

★★★ NOTICE OF RULEMAKING HEARING ★★★

NOTICE IS HEREBY GIVEN that pursuant to the authority granted under s. 601.41(3), Stats., and the procedures set forth in under s. 227.18, Stats., OCI will hold a public hearing to consider the adoption of the attached proposed rulemaking order affecting Section Ins 2.18, 7.02, 7.04, 28.06, Wis. Adm. Code, relating to life settlements and affecting small business.

**HEARING INFORMATION**

**Date:** March 17, 2011

**Time:** 10:00 a.m., or as soon thereafter as the matter may be reached

**Place:** OCI, Room 227, 125 South Webster St 2<sup>nd</sup> Floor, Madison, WI

Written comments can be mailed to:

James W. Harris  
Legal Unit - OCI Rule Comment for Rule Ins  
Office of the Commissioner of Insurance  
PO Box 7873  
Madison WI 53707-7873

Written comments can be hand delivered to:

James W. Harris  
Legal Unit - OCI Rule Comment for Rule Ins  
Office of the Commissioner of Insurance  
125 South Webster St – 2<sup>nd</sup> Floor  
Madison WI 53703-3474

Comments can be emailed to:

James W. Harris  
james.harris@wisconsin.gov

Comments submitted through the Wisconsin Administrative Rule Web site at: <http://adminrules.wisconsin.gov> on the proposed rule will be considered.

The deadline for submitting comments is 4:00 p.m. on the 14<sup>th</sup> day after the date for the hearing stated in this Notice of Hearing.

**SUMMARY OF PROPOSED RULE & FISCAL ESTIMATE**

For a summary of the rule see the analysis contained in the attached proposed rulemaking order. There will be no state or local government fiscal effect. The full text of the proposed changes, a summary of the changes and the fiscal estimate are attached to this Notice of Hearing.

**INITIAL REGULATORY FLEXIBILITY ANALYSIS**

Notice is hereby further given that pursuant to s. 227.114, Stats., the proposed rule may have an effect on small businesses. The initial regulatory flexibility analysis is as follows:

- a. Types of small businesses affected:  
Insurance agents, Small Agencies
- b. Description of reporting and bookkeeping procedures required:  
None beyond those currently required.
- c. Description of professional skills required:  
None beyond those currently required.

#### **OCI SMALL BUSINESS REGULATORY COORDINATOR**

The OCI small business coordinator is Eileen Mallow and may be reached at phone number (608) 266-7843 or at email address [eileen.mallow@wisconsin.gov](mailto:eileen.mallow@wisconsin.gov)

#### **CONTACT PERSON**

A copy of the full text of the proposed rule changes, analysis and fiscal estimate may be obtained from the OCI internet Web site at <http://oci.wi.gov/ocirules.htm> or by contacting Inger Williams, Public Information and Communications, OCI, at: [inger.williams@wisconsin.gov](mailto:inger.williams@wisconsin.gov), (608) 264-8110, 125 South Webster Street – 2<sup>nd</sup> Floor, Madison WI or PO Box 7873, Madison WI 53707-7873.

**PROPOSED ORDER OF THE OFFICE OF THE COMMISSIONER OF  
INSURANCE AMENDING AND CREATING A RULE**

**To amend** Ins 7.02, 7.04 and 28.06;

**To create** Ins 2.18, Wis. Adm. Code,

**Relating to** life settlements and affecting small business.

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**ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE  
(OCI)**

**1. Statutes interpreted:**

ss. 600.01, 632.69, Stats.

**2. Statutory authority:**

ss. 600.01 (2), 601.41 (3), 601.42 (3), 628.34, 628.38, 631.20, 631.23  
and 632.69, Stats.

**3. Explanation of OCI's authority to promulgate the proposed rule  
under these statutes:**

2009 Wisconsin Act 344 created s. 632.69, Stats., replacing Wisconsin's viatical settlement statute with comprehensive regulation of life settlement transactions. The statute replaces licensing requirements for brokers and providers and establishes pre-licensing and continuing education standards. The statute provides the commissioner with authority to adopt rules implementing and administering the law including appropriate licensing requirements and standards for continuing licensure for providers and brokers, financial accountability for providers and brokers, and the adoption of rules governing the relationship and responsibilities of insurers, providers and brokers during settlement of a life insurance policy.

**4. Related statutes or rules:**

See the statutes interpreted in paragraph 1, above.

**5. The plain language analysis and summary of the proposed rule:**

The proposed rule will assist in implementation of the requirements of s. 632.69, Stat. including those provisions relating to licensure, training, disclosures, reporting, examinations and conduct of licensees. The proposed rule sets forth initial and renewal license application deadlines, fees and requirements, including financial accountability, training, and information to be submitted. The rule lists criteria that may be used in assessing qualification of an

applicant for licensure. The proposed rule provides for notification to the commissioner of administrative actions, criminal proceedings and lawsuits that may affect licensure, and reporting of cessation of business activity or change of business address or location of business records. The proposed rule provides detail for fulfilling the form filing and approval requirements of s. 632.69 (5), Stat. as well as providing formats for notices to policyholders, owners and purchasers. The proposed rule incorporates license application forms in to ch. Ins 7, Wis. Adm. Code, and add certain categories of approved training to s. Ins 28.06, Wis. Adm. Code.

**6. Summary of and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:**

There are no federal regulations which are intended to address life settlement activities to be regulated by the proposed rule.

**7. Comparison of similar rules in adjacent states as found by OCI:**

**Illinois:** 215 ILCS 159/1, et. Seq., effective 7/01/2010, amended Illinois viatical settlement law. To date there has been no formal adoption of language similar to the proposed rule.

**Iowa:** IAC 191-48, effective 4/03/2009, contains provisions for viatical and life settlements comparable to the proposed rule.

**Michigan:** Michigan General Insurance Laws, Chapter 550 contains viatical settlement contract regulations. To date there has been no formal adoption of language similar to the proposed rule.

**Minnesota:** Minnesota Laws, Chapter 60A.957, et. Seq., effective 8/01/2009, contains viatical settlement contract regulations. To date there has been no formal adoption of language similar to the proposed rule.

**8. A summary of the factual data and analytical methodologies that OCI used in support of the proposed rule and how any related findings support the regulatory approach chosen for the proposed rule:**

The proposed rule is based upon reference to a model regulation and analysis of the proposed provisions by a working group consisting of representatives of the insurance industry, the life settlement industry, an institutional investment group, life insurance agents, regulators and consumer and senior interest associations. The proposed rule will address regulatory needs of the expanding life settlement industry, add procedures for administrative oversight of licensees operating within the state and provide important disclosures to consumers.

**9. Any analysis and supporting documentation that OCI used in support of OCI's determination of the rule's effect on small businesses under s. 227.114:**

The proposed rule continues, and expands existing licensing, reporting and disclosure requirements relating to viatical settlements and life settlements. The rule should have little effect on small businesses

**10. See the attached Private Sector Fiscal Analysis.**

**11. A description of the Effect on Small Business:**

This rule will have little or no effect on small businesses.

**12. Agency contact person:**

A copy of the full text of the proposed rule changes, analysis and fiscal estimate may be obtained from the Web site at:

**<http://oci.wi.gov/ocirules.htm>**

or by contacting Inger Williams, OCI Services Section, at:

Phone: (608) 264-8110

Email: [inger.williams@wisconsin.gov](mailto:inger.williams@wisconsin.gov)

Address: 125 South Webster St – 2<sup>nd</sup> Floor, Madison WI 53703-3474

Mail: PO Box 7873, Madison, WI 53707-7873

**13. Place where comments are to be submitted and deadline for submission:**

The deadline for submitting comments is 4:00 p.m. on the 14<sup>th</sup> day after the date for the hearing stated in the Notice of Hearing.

Mailing address:

James W. Harris  
Legal Unit - OCI Rule Comment for Rule Ins  
Office of the Commissioner of Insurance  
PO Box 7873  
Madison WI 53707-7873

Street address:

James W. Harris  
Legal Unit - OCI Rule Comment for Rule Ins  
Office of the Commissioner of Insurance  
125 South Webster St – 2<sup>nd</sup> Floor  
Madison WI 53703-3474

Email address:

James W. Harris  
james.harris@wisconsin.gov

Web site: <http://oci.wi.gov/ocirules.htm>

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**The proposed rule changes are:**

**SECTION 1. Ins 2.18 and Appendices I, II and III are created to read:**

**Ins 2.18 Life Settlement Contracts. (1) Purpose.** The purpose of this regulation is to interpret and implement s. 632.69, Stat.

**(2) Definitions.** In addition to the definitions contained in s. 632.69 (1), Stat., in this section: (a) “Commissioner” means the commissioner of insurance.

(b) “Firm” means a corporation, partnership or other legal entity.

(c) “Office” means the office of the commissioner of insurance.

**(3) Licensing.** (a) Application. An individual or firm applying for an initial or renewal license as a broker or provider shall submit an application to the office in the form prescribed by the office. With the application, the individual or firm shall submit all of the following:

1. If a broker, with the initial application, a professional liability insurance policy in the amount of \$1 million total annual aggregate for all claims during the policy period. Proof that the required professional liability insurance policy continues in force shall accompany each renewal application.
2. If a provider, applicants shall provide satisfactory evidence of financial responsibility in compliance with s.632.69(2) (g) 4a., Stat.
3. If a provider, audited financial statements of the applicant for the most recently completed fiscal year. The financial statements shall be available for public inspection.
4. Electronic confirmation of completion of the training requirements under s. 632.69 (3), Stat. and subsection (4).
5. Any documentation required in answer to questions on the application.
6. If the applicant is an individual, his or her social security number and a statement that he or she intends to act as a broker or provider in good faith and in compliance with all applicable laws of this state and rules and orders of the commissioner.
7. If a firm applying for a broker’s license, the applicant must identify a designated responsible Wisconsin-licensed individual representative on the application.
8. If the applicant is a firm, its federal identification number, the state and year of its incorporation or year of its incorporation or year of its formation and a statement that it intends to act as a broker or provider

in good faith and in compliance with all applicable laws of this state and rules and orders of the commissioner and the courts of this state with respect to all matters pertaining to activities as a licensee.

9. If the applicant is an individual who is not a resident of this state or a firm that is not organized under the laws of this state, a statement that the applicant agrees to be subject to the jurisdiction of the commissioner and the courts of this state with respect to all matters pertaining to activities as a licensee and to accept service of process as provided under ss. 601.72 and 601.73, Stats. A firm that is organized under the laws of another state shall provide a certificate of good standing from the state of domicile.

10. Fingerprint identification shall be provided by individual resident broker applicants and the Wisconsin-licensed individual representative of a broker firm, in a format specified by the commissioner, and an electronic confirmation of criminal history from the Wisconsin department of justice, crime information bureau, and the federal bureau of investigation completed not more than 180 days prior to making application.

11. Any other information requested by the office.

12. The fee specified under s. 601.31(1)(mm) or(mp), Stats. as appropriate for a provider, or ss. 601.31(1)(mr) or (ms)Wis. Stats. as appropriate for a broker, which fee shall be nonrefundable.

(b) **Renewal Application Deadline.** Applications for license renewal shall be submitted in a format prescribed by the commissioner on or before July 1 of each year.

(c) **Competence and Trustworthiness.** The following criteria may be used in assessing trustworthiness and competence:

1. *Criminal record.* The conviction for crimes which are substantially related to the circumstances of holding a broker or provider license.
2. *Accuracy of Information.* Any material misrepresentation in the information submitted on the application form.
3. *Regulatory action.* Any regulatory action taken with regard to any occupational license held, including insurance licenses, real estate licenses and security licenses.
4. *Other criteria.* Other criteria which the commissioner considers evidence of untrustworthiness or incompetence, including but not limited to:
  - a. Providing incorrect, misleading, incomplete or materially untrue information in the license application.
  - b. Violating any insurance laws, or violating any regulation, subpoena or order of the insurance commissioner or of another state's insurance commissioner.
  - c. Obtaining or attempting to obtain a license through misrepresentation or fraud.
  - d. Improperly withholding, misappropriating or converting any monies or properties received in the course of engaging in the business of life settlements.

- e. Misrepresenting the terms of an actual or proposed life settlement contract.
- f. Having been convicted of a felony or misdemeanor substantially related to the circumstances of holding a broker or provider license.
- g. Having admitted or been found to have committed any unfair trade practice or fraud.
- h. Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere.
- i. Having a life settlement license, or its equivalent, denied, suspended or revoked in any other state, province, district or territory.
- j. Forging another's name to an application or to any document related to a life settlement transaction.
- k. Failing to comply with an administrative or court order imposing a child support obligation.
- L. Failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.

**(4) Training.** (a) An individual licensed as a broker or provider or authorized to act under a license issued to a licensed firm shall comply with the training requirements set forth in s. 632.69 (3), Stats.

(b) A licensed firm shall certify to the commissioner on its application for initial and renewal licensing compliance by any individual authorized to act under the firm's license with the training requirements set forth in s. 632.69 (3), Stats.

(c) Each compliance period for recurring training required under s. 632.69 (3), Stats. shall commence on July first immediately following the preceding compliance period and shall end 24 months later on June thirtieth

(d) Recurring training required under s. 632.69 (3) (e) shall be completed and reported at a rate of not less than 2 hours each 12 months of each compliance period.

**(5) Notification of formal administrative actions, criminal proceeding and lawsuits.** A licensed broker or provider shall notify the commissioner in writing of the following within 30 days:

(a) Except for action taken by the Wisconsin office of the commissioner of insurance, any formal administrative action against the broker or provider taken by any state's regulatory agency, commission or board or other regulatory agency which licenses the person for any occupational activity. The notification shall include a description of the basis for the administrative action and any action taken as a result of the proceeding, a copy of the notice of hearing and other documents describing the problem, a copy of the order, consent to order, stipulation, final resolution and other relevant documents.

(b) Any initial pretrial hearing date related to any criminal prosecution of the broker or provider taken in any jurisdiction, other than a misdemeanor charge related to the use of a motor vehicle or the violation of a fish and game regulation. The notification shall include a copy of the initial criminal complaint filed, the order resulting from the hearing and any other relevant legal documents.



(c) Any felony conviction or misdemeanor conviction of the licensee in any jurisdiction, other than a misdemeanor conviction related to the use of a motor vehicle or the violation of a fish and game regulation. The notification shall include a copy of the initial criminal complaint or criminal charging document filed, the judgment of conviction, the sentencing document, the broker's explanation of what happened to cause criminal proceedings, the licensee's reasons why no action should be taken regarding the life settlement and any other relevant legal documents.

(d) Any lawsuit filed against the licensee in which there are allegations of misrepresentation, fraud, theft or embezzlement involving the licensee. The notification shall include a copy of the initial suit documents, the licensee's explanation of what happened to cause the civil proceedings, why no action should be taken regarding the life settlement broker's license and any other relevant legal documents.

**(6) Notification to office.** A licensee shall notify the office in writing of any of the following within 30 days after the date of the occurrence:

(a) The cessation of business activities as a broker or provider. A notification under this subsection shall include the name and address of the custodian of the licensee's business records and the location of the records.

(b) Any change in the broker's or provider's business mailing address or the location of its business records.

**(7) Filing and approval of forms.** In fulfilling the requirements of s. 632.69 (5), Stat., a licensee shall comply with the provisions of s. 631.20 (1) (a), Stat.

**(8). Notices** (a) Purpose This subsection interprets and implements s. 632.69, Stats. by specifying the content of certain notices required to be given to policyholders, owners and purchasers.

(b) Notice format. Each notice shall be in the form prescribed in the appendices to this section, be in no less than 10-point type, and shall include the issuer's address, toll free telephone number, if available, and telephone number in no less than 12-point type.

(c) Notice by insurer to policyholder. Commencing three months after the effective date of this rule [revisor insert date] and for each life insurance policy or certificate issued, life insurers shall provide life insurance policy and certificate holders with a statement containing the information and in the form set forth in Appendix 1 to this section. The statement shall be sent to the owner or certificate holder of any life insurance policy with death benefits of \$ 100,000 or more when the first of the following events occurs: the policyholder has requested the surrender of the policy in whole or in a manner that results in the reduction of the face value of the policy, or the policyholder has requested an accelerated death benefit, or the policyholder has attained age 65 and has failed to pay premium when due and the insurer intends to issue an initial lapse notice.

(d) Disclosure to owner. In accordance with s. 632.69 (8) (a) 2., Stats., at the time disclosures required by s. 632.69 (8) (a) 1., Stats are provided by the broker or provider with each application for a life settlement, the

broker or provider shall provide to the owner a brochure describing the process of life settlements containing the information and in the form set forth in Appendix 2 to this section

(e)Disclosure to purchaser. In accordance with s. 632.69 (9) (a) 2., Stats., at the time disclosures required by s. 632.69 (9) (a) 1. are provided by the provider to the purchaser, and prior to the date that a life settlement purchase agreement is signed by all parties, a provider shall provide to the purchaser a brochure describing the process of the purchase of a settled policy containing the information and in the form set forth in Appendix 3 to this section.

**Important information about your life insurance policy**  
**Keep this information with your insurance papers**

Life insurance is a critical part of a broader financial plan. If you are considering making changes in the status of your policy you should consult with a licensed insurance or financial advisor in order to find an alternative best suited to your needs. Available alternatives include but are not limited to:

- Accelerated Death Benefit: Your policy may provide an early or accelerated cash payment if you have a terminal or chronic illness.
- Cash Surrender: Your policy may have a cash surrender value the life insurer will pay you if you surrender your policy.
- Gift: You may be able to give your policy to another person, who would then assume responsibility for paying premiums.
- Life Settlement: You may be able to sell your life insurance policy to a third party for an amount greater than the cash surrender value or accelerated death benefit but less than the expected death benefit under your policy. The third party becomes the policyholder and receives the benefit upon the death of the insured. Upon sale to the third party you would pay no further premium. Wisconsin law requires brokers and providers who arrange life settlements to be licensed.
- Maintain Your Policy: You may be able to maintain your life insurance policy in force by paying the premiums directly or using your current policy value to pay the premiums.
- Policy Changes: You may be able to reduce or eliminate future premium payments by obtaining a paid-up policy, by reducing coverage, or through other options available from your life insurer.
- Policy Loan: You may be able to obtain a loan from your life insurance company using the cash value of your policy as collateral. Loan proceeds may be used to pay premiums or for other purposes.

- Third-Party Loan: You may be able to obtain a loan from another party to pay your premiums using the cash value or a portion of the death benefit as collateral.

The listed alternatives may or may not be available depending on your circumstances and the terms of your life insurance policy.

If you have a specific concern about your life insurance policy contact your insurance company or agent:

(Insurer name)

(Customer service)

(Address)

(Toll free telephone number, if available)

(Telephone number)

You may also contact your financial advisor, or you may contact the Office of the Commissioner of Insurance at 1-800-236-8517 or 608-266-0103; Email: [ociquestions@wisconsin.gov](mailto:ociquestions@wisconsin.gov)

**WISCONSIN GUIDE TO UNDERSTANDING LIFE SETTLEMENTS**  
**Keep this information with your insurance papers**

**Thinking about selling your life insurance policy?** Life insurance is a critical part of a broader financial plan. If you are considering a sale of your life insurance you should consult with a licensed insurance or financial advisor, attorney or accountant to find an option best suited to your needs.

**What is a life settlement?** A life settlement is the sale of a life insurance policy to a third party for a cash amount that is greater than the cash surrender value or accelerated death benefit but less than the expected full death benefit under the policy. The third party becomes the new owner or beneficiary of the life insurance policy, is responsible for paying all future premiums, and collects the entire death benefit when the insured dies.

**Questions to ask before you sell your life insurance policy:**

- Do I still need life insurance protection?
- Have I discussed all my choices with a professional advisor?
- If I sell my policy how much cash will I get?
- If I sell my policy will I be able to get additional life insurance in the future?
- Is my life insurance provided by an employer or other group policy? If so do I have the right to sell it?
- If I sell my policy, who will be the legal owner? Will the policy be resold?
- Who will have specific personal or medical information about me? How often can medical information be requested about me? Will I be required to permit others to contact my medical providers or family members concerning my medical information?
- Is the broker or provider I plan to work with licensed to do life settlement business in Wisconsin?

- What are the costs and fees ?

**If you sell your life insurance it is important to know:**

- You may have to pay income taxes on some or all of the settlement money you receive. Consult a tax professional.
- Creditors may be able to make claims against the settlement money you receive.
- A cash settlement may affect your eligibility for certain government assistance programs such as Medicaid or food stamps. Consult with the appropriate government agency, such as the county aging and disability resource service..
- Your policy could be resold and future owners may be able to track your health.

**How does a life settlement work?**

- You may contact a life settlement company directly or choose a broker to help you shop for the highest cash settlement. A listing of Wisconsin licensed life settlement brokers and providers is available at the OCI web site. A licensed broker represents only the policy owner and owes a fiduciary duty to the owner to act according to the owner's instructions and in the best interest of the owner.
- You will complete an application form and sign a release allowing the potential buyer to use your medical records to evaluate your life expectancy.
- You select the best offer from those submitted to you.
- Once you accept a settlement offer an escrow account will be set up to hold your policy and the purchaser's money until the documents that change ownership of the policy and the beneficiary have been received and processed by the insurance company.
- Within three business days after the life settlement company gets written proof that the changes in policy ownership and beneficiary have been

processed by the insurance company the settlement proceeds will be sent to you.

- You can change your mind about the life settlement within 30 days from the date of the life settlement contract or 15 days after you are paid, whichever ever is earlier. If you cancel the settlement contract you must return the cash settlement plus any premiums paid by the buyer and repay any loan and loan interest paid on account of the life settlement. If you die within the period, the life settlement contract is cancelled and the named beneficiaries will receive the death benefit, but any cash settlement funds received plus any premiums paid by the buyer and any loan and loan interest paid on account of the life settlement must be returned to the buyer within 60 days of the date of death.
- Your contract may require you to allow future owners of your policy to regularly contact you to check your health status.

#### **Consumer tips.**

- Comparison shop. Get quotes from several settlement companies and be sure you have the best offer.
- You do not have to accept any life settlement offer. You should decide what is in your best interests.
- Check all application forms for accuracy, especially your personal information and medical history.
- Be cautious of any offer to loan you money to buy life insurance. Ask what strings are tied to the loan, and what will happen if the loan is not repaid.
- **Stranger-originated life insurance** is prohibited. Contact the Office of the Commissioner of Insurance if you are offered any money or a gift to purchase life insurance, or if you are offered “free” life insurance for a period of time, or if you are asked to purchase life insurance for the purpose of selling it to investors.

**Questions or complaints?** Contact your insurance company or agent:

(Insurer Name)

(Customer Service)

(Address)

(Toll free telephone number, if available)

(Telephone number)

You may also contact the Wisconsin Office of the Commissioner of Insurance at  
1-800-236-8517 or 608-266-0103; Email: [ociquestions@wisconsin.gov](mailto:ociquestions@wisconsin.gov).



**WISCONSIN GUIDE TO PURCHASE OF A LIFE SETTLEMENT**

**Keep this important information**

**Thinking about buying a life settlement as an investment?** Life settlements allow life insurance policyholders to sell their policies for an immediate cash benefit that is less than the face value of the policy. In return, the buyer of the life settlement becomes the new owner or beneficiary of the life insurance policy, is responsible for payment of future premiums, and collects the death benefit when the insured dies. Typically, interests in the settled life insurance policies take the form of securities and are sold to investors. Multiple investors may invest in a single policy or the investors may own an interest in an underlying pool of settled policies. When the insured dies the investor who has purchased an interest in the settled policy is entitled to collect a portion of the death benefit in accordance with the terms of the purchase contract. From an investor's perspective, a life settlement is an investment in the timely death of the insured person. Before you put your money into this type of investment, it is critical that you understand the risks involved, know how your investment will be used and know what the likely return will be. You should consult with a professional financial advisor, review Wisconsin regulations relating to the purchase of a life settlement, and deal with a licensed life settlement provider and registered securities broker dealer.

**Questions to ask before you purchase a life settlement:**

- Is the principal and return on my investment guaranteed?
- How is the return on my investment determined?
- When will the principal and return on my investment be paid?
- What fees or other costs am I required to pay?
- Will I ever be required to pay the premiums on the insurance policy?
- Will I be an owner of the policy or only a beneficiary?

- What happens if the settlement company becomes insolvent or goes out of business?
- What happens if the life insurance policy is later determined to be null and void?
- What is the experience and qualification of the person who determines the life expectancy of the insured?

**It is important to know:**

- A life settlement is not a liquid investment. It cannot be “cashed in” if you change your mind. There is no return on your investment until the insured dies and the death benefit is paid by the insurance company.
- There is no guaranteed annual rate of return. The rate of return depends on when the insured dies, which cannot be precisely predicted. You should find out the life expectancy of the insured and how the determination was made.
- Premiums must be paid on the life insurance policy that is the subject of a life settlement until the insured dies. Find out who is responsible for paying the premiums and whether you may ever be responsible for the payment.
- If the life insurance policy is a group policy there is a risk that the employer or insurer may terminate the policy, and there may be no right to convert the original coverage to an individual policy, or there may be limitations in any conversion right.. If the policy is converted there may be additional premiums.
- If the life insurance policy is term insurance the policy is issued for a certain number of years. If the insured outlives the term of the policy there will be no death benefit.
- Insurance companies may contest the validity of a life insurance policy for a period of two years from the date of its issue for a variety of reasons, including suicide or false information, which could result in denial of a death benefit claim.

- If the purchaser of a life settlement is the beneficiary only and not also the owner of the life insurance policy, there is a risk that the beneficiary could be changed or that the premium may not be paid.
- You should consult with a tax advisor to determine whether there may be a tax impact, particularly if money from retirement funds is used to purchase a life settlement.

**Questions or complaints?** Contact your insurance company or agent:

(Insurer name)

(Customer service)

(Address)

(Toll free telephone number, if available)

(Telephone number)

You may also contact the Wisconsin Office of the Commissioner of Insurance at 1-800-236-8517 or 608-266-0103; Email: [ociquestions@wisconsin.gov](mailto:ociquestions@wisconsin.gov);

**SECTION 2. Ins 7.02 is amended to read:**

**Ins 7.02 Bureau of financial analysis and examinations forms.**

**Form**

<b><u>Number</u></b>	<b><u>Title</u></b>
21-001	Application for Certificate of Authority-Nondomestic
21-002	Application for Certificate of Authority-Domestic Nonprofit HMO
21-003	Application for Certificate of Authority-Gift Annuities
21-004	Application for Limited Certificate of Authority Warranty Plans
21-005	Application for Certificate of Authority-Domestic
21-030	Application for Certificate of Authority-Domestic Nonprofit LSHO
21-031	Application for Certificate of Authority-Nondomestic HMO
21-032	Application for Certificate of Authority-Domestic for Profit HMO
21-040	Application for Certificate of Authority-Fraternal
21-050	Initial Registration for Vehicle Protection Product Warranty
21-051	Vehicle Protection Product Warranty Annual Registration
21-063	Application for Continuing Care Permit
<u>21-064</u>	<u>Application for Initial and Renewal Life Settlement Provider License</u>
21-190	Application for Admission-Motor Clubs
22-001	Instructions to Prepare Annual Statement Blank According to NAIC Form, Instructions, and Accounting Standards
22-006	Investments in Parents, Subsidiaries, and Affiliates-Quarterly
22-007	Comparative Balance Sheet
22-008	P&C Compulsory and Security Surplus Calculation-Quarterly Statement
22-009	Life Compulsory and Security Surplus Calculation-Quarterly Statement
22-010	Fire and Casualty-Domestic Annual Statement Packet
22-011	Fire and Casualty-Nondomestic Annual Statement Packet
22-020	Title Annual Statement Packet
22-030	Fraternal Annual Statement Packet
22-040	Life and Accident & Health-Domestic Annual Statement Packet
22-041	Life and Accident & Health-Nondomestic Annual Statement Packet
22-050	Hospital, Medical & Dental Service or Indemnity Corporation-Annual Statement Packet
<u>22-051</u>	<u>Life Settlement Provider Annual Statement Packet</u>
22-055	Employee Welfare Funds Annual Statement Packet
22-060	Health Maintenance Organization Insurer Annual Statement Packet
22-065	Limited Service Health Organization Annual Statement Packet
22-070	Town Mutual Annual Statement Packet

22-080	Gift Annuity Annual Statement Packet
22-090	Mortgage Guaranty-Domestic Annual Statement Packet
22-091	Mortgage Guaranty-Nondomestic Annual Statement Packet
22-093	Mortgage Guaranty Insurers Report of Policyholders Position-Quarterly Statement
22-510	Election of Exemption (Opt-Out)
22-520	Election to be Subject to Restrictions (Opt-In)
22-530	Termination of Exemption (Termination of Opt-Out)
22-540	Termination of Election to be Subject to Restrictions (Termination of Opt-In)
26-003	Amendment to Articles of Organization (or Incorporation)-Town Mutual Companies
28-060	HMO Companies Compulsory and Security Surplus Calculation-Quarterly

**SECTION 3. Ins 7.04 (2) is amended to read:**

**Ins 7.04 (2) Bureau of Market Regulation.**

<b><u>Form Number</u></b>	<b><u>Title</u></b>
11-042	<u>Application for Life Settlement Business Entity Broker License</u>
11-049	<u>Application for Life Settlement Individual Broker License</u>
26-004	Grievance Procedure Experience Reports
26-030	Rescission Reporting Form for Long-term Care
26-040	Medicare Supplement Experience Exhibit
28-042	Nursing Home Insurance Experience Exhibit

**SECTION 4. Ins 28.06 (6) (a) is amended to read:**

**Ins 28.06 (6) Course content guidelines.** (a) The following course topics are examples of subjects that qualify for approval under sub. (5):

1. Principles of property insurance
2. Principles of casualty insurance
3. Principles of life insurance
4. Principles of accident and health insurance
5. Estate planning/taxation
6. Ethics in insurance
7. Legal, legislative, regulatory matters in insurance

8. Wisconsin insurance code and administrative rules
9. Insurance policy contents
10. Proper use of insurance products
11. Accounting/actuarial considerations in insurance
12. Principles of risk management
13. Provisions/differences in insurance policy contracts
14. Tax laws (specifically related to insurance)
15. Wills and trusts
16. Multiple Employer Welfare Arrangements/Unauthorized Insurers
17. Legal structuring of life settlements
18. Legal relationships among the parties to a life settlement
19. Required disclosures and privacy requirements in life settlements
20. Ethical considerations in selling, soliciting, and negotiating life settlements
21. Life settlement contract requirements
22. Advertisements of life settlements
23. Life settlement remedies
4. Life settlement licensing requirements

**SECTION 5.** This section may be enforced under ss. 601.41, 601.64, 601.65 or 628.10, Stats., or any other enforcement provision of chs. 600 to 646, Stats.

**SECTION 6.** These changes will take effect on the first day of the month after publication, as provided in s. 227.22(2)(intro.), Stats.

Dated at Madison, Wisconsin, this 17th day of December, 2010.

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Sean Dilweg  
Commissioner of Insurance

**Office of the Commissioner of Insurance**  
**Private Sector Fiscal Analysis**

for Section Ins 2.18, 7.02, 7.04, 28.06 relating to life settlements and  
affecting small business

This rule change will have no significant effect on the private sector regulated by OCI.

### FISCAL ESTIMATE WORKSHEET

#### Detailed Estimate of Annual Fiscal Effect

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS</b>

**Subject**  
life settlements and affecting small business

**One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**  
**None**

Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$ 0	\$ -0
(FTE Position Changes)	(0 FTE)	(-0 FTE)
State Operations - Other Costs	0	-0
Local Assistance	0	-0
Aids to Individuals or Organizations	0	-0
<b>TOTAL State Costs by Category</b>	<b>\$ 0</b>	<b>\$ -0</b>
<b>B. State Costs by Source of Funds</b>		
GPR	\$ 0	\$ -0
FED	0	-0
PRO/PRS	0	-0
SEG/SEG-S	0	-0
<b>C. State Revenues</b> <small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$ 0	\$ -0
GPR Earned	0	-0
FED	0	-0
PRO/PRS	0	-0
SEG/SEG-S	0	-0
<b>TOTAL State Revenues</b>	<b>\$ 0 None</b>	<b>\$ -0 None</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ <u>None 0</u>	\$ <u>None 0</u>
NET CHANGE IN REVENUES	\$ <u>None 0</u>	\$ <u>None 0</u>

Prepared by: James W. Harris	Telephone No. (608) 267-2833	Agency Insurance
Authorized Signature:	Telephone No. (608) 267 3782	Date (mm/dd/ccyy) 12/17/2010



### FISCAL ESTIMATE

- ORIGINAL                       UPDATED  
 CORRECTED                       SUPPLEMENTAL

LRB Number	Amendment No. if Applicable
Bill Number	Administrative Rule Number <b>INS</b>

**Subject**  
life settlements and affecting small business

**Fiscal Effect**  
 State:  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.  
 Increase Existing Appropriation                       Increase Existing Revenues  
 Decrease Existing Appropriation                       Decrease Existing Revenues  
 Create New Appropriation  
 Increase Costs - May be possible to Absorb Within Agency's Budget     Yes     No  
 Decrease Costs

**Local:**  No local government costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Chapter 20 Appropriations
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Assumptions Used in Arriving at Fiscal Estimate

**Long-Range Fiscal Implications**  
  
**None**

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Authorized Signature:	Telephone No. (608) 267-3782	Date (mm/dd/ccyy) 12/17/2010