and disclosure set forth in Ins 6.64 which are to be maintained by intermediary-brokers and do not alter the previous requirements for intermediary-agents. Some intermediary-broker records are required to be maintained for 5 years as opposed to 3 years for intermediary-agent.

History: Cr. Register, March, 1977, No. 255, eff. 4-1-77; am., Register, March, 1979, No. 279, eff. 4-1-79; cr. (5), Register, September, 1981, No. 309, eff. 10-1-81.

Ins 6.63 Regulation charge. (1) The regulation amount to be paid biennially, by each licensed individual intermediary-agent is established to be as follows:

Resident agent	$ 10.00
Non-resident agent	$ 30.00

(2) The commissioner shall mail notification on form OCI 11-51 of the biennial regulation charge due and payable to each agent to the resident address on file with the office of the commissioner of insurance.

(3) Biennially on or before January 1 of each even numbered year the regulation fee is billed, 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.

Note: A copy of form OCI 11-51 can be obtained from the Office of the Commissioner of Insurance, P.O. Box 7872, Madison, WI 53707.

(4) If payment of the biennial regulation fee is not made within 30 days after the date of billing, the license will be suspended. If payment is made during the suspension, the license will be reinstated.

(5) The license will be revoked if payment is not made within 60 days after suspension.

(6) Any individual intermediary-agent whose license has been revoked shall, in order to be relicensed, satisfy the examination and licensing requirements established by Ins 6.59.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1) to (3), Register, September, 1981, No. 309, eff. 1-1-82; r. and recr. (4) to (6), Register, October, 1981, No. 310, eff. 11-1-81.

Ins 6.64 Insurance marketing intermediary-broker. History: Cr. Register, March, 1979, No. 279, eff. 4-1-79; r. Register, April, 1982, No. 316, eff. 5-1-82.

Ins 6.65 Licensing and examination of intermediary-broker. History: Cr. Register, March, No. 279, eff. 4-1-79; r. Register, April, 1982, No. 316, eff. 5-1-82.

Ins 6.66 Proper exchange of business. (s. 628.61, Stats.). (1) Proper exchange of business means the forwarding of insurance business from one agent who cannot, after due consideration, place the business with any of the insurers for which the agent is listed because of capacity problems, the refusal of the company to accept the risk or the onerous conditions it imposes on the insured, to another agent licensed for those lines of insurance whose insurers are able to accommodate the risk under conditions more favorable to the insured. The agent forwarding the business is entitled to split the commission involved. Proper exchange of business is not the regular course of business and such forwarding of business is thereby distinguished from brokerage by its occasional and exceptional nature.

(2) No agent may properly exchange business with another agent, unless:

(a) The agent forwarding the business to a listed agent is licensed for the lines of business that are being exchanged;

(b) The agent who receives the business and agrees to place it is licensed in the line or lines of insurance involved in the exchange; and

(c) Both the agent forwarding the business and the agent who places the business with the insurer sign the insurance application, or if no application is completed, the names of the agents involved in the transaction appear on the policy issued.

(3) No agent shall accept business solicited by another intermediary-agent which he or she knows, or has reason to know, is not exchanged in compliance with the provisions of this rule.

(5) LIMITATIONS. (a) In the absence of evidence to the contrary, an intermediary-agent shall be presumed to have exceeded the occasional exchange of business if he or she places more that 5 insurance risks per calendar year with any single insurer with which he or she is not listed as an intermediary-agent, or exchanges in total more than 25 insurance risks per calendar year.

(b) The burden of showing that specialty lines, non-standard and professional liability business placed through surplus lines intermediaries in accordance with s. 618.41, Stats., or written on an excess rate or other individually rated risk basis beyond the limits prescribed for other exchanges of business in par. (a) is occasional and otherwise in compliance with this rule, shall be upon the intermediary-agent soliciting and forwarding such business.

(6) The forwarding of business from an intermediary-agent to an intermediary-broker shall be deemed an exchange of business witnin this section. This section shall not limit in any way the amount of business that an intermediary-broker may place or forward to any intermediary-agent.

(7) The exchange of business among intermediary-brokers and participation by intermediaries in risk sharing plans approved according to ch. 619, Stats., shall not be limited in any way by this section.

History: Cr. Register, March, 1979, No. 279, eff. 4-1-79; am. (4) (d), Register, May, 1979, No. 281, eff. 6-1-79; am. (1), (2) (intro.) and (3), r. (2) (a) and (4), renum. (2) (b), to (d) to be (2) (a) to (c) and am., Register, September, 1982, No. 321, eff. 10-1-82.

Ins 6.67 Unfair discrimination in life and disability insurance based on physical or mental impairment. (1) PURPOSE. The purpose of this rule is to identify specific acts or practices in life and disability insurance found to be unfairly discriminatory under s. 628.34, Stats.

Note: The need for a rule has arisen because of questions as to whether life and disability insurers are in all cases fairly "charging different premiums or offering different terms of coverage except on the basis of classifications related to the nature and degree of the risk covered." (s. 628.34 (4), Stats.) The main purpose of the rule is to make clear that life and disability insurers cannot classify individuals arbitrarily—without a rational basis for each decision.

(2) APPLICABILITY AND SCOPE. This rule shall apply to all life and disability insurance policies delivered or issued for delivery in Wisconsin on or after the effective date of this rule and to all existing life and disability group, blanket and franchise insurance policies subject to Wisconsin

insurance law which are amended or renewed on or after the effective date of this rule.

(3) SPECIFIC EXAMPLES OF UNFAIR MARKETING PRACTICES OR UNFAIRLY DISCRIMINATORY ACTS UNDER S. 628.34. The following are hereby identified as acts or practices in life and disability insurance which constitute unfair discrimination between individuals of the same class; refusing to insure, or refusing to continue to insure, or limiting the amount, extent or kind of coverage available to an individual or charging a different rate for the same coverage solely because of physical or mental impairment, except where the refusal, limitation or rate differential is based on solund actuarial principles or is related to actual or reasonably anticipated experience.

Note: This rule sets forth standards which require that life and disability insurers be objective and fair in placing individuals with physical or mental impairment in various risk classifications.

The rule does not restrict a life or a disability insurer's choice of the number and size of rating classes which it will use. Many life and disability insurers have a number of extra premium classes. Some life and disability insurers, however, have relatively simple underwriting procedures and only 2 risk classes; accept and reject. In group insurance elaborate underwriting procedures and only 2 risk classes; accept and reject. In group insurance elaborate underwriting procedures and a multiplicity of rating classes are not available because this is not consistent with the over-all aim of group insurance of providing insurance to many people at low administrative cost. Similar simplicities are desirable in some other marketing situations (e.g., individual policy pension pland and direct-mail business).

The rule is not intended to mandate the inclusion of a particular coverage such as benefits for normal pregnancy of levels of benefits such as for mental illness in an insurer's policies or contracts. Mandates of any coverage or benefits are the subject of separate legislation. The unfair marketing practices law has never been interpreted to provide for mandated benefits but rather to assure that coverage and benefits as are offered by insurers are provided on a bais which is not unfairly discriminatory among individuals of the same class.

To make life and disability insurance available to as many individuals as possible the rule does not restrict the use of riders (waivers) which exclude from coverage risks related to impairments which existed prior to the date on which the individual's coverage became effective. Also, it does not restrict the use of pre-existing condition limitations in disability insurance contracts.

(4) SEVERABILITY. If any part of this rule or its application to any person or circumstances is held invalid, the invalidity does not affect other parts or applications of the rule which can be given effect without the invalid part or application and to this end the parts of the rule are declared to be severable.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80.

Ins 6.68 Unfair discrimination based on geographic location or age of risk. (s. 628.34, Stats.) (1) PURPOSE. The purpose of this rule is to identify specific acts or practices found to be unfair trade practices that are unfairly discriminatory under s. 628.34, Stats.

(2) APPLICABILITY AND SCOPE. This rule shall apply to property and casualty insurance contracts delivered or issued for delivery in Wisconsin on or after the effective date of the rule.

(3) SPECIFIC EXAMPLES OF UNFAIR TRADE PRACTICES UNDER S. 628.34, STATS. The following are hereby identified as specific acts or practices which are unfairly discriminatory.

(a) Making or permitting any unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, cancelling or limiting the amount of

insurance coverage on a property or casualty risk because of the geographic location of the risk, unless:

1. The refusal, cancellation or limitation is for a business purpose which is not a mere pretext for unfair discrimination, or

2. The refusal, cancellation or limitation is required by law or regulatory mandate.

Note: Paragaraph (a) is intended to prohibit insurance underwriting shortcuts which unfairly label risks as poor risks because of their geopgraphic location. A refusal, nonrenewal, cancellation or limitation of insurance coverage is prohibited if the reason for such refusal, nonrenewal, cancellation or limitation is the geographic location of the risk. An exception to this general rule is provided, however, in situations where the refusal, nonrenewal, cancellation or limitation is based upon a legitimate business need and the refusal, nonrenewal, cancellation or limitation is not a mere pretext for unfair discrimination. Examples of such situations include refusals to insure when the risk is located in areas prone to natural catastrophes, i.e., earthquakes, floods, hurricanes, and refusals to insure because the insurer already has a very high concentration of risks in a particualr geographic area. It is intended that the person charged with a violation of this rule be given the burden of proof in establishing any "business purpose" exception. The burden of proving that a refusal, nonrenewal, cancellation or limitation of insurance coverage is not subterfuge for unfair discrimination should likewise fall upon the person charged with a violation of this rule.

(b) Making or permitting any unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, cancelling or limiting the amount of insurance coverage on a residential property risk of 4 units or less, or the personal property contained therein, because of the age of the residential property, unless:

1. The refusal, cancellation or limitation is for a business purpose which is not a mere pretext for unfair discrimination, or

2. The refusal, cancellation or limitation is required by law or regulatory mandate.

(c) Refusing to insure a risk solely because the applicant was previously denied coverage, terminated by another insurer or had obtained coverage in a residual market.

(4) SEVERABILITY. If any part of this rule or its application to any person or circumstances is held invalid, the invalidity does not affect other parts or applications of the rule which can be given effect without the invalid part or application, and to this end the part of the rule are declared to be severable.

History: Cr. Register, September, 1979, No. 285, eff. 10-1-79.

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 s. 625.11 (4), 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 6.72 Risk limitations. (1) Except as otherwise provided by law, no single risk assumed by any insurance company shall exceed 10% of the admitted assets, except that in a mutual company it may be a greater amount not exceeding 3 times the average policy or ¼ of 1% of the insurance in force, whichever is the greater. Upon the business mentioned in Ins 6.75 (2) (h), the maximum single risk may be a greater amount not exceeding 50% of the admitted assets. Any reinsurance taking effect simultaneously with the policy shall be deducted in determining risk.

(2) In a mutual company organized for the insurance or guaranty of depositors or deposits in banks or trust companies, the maximum single risk may be fixed at a higher amount by the bylaws. Any such company may effect reinsurance in any authorized or unauthorized company that complies with s. 627.23, Stats. Insurance in any unauthorized company shall be reported annually and the same taxes paid upon the premiums as are paid by authorized companies.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76; r. and recr. Register, August, 1981, No. 308, eff. 9-1-81.

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.

History: Emerg. cr. eff. 6-22-76; cr. Register, September, 1976, No. 249, eff. 10-1-76; r. and recr. Register, March, 1982, No. 315, eff. 4-1-82.

Next page is numbered 305