of an insurer and held by it for its account shall be exempt from section 201.105 (1) and (2), Wis. Stats., during the time they are held by the insurer.

(e) *Exemption from 201.105, Wis. Stats., of securities purchased or sold by odd-lot dealers.* Securities purchased or sold by an odd-lot dealer in odd lots so far as reasonably necessary to carry on odd-lot transactions or in round lots to offset odd-lot transactions previously or simultaneously executed or reasonably anticipated in the usual course of business, shall be exempt from the provisions of section 201.105, Wis. Stats., with respect to participation by such odd-lot dealer in such transactions.

(f) *Certain transactions subject to section 201.105 (1), Wis. Stats.* The acquisition or disposition of any transferable option, put, call, spread or straddle shall be deemed such a change in the beneficial ownership of the security to which such privilege relates as to require the filing of a statement reflecting the acquisition or disposition of such privilege. Nothing in this subsection (3) (f), however, shall exempt any person from filing the statements required upon the exercise of such option, put, call, spread or straddle.

(g) *Ownership of securities held in trust.* 1. Beneficial ownership of a security for the purpose of section 201.105 (1), Wis. Stats., shall include:

a. The ownership of securities as a trustee where either the trustee or members of his immediate family have a vested interest in the income or corpus of the trust,

b. The ownership of a vested beneficial interest in a trust, and

c. The ownership of securities as a settlor of a trust in which the settlor has the power to revoke the trust without obtaining the consent of all the beneficiaries.

2. Except as provided in subsection (3) (g) 3, beneficial ownership of securities solely as a settlor or beneficiary of a trust shall be exempt from the provisions of section 201.105 (1), Wis. Stats., where less than 20% in market value of the securities having a readily ascertainable market value held by such trust, determined as of the end of the preceding fiscal year of the trust, consists of equity securities with respect to which reports would otherwise be required. Exemption is likewise accorded from section 201.105 (1), Wis. Stats., with respect to any obligation which would otherwise be imposed solely by reason of ownership as settlor or beneficiary of securities held in trust, where the ownership, acquisition, or disposition of such securities by the trust is made without prior approval by the settlor or beneficiary. No exemption pursuant to this subsection (3) (g) 2. shall, however, be acquired or lost solely as a result of changes in

the value of the trust assets during any fiscal year or during any time when there is no transaction by the trust in the securities otherwise subject to the reporting requirements of section 201.105 (1), Wis. Stats.

3. In the event that 10% of any class of any equity security of an insurer is held in a trust, that trust and the trustees thereof as such shall be deemed a person required to file the reports specified in section 201.105 (1), Wis. Stats.

4. Not more than one report need be filed to report any holdings or with respect to any transaction in securities held by a trust, regardless of the number of officers, directors or 10% stockholders who are either trustees, settlors, or beneficiaries of a trust, provided that the report filed shall disclose the names of all trustees, settlors and beneficiaries who are officers, directors or 10% stockholders. A person having an interest only as a beneficiary of a trust shall not be required to file any such report so long as he relies in good faith upon an understanding that the trustee of such trust will file whatever reports might otherwise be required of such beneficiary.

5. As used in this subsection (3) (g) the "immediate family" of a trustee means:

- a. A son or daughter of the trustee, or a descendant of either,
- b. A stepson or stepdaughter of the trustees,
- c. The father or mother of the trustee, or an ancestor of either,
- d. A stepfather or stepmother of the trustee,
- e. A spouse of the trustee.

For the purpose of determining whether any of the foregoing relations exists, a legally adopted child of a person shall be considered a child of such person by blood.

6. In determining, for the purposes of section 201.105 (1), Wis. Stats., whether a person is the beneficial owner, directly or indirectly, of more than 10% of any class of any equity security, the interest of such person in the remainder of a trust shall be excluded from the computation.

7. No report shall be required by any person, whether or not otherwise subject to the requirement of filing reports under section 201.105 (1), Wis. Stats., with respect to his indirect interest in portfolio securities held by:

- a. A pension or retirement plan holding securities of an insurer whose employees generally are the beneficiaries of the plan,
- b. A business trust with over 25 beneficiaries.

8. Nothing in this subsection (3) (g) shall be deemed to impose any duties or liabilities with respect to reporting any transaction or holding prior to its effective date.

(h) *Exemption for small transactions.* 1. Any acquisition of securities shall be exempt from section 201.105 (1), Wis. Stats., where:

- a. The person effecting the acquisition does not within 6 months thereafter effect any disposition, otherwise than by way of gift, of securities of the same class, and

- b. The person effecting such acquisition does not participate in acquisitions or in dispositions of securities of the same class having a total market value in excess of \$3,000 for any 6 months' period during which the acquisition occurs.

2. Any acquisition or disposition of securities by way of gift, where the total amount of such gifts does not exceed \$3,000 in market value for any 6 months' period, shall be exempt from section 201.105 (1), Wis. Stats., and may be excluded from the computations prescribed in subsection (3) (h) 1. b.

3. Any person exempted by subsection (3) (h) 1. or 2. shall include in the first report filed by him after a transaction within the exemption a statement showing his acquisitions and dispositions for each 6 months' period or portion thereof which has elapsed since his last filing.

(i) *Exemption from section 201.105 (2), Wis. Stats., of transactions which need to be reported under section 201.105 (1), Wis. Stats.* Any transaction which has been or shall be exempted from the requirements of section 201.105 (1), Wis. Stats., shall, insofar as it is otherwise subject to the provisions of section 201.105 (2), Wis. Stats., be likewise exempted from section 201.105 (2), Wis. Stats.

(4) REGULATIONS UNDER SECTION 201.105 (2), WIS. STATS.

(a) *Exemption from section 201.105 (2), Wis. Stats., of certain transactions effected in connection with a distribution.*

1. Any transaction of purchase and sale, or sale and purchase, of a security which is effected in connection with the distribution of a substantial block of securities shall be exempt from the provisions of section 201.105 (2), Wis. Stats., to the extent specified in this subsection (4) (a) as not comprehended within the purpose of section 201.105 (2), Wis. Stats., upon the following conditions:

a. The person effecting the transaction is engaged in the business of distributing securities and in participating in good faith, in the ordinary course of such business, in the distribution of such block of securities;

b. The security involved in the transaction is a part of such block of securities and is acquired by the person effecting the transaction, with a view to the distribution thereof, from the insurer or other person on whose behalf such securities are being distributed or from a person who is participating in good faith in the distribution of such block of securities; or a security purchased in good faith by or for the account of the person effecting the transaction for the purpose of stabilizing the market price of securities of the class being distributed or to cover an over-allotment or other short position created in connection with such distribution; and

c. Other persons not within the purview of section 201.105 (2), Wis. Stats., are participating in the distribution of such block of securities on terms at least as favorable as those on which such person is participating and to an extent at least equal to the aggregate participation of all persons exempted from the provisions of section 201.105 (2), Wis. Stats., by this subsection (4) (a). However, the performance of the functions of manager of a distributing group and the receipt of a bona fide payment for performing such functions shall not preclude an exemption which would otherwise be available under this subsection (4) (a).

2. The exemption of a transaction pursuant to this subsection (4) (a) with respect to the participation therein of one party thereto shall not render such transaction exempt with respect to participa-

tion of any other party therein unless such other party also meets the conditions of this subsection (4) (a).

(b) *Exemption from section 201.105 (2), Wis. Stats., of acquisitions of shares of stock and stock options under certain stock bonus, stock option or similar plans.* Any acquisition of shares of stock (other than stock acquired upon the exercise of an option, warrant or right) pursuant to a stock bonus, profit sharing, retirement, incentive, thrift, savings or similar plan, or any acquisition of a qualified or a restricted stock option pursuant to a qualified or a restricted stock option plan, or a stock option pursuant to an employee stock purchase plan, by a director or officer of an insurer issuing such stock or stock option shall be exempt from the operation of section 201.105 (2), Wis. Stats., if the plan meets the following conditions:

1. The plan has been approved, directly or indirectly,

a. By the affirmative votes of the holders of a majority of the securities of such insurer present, or represented, and entitled to vote at a meeting held in accordance with the applicable laws of the state of Wisconsin, or

b. By the written consent of the holders of a majority of the securities of such insurer entitled to vote: provided, however, that if such vote or written consent was not solicited substantially in accordance with Wis. Adm. Code section Ins 6.40 in effect at the time of such vote or written consent, the insurer shall furnish in writing to the holders of record of the securities entitled to vote for the plan substantially the same information concerning the plan which would be required by any such rules and regulations so prescribed and in effect at the time such information is furnished, if proxies to be voted with respect to the approval or disapproval of the plan were then being solicited, on or prior to the date of the first annual meeting of security holders held subsequent to the later of the date section 201.105, Wis. Stats., first applies to such insurer; or the acquisition of an equity security for which exemption is claimed. Such written information may be furnished by mail to the last known address of the security holders of record within 30 days prior to the date of mailing. Four copies of such written information shall be filed with, or mailed for filing to, the commissioner not later than the date on which it is first sent or given to security holders of the insurer. For the purposes of subsection (4) (b) 1. b., the term "insurer" includes a predecessor corporation if the plan or obligations to participate thereunder were assumed by the insurer in connection with the succession.

2. If the selection of any director or officer of the insurer to whom stock may be allocated or to whom qualified, restricted or employee stock purchase plan stock options may be granted pursuant to the plan, or the determination of the number or maximum number of shares of stock which may be allocated to any such director or officer or which may be covered by qualified, restricted or employee stock purchase plan stock options granted to any such director or officer, is subject to the discretion of any person, then such discretion shall be exercised only as follows:

a. With respect to the participation of directors

1. By the board of directors of the insurer, a majority of which board and a majority of the directors acting in the matter are disinterested persons;

II. By, or only in accordance with the recommendations of, a committee of 3 or more persons having full authority to act in the matter, all of the members of which committee are disinterested persons; or

III. Otherwise in accordance with the plan, if the plan specifies the number or maximum number of shares of stock which directors may acquire or which may be subject to qualified, restricted or employee stock purchase plan stock options granted to directors and the terms upon which, and the times at which, or the periods within which, such stock may be acquired or such options may be acquired and exercised; or sets forth, by formula or otherwise, effective and determinable limitations with respect to the foregoing based upon earnings of the insurer, dividends paid, compensation received by participants, option prices, market value of shares, outstanding shares or percentages thereof outstanding from time to time, or similar factors.

b. With respect to the participation of officers who are not directors

I. By the board of directors of the insurer or a committee of 3 or more directors; or

II. By, or only in accordance with the recommendations of, a committee of 3 or more persons having full authority to act in the matter, all of the members of which committee are disinterested persons.

For the purpose of this subsection (4) (b) 2., a director or committee member shall be deemed to be a disinterested person only if such person is not at the time such discretion is exercised eligible and has not at any time within one year prior thereto been eligible for selection as a person to whom stock may be allocated or to whom qualified, restricted or employee stock purchase plan stock options may be granted pursuant to the plan or any other plan of the insurer or any of its affiliates entitling the participants therein to acquire stock or qualified, restricted or employee stock purchase plan stock options of the insurer or any of its affiliates.

c. The provisions of this subsection (4) (b) 2. shall not apply with respect to any option granted, or other equity security acquired, prior to the date that section 201.105 (1), (2), and (3), Wis. Stats., first become applicable with respect to any class of equity securities of any insurer.

3. As to each participant or as to all participants the plan effectively limits the aggregate dollar amount or the aggregate number of shares of stock which may be allocated, or which may be subject to qualified, restricted, or employee stock purchase plan stock options granted, pursuant to the plan. The limitations may be established on an annual basis, or for the duration of the plan, whether or not the plan has a fixed termination date; and may be determined either by fixed or maximum dollar amounts or fixed or maximum numbers of shares or by formulas based upon earnings of the insurer, dividends paid, compensation received by participants, option prices, market value of shares, outstanding shares or percentages thereof outstanding from time to time, or similar factors which will result in an effective and determinable limitation. Such limitations may be subject to any provisions for adjustment of the plan or of stock allocable or options outstanding thereunder to prevent dilution or enlargement of rights.

4. Unless the context otherwise requires, all terms used in this subsection (4) (b) shall have the same meaning as in section 201.105,

Wis. Stats., and in subsection (1). In addition, the following definitions apply:

a. The term "plan" includes any plan, whether or not set forth in any formal written document or documents and whether or not approved in its entirety at one time.

b. The definition of the terms "qualified stock option" and "employee stock purchase plan" that are set forth in sections 422 and 423 of the Internal Revenue Code of 1954, as amended, are to be applied to those terms where used in this subsection (4) (b). The term "restricted stock option" as defined in section 424(b) of the Internal Revenue Code of 1954, as amended, shall be applied to that term as used in this subsection (4) (b), provided, however, that for the purposes of this subsection (4) (b) an option which meets all of the conditions of section 424(b) of the Internal Revenue Code of 1954, as amended, other than the date of issuance shall be deemed to be a "restricted stock option."

(c) *Exemption from section 201.105 (2), Wis. Stats., of certain transactions in which securities are received by redeeming other securities.* Any acquisition of an equity security (other than a convertible security or right to purchase a security) by a director or officer of the insured issuing such security shall be exempt from the operation of section 201.105 (2), Wis. Stats., upon condition that

1. The equity security is acquired by way of redemption of another security of an insurer substantially all of whose assets other than cash (or Government bonds) consist of securities of the insurer issuing the equity security so acquired, and which

a. Represented substantially and in practical effect a stated or readily ascertainable amount of such equity security,

b. Had a value which was substantially determined by the value of such equity security, and

c. Conferred upon the holder the right to receive such equity security without the payment of any consideration other than the security redeemed;

2. No security of the same class as the security redeemed was acquired by the director or officer within 6 months prior to such redemption or is acquired within 6 months after such redemption;

3. The insurer issuing the equity security acquired has recognized the applicability of subsection (4) (c) 1. by appropriate corporate action.

(d) *Exemption of long term profits incident to sales within 6 months of the exercise of an option.*

1. To the extent specified in subsection (4) (d) 2., the commissioner hereby exempts as not comprehended within the purposes of section 201.105 (2), Wis. Stats., any transaction or transactions involving the purchase and sale, or sale and purchase, of any equity security where such purchase is pursuant to the exercise of an option or similar right either acquired more than 6 months before its exercise; or acquired pursuant to the terms of an employment contract entered into more than 6 months before its exercise.

2. In respect of transactions specified in subsection (4) (d) 1. the profits inuring to the insurer shall not exceed the difference between

the proceeds of sale and the lowest market price of any security of the same class within 6 months before or after the date of sale. Nothing in this subsection (4) (d) shall be deemed to enlarge the amount of profit which would inure to such insurer in the absence of this subsection (4) (d).

3. The commissioner also hereby exempts, as not comprehended within the purposes of section 201.105 (2), Wis. Stats., the disposition of a security, purchased in a transaction specified in subsection (4) (d) 1., pursuant to a plan or agreement for merger or consolidation, or reclassification of the insurer's securities, or for the exchange of its securities for the securities of another person which has acquired its assets, or which is in control, as defined in section 368 (c) of the Internal Revenue Code of 1954, of a person which has acquired its assets, where the terms of such plan or agreement are binding upon all stockholders of the insurer except to the extent that dissenting stockholders may be entitled, under statutory provisions or provisions contained in the certificate of incorporation, to receive the appraised or fair value of their holdings.

4. The exemptions provided by this subsection (4) (d) shall not apply to any transaction made unlawful by section 201.105 (3), Wis. Stats., or by any rules and regulations thereunder.

5. The burden of establishing market price of a security for the purpose of this subsection (4) (d) shall rest upon the person claiming the exemption.

(e) *Exemption from section 201.105 (2), Wis. Stats., of certain acquisitions and dispositions of securities pursuant to merger or consolidations.* 1. The following transactions shall be exempt from the provisions of section 201.105 (2), Wis. Stats., as not comprehended within its purpose:

a. The acquisition of a security of an insurer, pursuant to a merger or consolidation, in exchange for a security of a company which, prior to said merger or consolidation, owned 85% or more of the equity securities of all other companies involved in the merger or consolidation except, in the case of consolidation, the resulting company;

b. The disposition of a security, pursuant to a merger or consolidation of an insurer which, prior to said merger or consolidation, owned 85% or more of the equity securities of all other companies involved in the merger or consolidation except, in the case of consolidation, the resulting company;

c. The acquisition of a security of an insurer, pursuant to a merger or consolidation, in exchange for a security of a company which, prior to said merger or consolidation, held over 85% of the combined assets of all the companies undergoing merger or consolidation, computed according to their book values prior to the merger or consolidation as determined by reference to their most recent available financial statements for a 12-month period prior to the merger or consolidation.

d. The disposition of a security, pursuant to a merger or consolidation, of an insurer which, prior to said merger or consolidation, held over 85% of the combined assets of all the companies undergoing merger or consolidation, computed according to their book values

prior to merger or consolidation, as determined by reference to their most recent available financial statements for a 12-month period prior to the merger or consolidation.

2. A merger within the meaning of this subsection (4) (e) shall include the sale or purchase of substantially all the assets of one insurer by another in exchange for stock which is then distributed to the security holders of the insurer which sold its assets.

3. Notwithstanding the foregoing, if an officer, director or stockholder shall make any purchase (other than a purchase exempted by this subsection (4) (e)) of a security in any company involved in the merger or consolidation and any sale (other than a sale exempted by this subsection (4) (e)) of a security in any other company involved in the merger or consolidation within any period of less than 6 months during which the merger or consolidation took place, the exemption provided by this subsection (4) (e) shall be unavailable to such officer, director, or stockholder.

(f) *Exemption from section 201.105 (2), Wis. Stats., of certain securities received upon surrender of similar equity securities.* Any receipt by a person from an insurer of shares of stock of a class having general voting power, upon the surrender by such person of an equal number of shares of stock of the insurer of a class which does not have general voting power, pursuant to provisions of the insurer's certificate of incorporation, for the purpose of and accompanied simultaneously or followed immediately by the sale of the shares so received, shall be exempt from the operation of section 201.105 (2), Wis. Stats., as a transaction not comprehended within its purpose, if the following conditions exist:

1. The person so receiving such shares is not an officer or director, or the beneficial owner, directly or indirectly, immediately prior to such receipt, of more than 10% of an equity security of the insurer;

2. The shares surrendered and the shares issued upon such surrender shall be of classes which are freely transferable and entitle the holders thereof to participate equally per share in all distributions of earnings and assets;

3. The surrender and issuance are made pursuant to provisions of a certificate of incorporation which requires that the shares issued upon such surrender shall be registered upon issuance in the name of a person or persons other than the holder of the shares surrendered and may be required to be issued as the right only in connection with the public offering, sale and distribution of such shares and the immediate sale by such holder of such shares for that purpose, or in connection with a gift of such shares;

4. Neither the shares so surrendered nor any shares of the same class, nor other shares of the same class as those issued upon such surrender, have been or are purchased (otherwise than in a transaction exempted by this subsection (4) (f)), by the person surrendering such shares, within 6 months before or after such surrender or issuance.

(g) *Exemption from section 201.105 (2), Wis. Stats., of certain transactions involving an exchange of similar securities.* Any acquisition or disposition of securities made in an exchange of shares of a class (or series thereof) of stock of an insurer for an equivalent num-

ber of shares of another class (or series thereof) of stock of the same insurer, pursuant to a right of conversion under the terms of the insurer's articles of incorporation or other governing instruments shall be exempt from the operation of section 201.105 (2), Wis. Stats., if

1. The shares surrendered and those acquired in exchange therefor evidence substantially the same rights and privileges except that, pursuant to the provisions of the insurer's articles of incorporation or other governing instruments, the board of directors may declare and pay a lesser dividend per share on shares of the class surrendered than on shares of the class acquired in exchange therefor, or may declare and pay no dividend on shares of the class surrendered; and

2. The transaction was effected in contemplation of a public sale of the shares acquired in the exchange; provided that this subsection (4) (g) shall not be construed to exempt from the operation of section 201.105 (2), Wis. Stats., any purchase or sale of shares of the class surrendered and any sale or purchase of shares of the class acquired in the exchange (otherwise than in the transaction of exchange exempted by this subsection (4) (g)) within a period of less than 6 months.

(5) REGULATIONS UNDER SECTION 201.105 (3), WIS. STATS.

(a) *Exemption of certain securities from section 201.105 (3), Wis. Stats.* Any security shall be exempt from the operation of section 201.105 (3), Wis. Stats., to the extent necessary to render lawful under such section the execution by a broker of an order for an account in which he has no direct or indirect interest.

(b) *Exemption from section 201.105 (3), Wis. Stats., of certain transactions effected in connection with a distribution.* Any security shall be exempt from the operation of section 201.105 (3), Wis. Stats., to the extent necessary to render lawful under such section any sale made by or on behalf of a dealer in connection with a distribution of a substantial block of securities, upon the following conditions:

1. The sale is represented by an over-allotment in which the dealer is participating as a member of an underwriting group, or the dealer or a person acting on his behalf intends in good faith to offset such sale with a security to be acquired by or on behalf of the dealer as a participant in an underwriting, selling or soliciting-dealer group of which the dealer is a member at the time of the sale, whether or not the security to be so acquired is subject to a prior offering to existing security holders or some other class of persons; and

2. Other persons not within the purview of section 201.105 (3), Wis. Stats., are participating in the distribution of such block of securities on terms at least as favorable as those on which such dealer is participating and to an extent at least equal to the aggregate participation of all persons exempted from the provisions of section 201.105 (3), Wis. Stats., by this subsection (5) (b). However, the performance of the functions of manager of a distributing group and the receipt of a bona fide payment for performing such functions shall not preclude an exemption which would otherwise be available under this subsection (5) (b).

(c) *Exemption from section 201.105 (3), Wis. Stats., of sales of securities to be acquired.*

1. Whenever any person is entitled, as an incident to his ownership of an issued security and without the payment of consideration, to receive another security "when issued" or "when distributed," the security to be acquired shall be exempt from the operation of section 201.105 (3), Wis. Stats., provided that:

a. The sale is made subject to the same conditions as those attaching to the right of acquisition, and

b. Such person exercises reasonable diligence to deliver such security to the purchaser promptly after his right of acquisition matures, and

c. Such person reports the sale on the appropriate form for reporting transactions by persons subject to section 201.105 (1), Wis. Stats.

2. This subsection (5) (c) shall not be construed as exempting transactions involving both a sale of a security "when issued" or "when distributed" and a sale of the security by virtue of which the seller expects to receive the "when-issued" or "when-distributed" security, if the 2 transactions combined result in a sale of more units than the aggregate of those owned by the seller plus those to be received by him pursuant to his right of acquisition.

(6) REGULATION UNDER SECTION 201.105 (5), WIS. STATS.

(a) *Arbitrage transactions under section 201.105 (5), Wis. Stats.* It shall be unlawful for any director or officer of an insurer to effect any foreign or domestic arbitrage transaction in any equity security of such insurer, unless he shall include such transaction in the statements required by section 201.105 (1), Wis. Stats., and shall account to such insurer for the profits arising from such transaction, as provided in section 201.105 (2), Wis. Stats. The provisions of section 201.105 (3), Wis. Stats., shall not apply to such arbitrage transactions. The provisions of section 201.105, Wis. Stats., shall not apply to any bona fide foreign or domestic arbitrage insofar as it is effected by any person other than such director or officer of the insurer.

Note: Copies of UNITED STATES CODE, title 26, Internal Revenue Code of 1954 as amended to date of adoption of the above section, sections 368(c), 422, 423 and 424(b), are available for inspection at the office of the Insurance Department, the Secretary of State, and the Revisor of Statutes, or the code may be procured for personal use from the U. S. Government Printing Office, Washington, D. C.

History: Cr. Register, August, 1966, No. 128, eff. 9-1-66.

Ins 6.42 Initial statement of beneficial ownership of securities. (1) PERSONS REQUIRED TO FILE STATEMENTS. A statement on Form 3 (shown at the end of this rule) of initial statement of beneficial ownership of securities is required to be filed by every person who is directly or indirectly the beneficial owner of more than 10% of any class of any equity security of a domestic stock insurance company, or who is a director or an officer of such a company.

(2) **WHEN STATEMENTS ARE TO BE FILED.** (a) Beginning September 1, 1966, persons who hold any of the relationships specified in subsection (1) are required to file a statement within 10 days after assuming such relationship. Statements are not deemed to have been filed with the commissioner until they have actually been received by him.

(b) Persons who held any of the relationships specified in subsection (1) as of January 31, 1966, or who assumed such relationship(s) during the period of January 31, 1966, through August 31, 1966, are required to file such initial statement of beneficial ownership of securities by September 10, 1966.

(3) WHERE STATEMENTS ARE TO BE FILED. One signed copy of each statement shall be filed with the commissioner of insurance, 4802 Sheboygan Avenue, Madison, Wisconsin 53702.

(4) SEPARATE STATEMENT FOR EACH COMPANY. A separate statement shall be filed with respect to the securities of each company.

(5) RELATIONSHIP OF REPORTING PERSON TO COMPANY. Indicate clearly the relationship of the reporting person to the company; for example, "Director", "Director and Vice President", "Beneficial owner of more than 10% of the company's common stock", etc.

(6) DATE AS OF WHICH BENEFICIAL OWNERSHIP IS TO BE GIVEN. The information as to beneficial ownership of securities shall be given as of January 31, 1966, or, in the case of persons who subsequently assume any of the relationships specified in subsection (1), as of the date that relationship was assumed.

(7) TITLE OF SECURITY. The statement of the title of a security shall be such as clearly to identify the security even though there may be only one class; for example, "Class A Common Stock".

(8) NATURE OF OWNERSHIP. Under "Nature of ownership", state whether ownership of the securities is "direct" or "indirect". If the ownership is indirect, i.e., through a partnership, corporation, trust or other entity, indicate, in a footnote or other appropriate manner, the name or identity of the medium through which the securities are indirectly owned. The fact that securities are held in the name of a broker or other nominee does not, of itself, constitute indirect ownership. Securities owned indirectly shall be reported on separate lines from those owned directly and also from those owned through a different type of indirect ownership.

(9) STATEMENT OF AMOUNT OWNED. In stating the amount of securities beneficially owned, give the face amount of debt securities or the number of shares or other units of other securities. In the case of securities owned indirectly, the entire amount of securities owned by the partnership, corporation, trust or other entity shall be stated. The person whose ownership is reported may, if he so desires, also indicate in a footnote, or other appropriate manner, the extent of his interest in the partnership, corporation, trust or other entity.

(10) INCLUSION OF ADDITIONAL INFORMATION. A statement may include any additional information or explanation deemed relevant by the person filing the statement.

(11) SIGNATURE. If the statement is filed for a corporation, partnership, trust, etc., the name of the organization shall appear over the signature of the officer or other person authorized to sign the statement. If the statement is filed for an individual, it shall be signed by him or specifically on his behalf by a person authorized to sign for him.

State of Wisconsin
Commissioner of Insurance

Form 3

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP
OF SECURITIES

(Filed pursuant to Wisconsin Administrative Code section Ins 6.42)

(Name of insurance company)

(Name of person whose ownership is reported)

(Business address of such person; street, city, state, zip code)

Relationship of such person to company named above. (See Ins 6.42(5))

Date of event which requires the filing of this statement. (See Ins 6.42(6))

Securities Beneficially Owned

<u>Title of Security</u> (See Ins 6.42(7))	<u>Nature of Ownership</u> (See Ins 6.42(8))	<u>Amount Owned</u> <u>Beneficially</u> (See Ins 6.42(9))
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Remarks: (See Ins 6.42(10)) -----

I affirm under penalty of perjury that
the foregoing is full, true, and correct.

Date of statement -----

Signature

Ins 6.43 Statement of changes in beneficial ownership of securities.

(1) **PERSONS REQUIRED TO FILE STATEMENTS.** Statements on Form 4 (shown at the end of this rule) of changes in beneficial ownership of securities are required to be filed by every person who at any time during any calendar month was directly or indirectly the beneficial owner of more than 10% of any class of equity security of a domestic stock insurance company, or by a director or officer of the company which is the issuer of such securities, and who during such month had any change in his beneficial ownership of any class of equity security of such company.

(2) **WHEN STATEMENTS ARE TO BE FILED.** (a) Beginning September 1, 1966, statements are required to be filed on or before the 10th day after the end of each month in which any change in beneficial ownership has occurred. Statements are not deemed to have been filed with the commissioner until they have actually been received by him.

(b) Statements for each month for the period January 31, 1966, through August 31, 1966, in which any changes in beneficial ownership have occurred shall be filed by September 10, 1966.

(3) **WHERE STATEMENTS ARE TO BE FILED.** One signed copy of each statement shall be filed with the commissioner of insurance, 4802 Sheboygan Avenue, Madison, Wisconsin 53702.

(4) **SEPARATE STATEMENTS FOR EACH COMPANY.** A separate statement shall be filed with respect to the securities of each company.

(5) **RELATIONSHIP OF REPORTING PERSON TO COMPANY.** Indicate clearly the relationship of the reporting person to the company; for example, "Director", "Director and Vice President", "Beneficial owner of more than 10% of the company's common stock", etc.

(6) **TRANSACTIONS AND HOLDINGS TO BE REPORTED.** Every transaction shall be reported even though purchases and sales during the month are equal or the change involves only the nature of ownership; for example, from direct to indirect ownership. Beneficial ownership at the end of the month of all classes of securities required to be reported shall be shown even though there has been no change during the month in the ownership of securities of one or more classes.

(7) **TITLE OF SECURITY.** The statement of the title of the security shall be such as clearly to identify the security even though there may be only one class; for example, "Class A Common Stock".

(8) **DATE OF TRANSACTION.** The exact date (month, day and year) of each transaction shall be stated opposite the amount involved in the transaction.

(9) **STATEMENT OF AMOUNTS OF SECURITIES.** In stating the amount of the securities acquired, disposed of, or beneficially owned, give the face amount of debt securities or the number of shares or other units of other securities. In the case of securities owned indirectly, i.e., through a partnership, corporation, trust or other entity, the entire amount of securities involved in the transaction or owned by the partnership, corporation, trust or other entity shall be stated. The person whose ownership is reported may, if he so desires, also indicate in a footnote, or other appropriate manner, the extent of his interest in the transaction or holdings of the partnership, corporation, trust or other entity.

(10) NATURE OF OWNERSHIP. Under "Nature of ownership", state whether ownership of the securities is "direct" or "indirect". If the ownership is indirect, i.e., through a partnership, corporation, trust or other entity, indicate in a footnote, or other appropriate manner, the name or identity of the medium through which the securities are indirectly owned. The fact that securities are held in the name of a broker or other nominee does not, of itself, constitute indirect ownership. Securities owned indirectly shall be reported on separate lines from those owned directly and from those owned through a different type of indirect ownership.

(11) CHARACTER OF TRANSACTION. If the transaction was with the issuer of the securities, so state. If it involved the purchase of securities through the exercise of options, so state and give the exercise price per share. If any other purchase or sale was effected otherwise than in the open market, that fact shall be indicated. If the transaction was not a purchase or sale, indicate its character; for example, gift, 5% stock dividend, etc., as the case may be. The foregoing information may be appropriately set forth in the table or under "Remarks" at the end of the table.

(12) INCLUSION OF ADDITIONAL INFORMATION. A statement may include any additional information or explanation deemed relevant by the person filing the statement.

(13) SIGNATURE. If the statement is filed for a corporation, partnership, trust, etc., the name of the organization shall appear over the signature of the officer or other person authorized to sign the statement. If the statement is filed for an individual, it shall be signed by him or specifically on his behalf by a person authorized to sign for him.

State of Wisconsin
Commissioner of Insurance

Form 4

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP
OF SECURITIES

(Filed pursuant to Wisconsin Administrative Code section Ins 6.43)

(Name of insurance company)

(Name of person whose ownership is reported)

(Business address of such person; street, city, state, zip code)

Relationship of such person to company named above. (See Ins 6.43(5))

Statement of Calendar Month of _____, 19____

Changes During Month and Month-End Ownership (See Ins 6.43(6))

<u>Title of Security Ins 6.43(7)</u>	<u>Date of Transaction Ins 6.43(8)</u>	<u>Amount Bought or otherwise acquired Ins 6.43(9)</u>	<u>Amount Sold or otherwise disposed of Ins 6.43(9)</u>	<u>Nature of Ownership Ins 6.43(10)</u>	<u>Amount Owned beneficially at end of month Ins 6.43(9)</u>
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Remarks: (See Ins 6.43(11)) -----

I affirm under penalty of perjury that
the foregoing is full, true, and correct.

Date of statement -----

Signature

History: Cr. Register, August, 1966, No. 128, eff. 9-1-66.

Next page is numbered 201

