

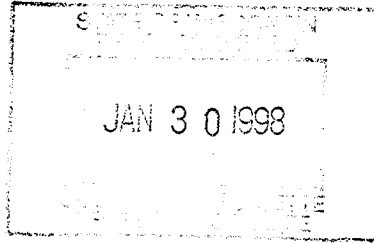
Clearinghouse Rule 97-099



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE



Tommy G. Thompson
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STATE OF WISCONSIN

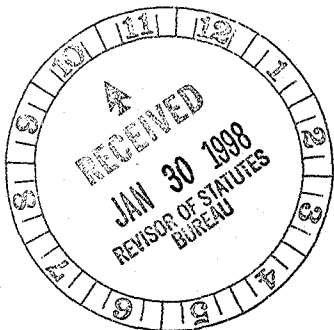
OFFICE OF THE COMMISSIONER OF INSURANCE

SS

I, Randy Blumer, Acting Commissioner of Insurance and custodian of the official records, certify that the annexed rule affecting Section Ins 2.14 and 2.16, Wis. Adm. Code, relating to life insurance solicitations, is duly approved and adopted by this Office on January 30, 1998.

I further certify that I have compared this copy with the original on file in this Office and that it is a true copy of the original, and the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 121 East Wilson Street, Madison, Wisconsin, on January 30, 1998.



Randy Blumer
Acting Commissioner of Insurance

97-099
4-1-98

JAN 30 1993

SECTION 1. Ins 2.14 is repealed and recreated to read:

Ins 2.14 Life insurance solicitation. (1) **PURPOSE.** The purpose of this section is to require insurers to deliver to purchasers of life insurance information which will improve the buyer's ability to select the most appropriate plan of life insurance for the buyer's needs, improve the buyer's understanding of the basic features of the policy, and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance. This section does not prohibit the use of additional material which is not in violation of this section or any other Wisconsin statute or rule. This section interprets ss. 628.34 and 628.38, Stats. This section is in addition to and not a substitute for the requirements set forth in ss. Ins 2.16 and 2.17.

(2) **SCOPE.** (a) Except as stated in par. (b), this section applies to any solicitation, negotiation, or procurement of life insurance occurring within this state. This section applies to any issuer of life insurance contracts including fraternal benefit societies and the state life Insurance fund.

(b) Unless otherwise specifically included, this section does 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), 29 U.S.C. ss. 1001 to 1461.
5. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account.

(3) **DEFINITIONS.** For the purposes of this section, the following definitions shall apply:

(a) "Cost comparison index" means a number corresponding to the cost of a policy, which can be used to compare similar policies within a company or between companies.

(b) "Equivalent level death benefit" of a policy or term life insurance rider is an amount calculated as follows:

1. Accumulate the guaranteed amount payable upon death, regardless of the cause of death, at the beginning of each policy year for 10 and 20 years at 5% interest compounded annually to the end of the tenth and twentieth policy years, respectively.
2. Divide each accumulation of subd. 1. by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in subd. 1.

over the respective periods stipulated in subd. 1. If the period is 10 years, the factor is 13.207 and if the period is 20 years, the factor is 34.719.

- (c) "Generic name" means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.
- (d) "Life insurance buyer's guide" means the document published by the national association of insurance commissioners entitled life insurance buyer's guide.
- (e) "Net payment cost index" means a cost comparison index calculated in the same manner as the comparable surrender cost index except that the cash surrender value is set at zero.
- (f) "Policy summary" means a written statement in substantially the same format for all companies and describing only the guaranteed elements of the policy including but not limited to:
 - 1. A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.
 - 2. The name and address of the insurance intermediary, or, if no insurance intermediary is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the policy summary.
 - 3. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.
 - 4. The generic name of the basic policy and each rider.
 - 5. The following amounts, where applicable, for the first 20 policy years and at least one age from 60 through 65 or maturity whichever is earlier:
 - a. The annual premium for the basic policy.
 - b. The annual premium for each optional rider.
 - c. Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.
 - d. Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.

e. Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values in paragraph f.

6. The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest is variable, the policy summary shall include the maximum annual percentage rate.
7. The date on which the policy summary is prepared.

(g) "Surrender cost index" means a cost comparison index calculated by applying the following steps:

1. Determine the guaranteed cash surrender value, if any, available at the end of the tenth and twentieth policy years.
2. Divide the result of subd. 1. by an interest factor that converts it into an equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in subd. 1 over the respective periods stipulated in subd. 1. If the period is 10 years, the factor is 13.207 and if the period is 20 years, the factor is 34.719.
3. Determine the equivalent level premium by accumulating each annual premium payable for the basic policy or rider (if the annual premium includes supplemental benefits without a separate identifiable charge, a reasonable adjustment may be made) at 5% interest compounded annually to the end of the period stipulated in subd. 1. and dividing the result by the respective factors stated in subd 2. This amount is the annual premium payable for a level premium plan.
4. Subtract the result of subd. 2. from subd 3.
5. Divide the result of subd. 4. by the number of thousands of the equivalent level death benefit to arrive at the surrender cost index.

(4) DISCLOSURE REQUIREMENTS. (a) The insurer shall provide a policy summary upon delivery of the policy, if the policy form was identified by the insurer under s. Ins. 2.17 (4) as one to be marketed without an illustration.

(b) The policy summary shall consist of a separate document. All information required to be disclosed shall be set out in a manner that does not minimize any information or make any information obscure. Any amounts which remain level for 2 or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. If more than one insured is covered under one policy or rider, guaranteed death benefits shall be displayed separately for each insured or for each class of insured if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

- (c) The insurer shall provide to all prospective purchasers of any policy subject to this section a copy of the latest published version of the life insurance buyer's guide, at the time the application is taken, except that insurers which do not market policies through an intermediary may provide the life insurance buyer's guide at the time the policy is delivered provided they guarantee to the policyholder a 30 calendar day right to return the policy for a full refund of premium.

Note: Copies of the life insurance buyer's guide can be obtained from the National Association of Insurance Commissioners, 120 West 12th Street, Suite 1100, Kansas City, MO 64105-1925.

- (d) Cost comparison indexes, if illustrated, shall be representative of guaranteed values only.
- (e) The surrender cost index and the net payment cost index are the only cost comparison indexes which may be illustrated.
- (f) Cost comparison indexes, if illustrated, must be shown for year 10 and year 20. Additionally, separate indexes must be displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.
- (g) If cost comparison indexes are illustrated, all of the following disclosures shall be provided:
1. A statement, in close proximity to the cost comparison indexes, as follows: Further explanation of the intended use of these indexes is provided in the life insurance buyer's guide.
 2. A statement regarding the use of the cost comparison indexes, including an explanation to the effect that indexes are useful only for the comparison of the relative costs of 2 or more similar policies.
- (5) GENERAL REQUIREMENTS. (a) Each insurer shall maintain at its home office or principal office, a complete file containing one copy of each document authorized by the insurer for use pursuant to this section. The file shall contain one copy of each authorized form for a period of 3 years following the date of its last authorized use. The requirements of this paragraph are in addition to the requirements set forth in ss. Ins 2.16 (30) and 2.17 (8) (d).
- (b) An intermediary shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that the intermediary is acting as a life insurance intermediary and inform the prospective purchaser of the full name of the insurance company which the intermediary is representing to the buyer. In sales situations in which an intermediary is not involved, the insurer shall identify its full name.

- (c) Terms such as financial planner, investment advisor, financial consultant, or financial counseling shall not be used in such a way as to imply that the insurance intermediary is generally engaged in an advisory business in which compensation is unrelated to sales unless such is actually the case.
 - (d) Any reference to policy dividends shall include a statement that dividends are not guaranteed. If dividends are illustrated, such illustration must comply with the requirements of s. Ins 2.17.
 - (e) Any sales presentation subject to this section shall comply with the requirements of s. Ins 2.16 (7) (b) and (c).
 - (f) Recommendations made by a person subject to this section concerning the purchase or replacement of any life insurance policy are subject to the requirements of s. Ins 2.16 (6);
 - (g) A system or presentation which does not recognize the time value of money through the use of appropriate interest adjustments shall not be used for comparing the cost of 2 or more life insurance policies.
 - (h) Except for an illustration as defined in s. Ins. 2.17 (3) (i) no presentation of benefits may display guaranteed and nonguaranteed benefits as a single sum unless the guaranteed benefits are shown separately in close proximity and with equal prominence. The requirements of this paragraph are in addition to the requirements set forth in s. Ins 2.16 (21).
 - (i) For the purposes of this section, the annual premium for a basic policy or rider, for which the company reserves the right to change the premium, shall be the maximum annual premium.
- (6) UNUSUAL CIRCUMSTANCES. Insurers with unique difficulties in implementing provisions of this section may petition the commissioner for allowance to meet the requirements of the section through alternative approaches.

History: Cr. Register, March, 1972, No. 195, eff. 4-1-72; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, 1976, No. 249, eff. 10-1-76; r. and recr. Register, November, 1978, No. 275, eff. 1-1-79; am. (3) (a) and (6), r. and recr. appendices, Register, January, 1980, No. 289, eff. 2-1-80; r. (3) (a) and (f), (4) (a) and (c), Appendices 1, 2 & 3, renum. (3) (b) to (e) and (g) to be (3) (a) to (e), (4) (b), (d) and (e) to be (4) (a) to (c), Register, May, 1984, No. 341, eff. 6-1-84; r. (10) under s. 13.93 (2m) (b) 16, Stats., Register, December, 1984, No. 348; am. (1) and (3) (e) 1. i, cr. (4) (am) and appendix 1, Register, October, 1986, No. 370, eff. 11-1-86; am. (1), (2) (a) and (b) (intro.) and 4., (3) (intro.), (e) 1., (4) (b) and (c), (5) (a), (h) and (k), r. (3) (d) 4., (6), (8) and (9), r. and recr. (5) (e) and (f), renum. (7) to be (6) and am. Register, July, 1989, No. 403, eff. 8-1-89; correction in (3) (e) made under s. 13.93 (2m) (b) 1, Stats., Register, April, 1992, No. 436.


SECTION 2. Ins 2.16 (1) & (3) (a) 2 are amended to read:

Ins 2.16 (1) PURPOSE. This section safeguards the interests of prospective purchasers of life insurance and annuities by providing the prospective purchasers with clear and unambiguous statements, explanations, advertisements and written proposals concerning the life insurance policies and annuity contracts offered to them. The commissioner may best achieve this purpose by establishing certain minimum standards of and guidelines for conduct in the advertising and sale of life insurance and annuities. These minimum standards and guidelines prevent unfair competition among insurers and are conducive to the accurate presentation and description to the insurance buying public of policies or contracts of life insurance and annuities. This section interprets and implements, including but not limited to, the following Wisconsin statutes: ss. 601.01 (2) and (3) and 628.34. The requirements of this section are in addition to and not a substitute for the requirements set forth in ss. Ins 2.14, and 2.15, and 2.17.

(3) (a) 2. Advertisement does not include a policy summary as defined in s. Ins 2.14 (3) (d), the "buyer's guide to life insurance" as set forth in s. Ins 2.14, ~~Appendix I~~ an illustration as defined in s. Ins 2.17 (3) (i), a contract summary as defined in s. Ins 2.15 (4) (a), a preliminary contract summary as defined in s. Ins 2.15 (4) (b), and the "Wisconsin Buyer's Guide to Annuities" as defined in s. Ins 2.15 (4) (c).

SECTION 3. These changes will take effect on the first day of the first month after publication, as provided in s. 227.22(2)(intro.), Stats.

Dated at Madison, Wisconsin, this 30 th day of January, 1998.


Randy Blumer, Acting
Commissioner of Insurance

