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STATE OF WISCONSIN
DEPARTMENT OF STATE
RECORDS

APR 2 - 1965

ROBERT C. ZIMMERMAN
SECRETARY OF STATE

STATE OF WISCONSIN }
DEPARTMENT OF INSURANCE } ss.

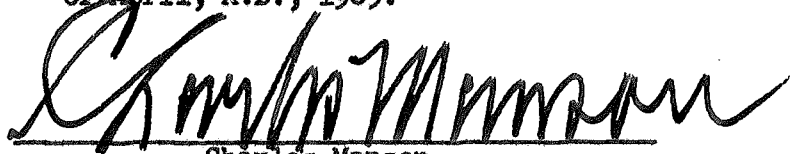
*Filed April 2, 1965
2:15 P.M.*

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Charles Manson, Commissioner of Insurance, and custodian of the official records of said department, do hereby certify that the annexed amendments to the Wisconsin Administrative Code relating to disclosure requirements in connection with replacement of life insurance policies were duly approved and adopted by this department on April 2, 1965.

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department at the Hill Farms State Office Building, in the city of Madison, this 2nd day of April, A.D., 1965.



Charles Manson
Commissioner of Insurance

ORDER OF THE DEPARTMENT OF INSURANCE

Amending Rules

Pursuant to authority vested in the Commissioner of Insurance by section 200.03 (2), Wis. Stats., the Commissioner of Insurance hereby amends a rule as follows:

Section Ins 2.07, subsection (3), of the Wisconsin Administrative Code is amended to read:

Amend. (3)

~~(4)~~ DEFINITION. For the purpose of this rule, "replacement" includes any transaction wherein new life insurance is to be purchased and it is known to the agent that, as a part of the transaction, existing life insurance has been or is to be lapsed, surrendered, converted into paid-up insurance, become extended insurance, be subjected to substantial borrowing of loan values whether in a single loan or under a schedule of borrowing over a period of time, or changed to a lower cash value plan of insurance. Whenever the terms life insurance, insurance, or insurance described by section 201.04 (3) are used in this rule they shall be construed to include all insurance itemized under section 201.04 (3), Wisconsin Statutes, including annuities.

Section Ins 2.07, subsection (9) (introductory sentence) is amended to read:

(9) NOTICE TO POLICYHOLDER. When replacement is involved, the agent must attach the following notice to the written proposal which is delivered to the prospect:

A note is added at the end of the rule to read:

Note: It is the position of the department that the changing of a policy to one with lower cash values is replacement if the freed premium dollars are to be used to purchase additional life insurance in another company. This position is not intended to discourage the programming of life insurance as the department recognizes that insurance needs change. Rather, it is intended that the insured should be given as many facts as possible to aid him in making his decisions.

Subsection (4) (a) requires that a copy of the replacement statement be left with the applicant for his records. The department has interpreted that this requirement is satisfied if the statement is included in the application and the application is made a part of the policy.

The rule under paragraphs (a) and (b) of subsection (4) requires a distinct and separate statement by the applicant as to his knowledge of replacement and a distinct and separate statement by the agent as to his knowledge of replacement. A statement made by the applicant and subscribed to by the agent does not meet this requirement.

Subsection (4) (c) 3 makes a purposeful distinction between the "immediate" notice and the "prompt" submission of the proposal. It is important that "immediate" notice of replacement be sent to the company whose policy is being replaced. That company may then offer recommendations to its policyholder before the replacement policy is issued. In some cases the replacement proposal may contain some inadvertent errors which should be corrected before the proposal is forwarded. If notice of replacement were held up until these corrections were made, the transaction might be completed before the original company has an opportunity to make its recommendations to its policyholder. To give effect to the distinction

between immediate notice and prompt submission of the proposal:

(1) The immediate notice required by subsection (4) (c) 3 must include the applicant's name and date of birth and the name of the replacing company. Other data such as policy number, type of policy, date of issuance, etc., should also be included if available from the applicant. Compliance with the requirement of immediate notification under the rule will be deemed sufficient if the notice is forwarded within 24 hours of the taking of the application, or if such forwarding precedes all other steps, such as ordering an inspection report or medical examination.

(2) The replacing company may, by written agreement, assume the agent's responsibility of immediate notification. In so doing, however, the company must delay policy issuance for a period commensurate with the delay resulting from its action and must be prepared to handle any dissatisfaction of the applicant with appropriate remedy as, for example, cancellation with full return of premium.

(3) The replacing company may, by written agreement, assume the agent's duty of furnishing the proposal as set forth in subsection (4) (c) 3. It is reasonable to expect that the proposal will be sent to the replacing company within 3 working days of the time the application is received at the home office unless the proposal has to be returned to the agent for corrections or additional information. In no event should the replacement policy be issued until after the replacement proposal has been sent to the other company.

The procedures in (1) and (2) comprise a prima facie means of compliance but do not preclude such other means as may prove to give immediate notification and which would come within the generally accepted definition of "immediate".

It is recognized that the present "Notice to Policyholder" is not entirely appropriate for use in cases involving annuities. The department is making no attempt to revise the wording of this notice because of the expense involved in reprinting the form in relation to the few replacement cases that are contemplated. However, it is expected that the company will assume the responsibility of adapting the notice to fit annuity cases when they arise.

The amendments herein contained shall take effect on May 1, 1965, as provided in section 227.026 (1) (b), Wis. Stats.

Department of Insurance

A handwritten signature in black ink, appearing to read "Charles Manson", written in a cursive style.

Charles Manson

Commissioner of Insurance

Dated April 2, 1965