

dents, 5. Volunteer civil defense organizations, 6. Volunteer auxiliary police organizations, 7. Law enforcement agencies.

(b) A company may submit any other risk or class of risks, subject to approval by the commissioner, which it believes is properly eligible for blanket accident and health insurance.

(5) **COVERAGE REQUIREMENTS.** Surgical benefit provisions or schedules shall provide that the benefit for any covered surgical procedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

History: Cr. Register, March, 1958, No. 27, eff. 4-1-58; am. (4) (a), cr. (5), Register, November, 1959, No. 47, eff. 12-1-59; am. (1), (3) and (4) (a), Register, October, 1961, No. 70, eff. 11-1-61.

Ins 3.16 Credit accident and health insurance. (1) **PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing minimum requirements for the transaction of credit accident and health insurance.

(2) **POLICY PROVISIONS.** (a) Credit accident and health insurance policies may include credit life insurance benefits as defined in section 201.04 (3c), Wis. Stats. Credit accident and health insurance policies which include credit life insurance benefits shall contain all of the appropriate required provisions relating to such insurance.

(b) Each individual policy or group certificate of credit accident and health insurance shall, in addition to other filing requirements, set forth:

1. The name and home office address of the insurer.
2. The name of the debtor.
3. The amount and term of the coverage by description, formula, schedule, or by equating both to the amount and term of the indebtedness. An insurer may submit other methods for indicating amount and term, subject to the approval of the commissioner, which it believes are equally clear.
4. The amount of premium or identifiable charge separately for credit accident and health insurance and for credit life insurance when the debtor has paid or obligated himself to pay all or any part of the premium or identifiable charge.
5. A description of the coverage, including any exceptions, limitations, or restrictions.
6. A provision that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness.
7. A provision that the insurance on any debtor will be cancelled if his indebtedness is terminated through prepayment, refinancing, or otherwise.
8. A provision that a refund will be granted in the event of cancellation or termination. The individual policy or group certificate shall either describe the method of computing the refund or state that the formula or schedule for such computation has been filed with the commissioner of insurance. This provision shall not be required if the debtor has not paid or obligated himself to pay all or any part of the premium or identifiable charge.

(c) If a contract of credit accident and health insurance provides for a limitation of the amount of coverage related to credit accident and health insurance provided by other contracts in force on the

debtor, such limitation shall be explained to the debtor at the time the indebtedness is incurred and shall be acknowledged in writing by him in an instrument separate from the individual policy or group certificate. Alternatively, the individual policy or group certificate shall include a *brief description* or *separate statement* referring to the limitation of amount of coverage. The *brief description* or *separate statement*, if used to meet the foregoing requirement, shall be printed on the first page of the individual policy or group certificate in type more prominent than that used in the text of the policy or certificate and shall clearly indicate the limitation.

(d) If a contract of credit accident and health insurance provides for a limitation of coverage related to the age of the debtor, such limitation shall be explained to the debtor at the time the indebtedness is incurred and shall be acknowledged in writing by him in an instrument separate from the individual policy or group certificate. Alternatively, the individual policy or group certificate shall include a *brief description* or *separate statement* referring to the age limitation. The *brief description* or *separate statement*, if used to meet the foregoing requirement, shall be printed on the first page of the individual policy or group certificate in type more prominent than that used in the text of the policy or certificate and shall clearly indicate the limitation.

(3) **TERM OF CREDIT ACCIDENT AND HEALTH INSURANCE.** The term of any credit accident and health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. The term of such insurance shall not extend more than 15 days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor or when provided by a group policy the additional premium for which is paid by the policyholder without any additional direct identifiable charge to the debtor.

(4) **AMOUNT OF CREDIT ACCIDENT AND HEALTH INSURANCE.** The total amount of periodic indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the total of the periodic scheduled unpaid installments of indebtedness, and the amount of any individual periodic indemnity payment shall not exceed the scheduled installment due on the indebtedness, or shall not exceed the original indebtedness divided by the number of periodic installments. Periodic indemnity payments may not be payable for a period of disability more than 15 days after the scheduled maturity date of the indebtedness, except that a group policy may provide periodic indemnity payments beyond said date, without direct identifiable charge to the debtor for the extension, provided that such payments shall in no event exceed the aggregate of the scheduled installments of indebtedness remaining unpaid on the said maturity date.

(5) **REFUNDS IN EVENT OF CANCELLATION OF INSURANCE.** Schedules for computing refunds in event of cancellation of credit accident and health insurance prior to the scheduled maturity date of the indebtedness must meet the following minimum requirements:

(a) Schedules used to compute the refund must provide for a return at least equal to that which would be provided by application of the so-called "Rule of 73" sometimes referred to as the "sum of the digits rule."

(b) Refunds shall be based upon the number of full months prepaid from the maturity date of the policy, counting a fractional month of 16 days or more as a full month.

(c) Credit must be given to the debtor for all refunds, regardless of amount, provided that no refund or credit need be made by an insurer if the amount thereof is less than one dollar. If credit accident and health insurance and credit life insurance have been in force on the same indebtedness, the sum of the refunds due on all such contracts shall be used to determine if a refund is due the debtor.

(6) EVIDENCE OF INSURANCE. If an individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance shall be delivered at such time to the debtor. The copy of the application for, or notice of proposed insurance, shall be signed by the debtor and shall set forth the name of the debtor, a description of the coverage, the amounts of premium or identifiable charge separately in connection with credit accident and health insurance and credit life insurance. The copy of the application for or notice of proposed insurance shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within 30 days of the date upon which the indebtedness is incurred the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. Said application or notice of proposed insurance shall state that upon acceptance by the insurer the insurance shall become effective as provided in subsection (3) of this rule.

(7) APPROVAL OF FORMS AND RATES. (a) All forms of policies, riders, endorsements, certificates, applications, notices of proposed insurance, or other instruments which will be issued or delivered in Wisconsin as a part of a credit accident and health insurance contract shall be submitted to the commissioner of insurance for approval under the terms of this rule.

(b) No policy, rider, endorsement, certificate, application, notice of proposed insurance or other form pertaining to a credit accident and health insurance contract shall be issued or delivered nor shall a refund schedule be used in Wisconsin on or after the effective date of this rule unless such form and refund schedule are filed with the commissioner of insurance and approved by him. No credit accident and health insurance shall be effected on a debtor under an existing group policy, commencing with the policy anniversary date on or after the effective date of this regulation, unless a certificate of group insurance or a notice of proposed group insurance, as required herein, is delivered to the debtor on a form filed with the commissioner of insurance and approved by him.

(c) In considering a form of policy, rider, or endorsement for approval, the commissioner of insurance will also consider information submitted in the rate schedule which shall accompany such form.

The rate schedule shall also be subject to approval by the commissioner of insurance and shall contain or be accompanied by the following information:

1. The form number or identification symbol of each policy, rider, or endorsement to which the rates apply.

2. A schedule of rates including variations, if any, based on age, sex, occupation, or other classification.

3. An indication of the anticipated benefits payable under the policy, including loss ratio.

4. If the rate filing is a revision of a prior filing, the new filing shall be accompanied by a statement of the experience on the form and the anticipated loss ratio under the revised rate filing.

(d) If an identifiable charge is made to the debtor under a policy of credit accident and health insurance, such identifiable charge shall not exceed the premium set forth in the rate schedule filed with the commissioner of insurance.

(e) On or before February 16, 1959, each insurer authorized to do business in Wisconsin shall furnish the commissioner of insurance a list of all policies, riders, endorsements, certificates, applications, notices of proposed insurance, or any other instruments which it intends to issue to insure residents of Wisconsin for credit accident and health insurance.

(8) **ACCOUNTING.** Insurers shall maintain records regarding premiums, losses, and other benefits and expenses separately for credit accident and health insurance and for credit life insurance provided by a policy form so that such experience may be filed with the commissioner of insurance at such times and in such manner as may be prescribed by him. The commissioner of insurance may require insurers to file with him such other information as he may deem necessary for the administration of credit accident and health insurance.

(9) **NONWAIVER OF OTHER REQUIREMENTS.** This rule does not confer any rights on lenders or other creditors which are not permitted by the laws which apply to them.

History: Cr. Register, December, 1958, No. 36, eff. 1-1-59; am. (5) (b), Register, March, 1959, No. 39, eff. 4-1-59; am. (2) (c), Register, May, 1959, No. 41, eff. 6-1-59; am. (2) (b) 3 and 8; (2) (c) and (d); (5) (c); (6) and (7) (b), Register, October, 1961, No. 70, eff. 11-1-61; am. (3) and (4), Register, August, 1962, No. 80, eff. 9-1-62.

Ins 3.17 Reserves for accident and sickness policies. (1) In accordance with section 201.18 (4), Wis. Stats., the following requirements are adopted for the valuation of individual accident and sickness insurance policies.

(2) For purposes of this rule, individual accident and sickness insurance policies will be classified as follows:

(a) Policies which are non-cancellable or non-cancellable and guaranteed renewable for life or to a specified age.

(b) Policies which are guaranteed renewable for life or to a specified age.

(c) Policies, other than those in paragraph (d) of this subsection, in which the insurer has reserved the right to cancel or refuse renewal for one or more reasons, but has agreed implicitly or explicitly that, prior to a specified time or age, it will not cancel or decline renewal solely because of deterioration of health after issue.

(d) Franchise policies, as defined in section 204.32 (1), Wis. Stats., issued under or subject to an agreement that, except for stated reasons, the insurer will not cancel or refuse to renew the coverage of individual insureds prior to a specified age unless all coverage under the same franchise group is terminated.

(e) Commercial policies and other policies not falling within paragraphs (a) to (d), inclusive, of this subsection.

(3) During the period within which the renewability of the policy is guaranteed or the insurer's right to refuse renewal is limited, the minimum reserves for policies described in paragraphs (a), (b), and (c) of subsection (2) of this rule, issued on or after January 1, 1955, shall be an amount computed on the basis of two-year preliminary term tabular mean reserves employing the following assumptions:

(a) Mortality: American Men Ultimate Mortality Table or Commissioners 1941 Standard Ordinary Mortality Table or Commissioners 1958 Standard Ordinary Mortality Table. (See Table I at the end of this rule.)

(b) Maximum Interest Rate: 3½% compounded annually.

(c) Morbidity or Other Contingency:

1. Disability due to accident and sickness—The Conference Modification of Class III Disability Table for Calculation of Reserves on Non-Cancellable Accident and Health Insurance adopted by the National Association of Insurance Commissioners on June 11, 1941. Pamphlet reprints of this table are on file in the offices of the commissioner of insurance, secretary of state, and revisor of statutes. Pamphlet reprints of said Conference Modification of Class III Disability Table for Calculation of Reserves on Non-Cancellable Accident and Health Insurance are obtainable from the Health Insurance Association of America, 168 North Michigan Avenue, Chicago 1, Illinois.

2. Hospital Expense Benefits—1956 Inter-company Hospital Table. (See Tables II and III at the end of this rule.)

3. Surgical Expense Benefits—1956 Inter-company Surgical Table. (See Tables IV and V at the end of this rule.)

4. Accident only, major medical expense, and other benefits not specified above—each company to establish reserves that place a sound value on the liabilities under such benefit.

(4) Mean reserves shall be diminished or offset by appropriate credit for the valuation net deferred premiums. In no event, however, shall the aggregate reserves for all policies issued on or after January 1, 1955, and valued on the mean reserve basis, diminished by any credit for deferred premiums, be less than the gross pro rata unearned premiums under such policies.

(5) Negative reserves on any benefit may be offset against positive reserves for other benefits in the same individual or family policy, but if all benefits of such policy collectively develop a negative reserve, credit shall not be taken for such amount.

(6) The mean reserves for policies described in paragraphs (d) and (e) of subsection (2) of this rule shall be the pro rata gross unearned premium reserve as defined in section 201.18 (1), Wis. Stats.

(7) An insurer may use any reasonable assumptions as to the interest rate, mortality rates, or the rates of morbidity or other contingency, and may introduce a rate of voluntary termination of policies provided the reserve on all policies to which such assumptions

are applied is not less in the aggregate than the amount determined according to the standards specified in subsections (3), (4), (5), and (6) of this rule. Also, subject to the same condition, the insurer may employ methods other than the methods stated above in determining a sound value of its liabilities under policies described in subsection (2) of this rule, including but not limited to the following:

(a) The use of mid-terminal reserves in addition to either gross or net pro rata unearned premium reserves;

(b) Optional use of either the level premium, the one-year preliminary term, or the two-year preliminary term method;

(c) Prospective valuation on the basis of actual gross premiums with reasonable allowance for future expenses;

(d) The use of approximations such as those involving age groupings, groupings of several years of issue, average amounts of indemnity;

(e) The computation of the reserve for one policy benefit as a percentage of, or by other relation to, the aggregate policy reserves, exclusive of the benefit or benefits so valued;

(f) The use of a composite annual claim cost for all or any combination of the benefits included in the policies valued.

(8) For statement purposes the net reserve liability for active lives may be shown as:

(a) The mean reserve with offsetting asset items for net unpaid and deferred premiums; or

(b) The excess of the mean reserve over the amount of net unpaid and deferred premiums; or

(c) It may, regardless of the underlying method of calculation, be divided between the gross pro rata unearned premium reserve and a balancing item for the "additional reserve."

(9) Each insurer issuing policies described by paragraph (b) of subsection (2) of this rule shall maintain historical fund accounts for each group of similar policy forms on a basis reflecting reasonable estimates of premiums, losses, expenses, and reserves. Such estimates shall not be inconsistent with the corresponding items in the Accident and Health Exhibit, Schedule H, of the Annual Statement—Life and

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