

COMMISSIONER OF INSURANCE

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(8) Written examinations for each kind of individual intermediary-agent authority will be administered at least once a month in accordance with a schedule adopted by the commissioner at the following examination centers: Eau Claire, Green Bay, LaCrosse, Oshkosh, Madison, Rhinelander, Racine, Superior, and Stevens Point. Written examinations will be administered twice a month in Milwaukee and at least one other center.

(9) Any applicant who otherwise satisfies the standards for intermediary competence and trustworthiness who receives a grade on the written examination of at least 70% of the passing grade, can within 20 days of receiving the examination result notice, make application for an apprentice permit. An apprentice permit shall be issued when such applicant complies with the requirements established by Ins 6.60 (1), (2) and (3) and a permanent intermediary-agent license shall be issued when such applicant meets the requirement of Ins 6.60 (7).

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77; am. (8), Register, June, 1978, No. 270, eff. 7-1-78.

Ins 6.60 Apprentice permit procedure - individual intermediary-agent apprentice. (1) Applications for an individual intermediary-agent apprentice permit shall be made on Insurance Form 11-43 signed by the applicant and his or her sponsor and filed with the Commissioner of Insurance, Madison, Wisconsin. No individual may apply for an apprentice permit unless he or she has obtained a grade of at least 70% of the passing grade on the written test administered in accord with Ins 6.59.

(2) A licensing fee of \$10.00 shall be payable with the application for an apprentice permit.

(3) An apprentice permit shall be issued for a three-month period if the application and other information provided the commissioner establishes that the applicant:

(a) Is embarked on a recognized study program acceptable to the commissioner for each kind of authority for which the permit is requested, and

(b) Is sponsored by:

1. An individual intermediary-agent who has been licensed in Wisconsin for 2 or more years, or

2. A licensed insurer conducting an apprentice training program approved by the commissioner. In such a program a supervisory employe must serve as the individual sponsor of the apprentice.

(4) The sponsor of an apprentice shall supervise his or her study and work activities and assumes full legal responsibility for all insurance intermediary acts and omissions of the apprentice.

(5) An individual intermediary-agent sponsor or supervisory employe of an insurer sponsor shall have no more than two apprentices during each supervision period.

(6) The requirement of insurer filing of listing and termination of appointment notices for individual intermediary-agents, established by Ins 6.57, shall be applicable to individual intermediary-agent apprentices. Each insurer listing an apprentice in accordance with Ins 6.57

shall also be responsible for the insurance intermediary acts and omissions of the apprentice.

(7) An individual intermediary-agent license shall be issued to an individual intermediary-agent apprentice upon conclusion of the three-month apprentice period upon receipt in the Office of the Commissioner of Insurance of completed Insurance Form 11-44 which shall include certification by the sponsor as to the competence and trustworthiness of the applicant, and certification that 40 hours of study in a recognized study course for each kind of individual intermediary-agent license authority have been completed.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77.

Ins 6.61 Individual intermediary - agent records. (1) Each individual intermediary-agent shall maintain or have maintained, for a three-year period, records of his or her policyholder financial transactions, in accordance with accepted accounting principles. Such records shall include an accounting of such billings to and receipts from purchasers of insurance and payments to insurance companies or others for coverage provided, as have passed through the hands of the individual intermediary-agent, or comparable records on an agency or partnership-wide basis. An insurer may by written agreement assume the responsibility to maintain these records for an individual intermediary-agent if the records can be made immediately available to the commissioner of insurance on demand.

(2) Each individual intermediary-agent shall maintain records for a 3-year period giving the effective date of the coverage on all newly issued contracts, and indicating that the necessary suitability inquiry and replacement procedures required by Ins 2.07, Ins 2.14 (4) (g), Ins 3.27 (7), and Ins 3.29 were followed for each individual life and accident and health contract written and/or replaced.

(3) Records required by subsection (1) and (2) are to be maintained at the business address recorded with the commissioner of insurance, or at another location only if notice has been provided the commissioner of insurance of such alternate location.

(4) Each agent shall, within 30 days, notify the commissioner of insurance in writing of any change in his or her business or residence address or any change of address of location of his or her business records.

Note: Individual intermediary-agent records, which are to be maintained and subject to examination by the commissioner of insurance, are limited to transactions where the individual intermediary-agent serves in a fiduciary capacity (i.e. collects or handles premiums from his clients and remits that amount of the premium due the carrier providing the coverage). This record maintenance requirement is not intended to apply to individual intermediary-agent office expense accounts, general office management records, income tax returns, or any other individual intermediary-agent financial transactions other than financial and other records directly pertaining to the individual intermediary-agent insurance transactions between clients and providers of coverage.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77.

Ins 6.62 Competence and trustworthiness standards. (1) The standards of competence and trustworthiness as applied to an insurance intermediary in section 628.04 (1) (b) 2., Wis. Stats., are determined to provide that intermediaries shall:

(a) Be well-informed on the kinds of insurance they are qualified to write.

(b) Thoroughly analyze the insurance needs of their clients and recommend the forms of coverage best suited to their needs.

(c) Make no intentional false statements nor any material misrepresentations by omission of facts, inference or subterfuge in their relations with their clients, insurance companies, or other insurance agents.

(d) Take all reasonable steps so clients are informed on the extent and limitation of coverage provided by their contracts.

(e) Manage agency financial affairs in accordance with the high standards applicable to a fiduciary.

(f) Conform to all applicable insurance statutes and regulations.

(2) Standards of competence and trustworthiness established by (1) shall be applied to all applicants for individual intermediary-agent licenses.

(3) The following screening standards and procedures for determination of competence and trustworthiness of individual intermediary-agents submitting applications under the provisions of Ins 6.58 and 6.59 are adopted:

(a) *Accuracy of application.* Material misrepresentation in completing an application form (e.g. Insurance Form 11-40, 11-41 or 11-42) shall be considered evidence of untrustworthiness and cause for not issuing a permanent license.

(b) *Complaint review.* Information developed through consumer complaints involving an intermediary's activities during the prior three years (where applicable) shall be reviewed to determine whether the allegation, if proven, concerns a violation of the standards of competence and trustworthiness in subsection (1).

(c) *Application data.* Information reported in the application form (e.g. Insurance Form 11-40, sections 16, 22-25) shall be reviewed and investigated through correspondence with insurance companies, affected consumers, appropriate regulatory and law enforcement agencies, and, where necessary, follow-up investigation in the field to determine if the standards of competence and trustworthiness have been met.

(d) *Competence.* Where two or more verifiable instances of incompetence of an applicant making application under Ins 6.58 are developed through the procedures in (b) and (c), a license shall not be issued until the person makes application for and passes the written examination prescribed by Ins 6.59 for the kind or kinds of authority involved. Review under this paragraph will be in accordance with the standards for competence in subsection (1).

(e) *Trustworthiness.* Where information developed through the procedures in paragraphs (b) and (c) indicates that there has been substantial violation of the standards in paragraphs (b) through (f) of subsection (1) sufficient for the commissioner to institute proceedings to revoke a license, an intermediary-agent license shall not be issued.

(f) *Notice.* Applicants under Ins 6.58 shall be notified by May 1, 1977 where a determination has been made not to issue a permanent license.

1. Applicants shall have the right to request a review of such determination by a review committee designated by the Insurance Agent's Advisory Council established by Ins 6.10. Such request shall be made to the commissioner of insurance who shall proceed in a timely manner to arrange for a review by the council designated committee. The committee conclusion shall be transmitted to the applicant by the commissioner.

2. Applicants shall also have the right to a hearing to appeal a decision not to license. Such hearing and appeal shall be in accordance with procedures set forth in Chapter 227, Wis. Stats., and rules of the commissioner.

Note: The standards of competence and trustworthiness listed are not meant to be exclusive, nor are they intended to suggest that insurance intermediaries will never make mistakes. Professionals exercising broad discretion are always subject to second-guessing, in circumstances where there is no single "right" answer. The primary concern here is with substantial or persistent violations, or with a pattern of behavior which may endanger the legitimate interests of customers or the public.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77.

Ins 6.63 Annual regulation charge. (1) The annual regulation amount to be paid by each licensed individual intermediary-agent, in accordance with section 601.31 (15m), Wis. Stats., is established to be as follows:

Resident intermediary	\$ 5.00
Non-resident intermediary	15.00

(2) The commissioner shall mail notification of the annual regulation charge due and payable to each individual intermediary-agent to the resident address on file with the office of the commissioner of insurance.

(3) The annual regulation charge is due annually after the year in which the initial license is issued in the month of the birth date of the individual intermediary-agent and shall be paid within 30 days after the mailing by the office of the commissioner of insurance of a notification that the charge is due.

(4) The license of any individual intermediary-agent not making timely payment of the annual regulation amount may, by order of the commissioner, be suspended.

(5) Any suspended individual intermediary-agent can, within one year of the license suspension date, make application for termination of the suspension by payment of double the regulation fee as authorized by section 628.10 (4), Wis. Stats.

(6) Any individual intermediary-agent whose license has been suspended for a period of longer than one year for non-payment of fees may be required to:

(a) Satisfy the examination and licensing requirements established by Ins 6.59, and

(b) In addition to any other charges required, make payment of double the regulation fees which would have been payable if the license had not been suspended.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78.

Ins 6.70 Combinations of lines and classes of insurance. This rule defines and delimits the permissible combinations of the lines and classes of insurance defined and delimited by Ins 6.75 which may be written in the same policy. Except as provided in this rule, lines and classes of insurance may not be combined in the same policy.

(1) **COMBINATION WITH SEPARATE PREMIUM CHARGES.** Subject to Ins 2.05, any combination of the lines and classes of insurance defined and delimited by Ins 6.75, except for those described in Ins 6.75 (2) (h), (i) and (k), may be written in the same policy if a statement of separate premium charge is shown on the declarations page or on the face of the policy or in a separate written statement furnished to the policyholder. The requirement for a statement of separate premium charge does not prohibit such charges equitably reflecting differences in expected losses or expenses as contemplated by section 625.11 (4), Wis. Stats.

(2) **COMBINATION WITH OR WITHOUT SEPARATE PREMIUM CHARGES.** Any combination of the lines and classes of insurance defined and delimited by Ins 6.75 (2) (a), (b), (d), (e), (f) and (j) may be written in the same policy with or without showing separate premium charges.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76; r. and recr. Register, August, 1977, No. 260, eff. 9-1-77.

Ins 6.71 Fire insurance. **History:** Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76; r. Register, November, 1977, No. 263, eff. 12-1-77.

Ins 6.72 Risk limitations. The provisions of section 201.16, 1973 Wis. Stats., are incorporated herein by reference in their entirety, all statutory references therein being to 1973 Wisconsin Statutes.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

Ins 6.73 Reinsurance. The provisions of sections 201.27 and 201.31, 1973 Wis. Stats., are incorporated hereby by reference in their entirety.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

Ins 6.74 Suretyship and risk limitations of surety obligations.

(1) **PURPOSE.** The purpose of this rule is to establish minimum requirements for the transaction of surety obligations.

(2) **SCOPE.** This rule shall apply to the limitations on bond penal amounts imposed on insurers engaged in the business of suretyship.

(3) **DEFINITIONS.** (a) For purposes of this rule suretyship shall be construed to be insurance.

(b) An insurance corporation authorized to write fidelity insurance may guarantee the fidelity of, or become the surety for: 1. persons holding positions of public or private trust; 2. the performance of any act, duty or obligation or the refraining from any act; 3. the performance of any contract; 4. bonds of insurance companies required by law as a condition of transacting business; 5. indemnifying banks, brokers and other financial or moneyed associations or corporations,

against the loss of documents and money, except against loss caused by marine risks or risks of transportation or navigation; 6. indemnifying any federal land bank against loss by reason of defective title to or incumbrances on real property on which such bank may have a mortgage.

(c) As used in this rule any one surety risk shall be equivalent to the penal amount established on the surety bond.

(4) **RISK LIMITATIONS ON SURETYSHIP OBLIGATIONS.** (a) No corporation shall execute any suretyship obligation or expose itself to any loss on any one surety bond in an amount in excess of one-tenth of its capital and surplus as reported in its most recent filed annual statement, unless it shall be protected in the excess of that amount: 1. by reinsurance in a corporation licensed to transact surety business where the risk is located; or 2. by the cosuretyship of a surety corporation likewise licensed.

(b) A surety corporation may execute transportation or warehousing bonds for United States internal revenue taxes to an amount equal to 5 times the underwriting limitation specified in subsection (4) (a) of this rule.

(c) No corporation writing surety shall guarantee the deposits of any single financial institution in an aggregate amount in excess of the underwriting limitation set forth in subsection (4) (a) unless it shall be protected in excess of that amount by reinsurance or cosuretyship as specified in subsection (4) (a).

(d) A surety corporation shall not issue multiple bonds on a single contract (splitting bonds) and a surety corporation's liability on a single contract shall not be in excess of the limitations established in subsection (4) (a).

(e) No domestic corporation writing surety business shall execute, reinsure or be cosurety on a suretyship obligation in favor of the United States government, or any other obligee, whereby a surety issues a bond to an obligee for a penal amount which is 10%, or an amount substantially less than, the total contract amount, unless the surety reinsures or obtains a cosurety for at least 50% of the bond penal amount with a corporation licensed to transact surety business where the risk is located. This is tantamount to a maximum exposure for any single loss on any one surety bond of this type of not more than one-twentieth of a domestic surety corporation's capital and surplus.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76.

Ins 6.75 Classifications of insurance. This rule defines and delimits its lines and classes of insurance for any purposes within the commissioner's regulatory power unless the language or context of a statute or rule otherwise provides.

(1) **LIFE AND DISABILITY INSURANCE.** Life and disability insurance includes the following:

(a) Life insurance and annuities—insurance or annuities upon the lives of persons, except insurance or annuities included in paragraph (b);