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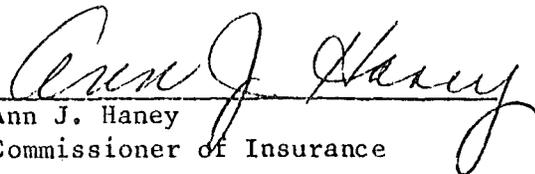
STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Ann J. Haney, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order creating Ins 2.16 was issued by this office on August 24, 1982.

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

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 24th day of August, 1982.


Ann J. Haney
Commissioner of Insurance

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STATE OF WISCONSIN
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VEL PHILLIPS
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

CREATING A RULE

To create s. Ins 2.16, relating to life insurance advertisements.

ANALYSIS PREPARED BY

THE OFFICE OF THE COMMISSIONER OF INSURANCE

The purpose of creating section Ins 2.16 is to establish disclosure requirements for life insurance solicitations, representations and advertisements. Information on file in the office of the commissioner of insurance shows that many solicitations for life insurance illustrate yields on cash values which are misleading because they do not disclose the factors which may affect the way the rate is used or the factors which affect the actual rate of return the buyer receives.

The rule requires insurers to include in solicitations for life insurance which show a rate of return on cash values, information on how this interest rate is used.

Section 628.34 (12), Stats., and section 628.38, Stats., created by ch. 82, Laws of 1981, provide authority for and are interpreted by s. Ins 2.16.

Pursuant to the authority vested in the commissioner by ss. 601.41, 628.34 and 628.38, Stats., created by ch. 82, Laws of 1981, the commissioner of insurance hereby creates section Ins 2.16.

SECTION 1: Section Ins 2.16 is created to read:

INS 2.16 LIFE INSURANCE ADVERTISEMENT: UNFAIR TRADE PRACTICE.

(1) FINDINGS. Information gathered by the office of the commissioner of insurance shows that many solicitations, representations and advertisements for life insurance display yields on cash values which are misleading because they do not disclose the way in which this yield is used, what amounts are guaranteed, or other factors which affect the rate of return.

The commissioner of insurance finds that such solicitations, representations and advertisements are misleading, deceptive, provide an unfair inducement and restrain competition unreasonably and therefore constitute an unfair trade practice under s. 628.34 (12), Stats., and that the information required in this rule is consistent with ss. 601.01 and 628.34, Stats., and will improve the ability of prospective buyers of life insurance to select appropriate coverage under s. 628.38, Stats.

(2) PURPOSE. (a) The purpose of this section is to require insurers to include in advertisements for life insurance which show a rate of return on cash values or premiums, information on the factors

which affect the calculation of the yield. This section also places restrictions on the use of nonguaranteed amounts in life insurance advertisements.

(b) This section interprets and implements ss. 628.34 (12) and 628.38, Stats.

(3) DEFINITIONS. In this section:

(a) "Guaranteed interest rate" on a policy means the lowest rate of interest which may be paid on cash values during the lifetime of the contract.

(b) "Illustrated rate" means a rate shown in a solicitation, representation or advertisement, which may be guaranteed for a limited period of time, but is not guaranteed for the lifetime of the contract.

(4) SCOPE. (a) Except as provided in par. (b), this section applies to any solicitation, representation or advertisement in this state of any life insurance specified in s. Ins 6.75 (1) (a) or (b), made directly or indirectly by or on behalf of any insurer, fraternal benefit society, agent, or the state life insurance fund.

(b) This section shall not apply to:

1. Annuities
2. Credit life insurance
3. Group life insurance
4. Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the federal employee retirement income security act of 1974 (ERISA).
5. Life insurance policies registered as securities.

(5) DISCLOSURE. (a) All life insurance solicitations, representations, and advertisements used in Wisconsin which show a specific rate of return on premiums or cash values shall also include:

1. A general statement describing the existence of first year and annual expense charges, mortality charges and surrender charges which will be deducted from the premium before the interest rate is applied;

2. The guaranteed rate of interest paid on the cash value;

3. The amounts of the cash value or premium to which the guaranteed and the illustrated rates are applied; for example, if interest on the first \$1,000 of cash value is limited to the guaranteed rate this shall be disclosed;

4. An indication that the interest rate credited on cash value amounts which have been borrowed is different from that for cash values which have not been borrowed, if that is the case;

5. An indication of any other significant factors which affect the manner in which cash values are computed.

(b) All information required to be disclosed shall be set out in such a manner as not to minimize or render any portion obscure.

1. If the advertisement shows nonguaranteed interest rates for premium or cash value accumulation, the guaranteed rates shall be disclosed with equal prominence.

2. In the case of printed advertisements, all information required to be disclosed shall appear in close proximity to the interest rate, in a type size and style similar to that in the text of the advertisement.

(6) NONGUARANTEED AMOUNTS. (a) Nonguaranteed features of a policy, if illustrated in a life insurance solicitation, representation or advertisement, may not be more favorable to the policyholder than those based on the current interest rates, dividend scales, and other variable components currently used by the insurer. For purposes of this paragraph, an interest rate, dividend scale, or other variable component which has been publicly declared by the insurer with an effective date not more than three months subsequent to the date of declaration shall be considered current.

(b) Nonguaranteed amounts may not be used in any life insurance advertisement unless accompanied in close proximity and with equal prominence by the corresponding guaranteed amounts.

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

EFFECTIVE DATE. This rule shall take effect as provided in s. 227.026 (1) (intro.), Stats.

Dated at Madison, Wisconsin, this 23 day of August, 1982.


Ann J. Haney
Commissioner of Insurance

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