

the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

2. The refund of the amount charged the debtor for insurance, in the case of credit insurance for which said amount is charged other than in single sum, and in the case of level term credit life insurance, shall be equal to the pro-rata unearned gross amount charged or to be charged. In the case of credit insurance for which the whole amount is charged in a single sum the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

3. 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.

4. Upon termination of indebtedness repayable in a single sum prior to the scheduled maturity date, the refund shall be computed from the date of termination to the maturity date. If less than 15 days of a loan month has been earned, no charge may be made for that loan month, but if 15 days or more, a full month may be charged.

(h) If an insured indebtedness is transferred to another creditor any group credit life insurance or group credit accident and sickness insurance issued on that indebtedness may be continued, but the creditor policyholder must advise the insurer of each transfer within 30 days of its effective date.

(9) CLAIMS AND AUDIT PROCEDURES. (a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer. However, nothing herein shall be construed to relieve the insurer of the responsibility for proper settlement, adjustment and payment of all claims in accordance with the terms of the insurance contract and this ruling.

(d) The insurer must make a good faith examination of each credit insurance account in the first year of the account and annually thereafter. The examination shall be made to assure that the creditor is conducting the insurance program in compliance with the credit insurance policy provisions, the insurer's administrative instructions furnished the creditor to implement the insurance program, and with the applicable credit insurance law and regulation of Wisconsin. The examination must include verification of the accuracy of the computation of premium payments, insurance charges made to debtors, and claim payments reported to the insurer by the creditor. The insurer will maintain records

of examinations for 2 years; and such records will be subject to call and review by the commissioner.

(10) **CHOICE OF INSURER.** When credit life insurance or credit accident and sickness insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

(11) **CREDIT INSURANCE PREMIUM RATE FILINGS.** (a) Every credit insurer shall file with the commissioner every premium rate schedule applicable to credit insurance in this state, together with the premium, loss, and expense experience on which the insurer bases the proposed premium rate, at least 30 days before the proposed effective date.

(b) In the absence of credible mortality or morbidity experience, the benefits provided under a credit insurance form shall be deemed not to be unreasonable in relation to the premium rate charged if the premium rates filed do not exceed the prima facie premium rate standards set forth in subs. (12) and (13) and if the forms provide benefits which are no more restrictive than the coverage standards enumerated.

(c) Nothing herein shall preclude an insurer from requesting approval of the commissioner for premium rates higher or lower than the prima facie rate standards on the basis of the mortality or morbidity rate actually experienced or anticipated.

(d) If an insurer proposes to provide coverage which is different from coverage described in subs. (12) and (13), the insurer must demonstrate to the commissioner's satisfaction that the premium rate schedule applicable for the coverage will produce loss ratios at least as great as those contemplated in the premium rate standards set forth or can reasonably be expected to produce such loss ratios.

(e) Where no debtor is paying an identifiable charge for any part of the premium for credit insurance the rates shall be such reasonable rates as are approved by the commissioner.

(12) **PRIMA FACIE CREDIT LIFE INSURANCE PREMIUM RATE STANDARDS.**

(a) The basic permissible loss ratio for credit life insurance shall be not less than 50%.

(b) The rate standard for premiums payable on the basis of monthly outstanding balance is \$0.616 per \$1,000 of insurance. The rates applicable to other methods of payment shall be actuarially equivalent.

(c) The rate standard for premiums payable on single premium decreasing term credit life insurance shall be computed according to the following formula:

$$P_n = \frac{(n)}{12} 0.40$$

Where P_n = Single premium rate per \$100 of initial insured indebtedness repayable in n equal monthly instalments

n = Original repayment period, in months

(d) The rate standard for premiums payable on single premium level term credit life insurance shall be computed according to the following formula:

$$P_n = \frac{(n) 0.616}{10}$$

Where P_n = Single premium rate per \$100 of level insured indebtedness repayable in n months

n = Original term of level indebtedness in months

(e) The rate standards for credit life insurance providing coverage on 2 lives with respect to a single indebtedness shall be 150% of the rate standard provided in pars. (b), (c), and (d), above.

(f) As an alternative to pars. (b), (c), or (d) above, where age data applicable to the insured debtors is available, rate standards may be based on such data, under a plan approved by the commissioner.

(g) The rate standards set forth herein shall be applicable for a plan of death benefits with or without requirements for evidence of insurability which contains:

1. No exclusions other than suicide within one year of the incurral of the indebtedness, and

2. No age restrictions, or only age restrictions making ineligible for coverage:

a. Debtors less than age 18 at the time the indebtedness is incurred, or

b. Debtors age 65 or over at the time the indebtedness is incurred, or

c. Debtors who will have attained age 66 or over on the maturity date of the indebtedness.

(h) The rate standards set forth in this subsection shall not be applicable for a plan of death benefits wherein the amount of credit life insurance on the life of any debtor at any time exceeds \$10,000, or for which the term of the indebtedness insured exceeds 5 years.

(13) PRIMA FACIE MAXIMUM CREDIT ACCIDENT AND SICKNESS INSURANCE PREMIUM RATE STANDARDS. (a) If premiums are payable in one sum (single premium) for coverage for the entire duration of indebtedness, the premium rate standards for \$100 of initial amount of insured indebtedness repayable in equal monthly instalments are shown below. Premium rate standards for other benefit plans and for indebtedness repayable in instalments other than as shown shall be actuarially consistent with the indicated rate standards, but no individual policy of credit accident and sickness insurance or group policy of credit accident and sickness insurance shall be delivered or issued for delivery if the benefits are payable after a waiting period of less than 14 days, regardless of whether the payment of benefits are retroactive to the first day of disability.

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Original Number of Equal Monthly Instalments	14 days Non-Retroactive Elimination Period		30 Days
6	\$1.39		\$.69
12	1.95		1.18
18	2.27		1.50
24	2.52		1.69
30	2.74		1.82
36	2.93		1.93
42	3.10		2.03
48	3.26		2.12
54	3.41		2.21
60	3.55		2.29
Basic permissible loss ratio	59%		52%

Original Number of Equal Monthly Instalments	14 Days Retroactive Waiting Period		30 Days
6	\$1.74		\$1.19
12	2.23		1.68
18	2.56		1.89
24	2.81		2.04
30	3.02		2.17
36	3.21		2.29
42	3.39		2.39
48	3.55		2.48
54	3.70		2.57
60	3.84		2.65
Basic permissible loss ratio	60%		57%

(b) The rate standards applicable for premiums payable on the basis of monthly outstanding balances shall be computed under the formula described in subd. 1 below except as provided in subd. 2:

1. For credit accident and sickness insurance benefit plans issued on an individual or a group basis the premiums payable shall be computed as follows:

$$p_n = \frac{20 P_n}{n + 1}$$

Where n = *Original* repayment period, in months

p_n = The Monthly Outstanding Balance Premium Rate per \$1,000 for an indebtedness repayable in equal monthly instalments with an *original* repayment period of n months

P_n = The Single Premium Rate per \$100 initial insured indebtedness with an *original* repayment period of n months, from par. (a) above.

The outstanding balance premium rate for an indebtedness with a given *original* repayment period is applicable to the outstanding balance of this indebtedness at each month during the period, regardless of the remaining repayment period.

2. For credit accident and sickness insurance benefit plans issued on a group basis, a composite monthly outstanding balance premium rate schedule may be used in lieu of the rate procedure described in subdivision 1 above for each benefit plan, to apply to all outstanding balances each month under such plan, irrespective of the type or duration of loan

making up such outstanding balances. Such composite monthly outstanding balance premium rate schedule will be approved for use only if the actuarial consistency of such composite rate with the prima facie maximum credit accident and sickness insurance premium rate standards and basic permissible loss ratios in par. (a) above is established, and the reasons for this use in lieu of the rate standard in subdivision 1 above are documented.

3. The rate deviation procedure outlined in sub. (14) shall be applied separately to any business written under subdivision 2 above, and the insurer shall maintain all pertinent data on such business separately.

(c) The rate standards set forth herein shall be applicable for a plan of benefits which contains:

1. No provision excluding or denying a claim for disability resulting from pre-existing conditions except for those conditions which manifested themselves to the insured debtor by requiring medical diagnosis or treatment or would have caused a reasonably prudent person to have sought the medical diagnosis or treatment, within 6 months preceding the effective date of the debtor's coverage and which caused loss within the 6 months following the effective date of coverage; provided, however, that disability commencing thereafter resulting from such condition shall be covered.

2. No other provision which excludes or restricts liability in the event of disability caused in a certain specified manner except that it may contain provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in non-scheduled aircraft, war or military service.

3. No age restrictions, or only age restrictions making ineligible for coverage:

- a. Debtors less than age 18 at the time the indebtedness is incurred, or
- b. Debtors age 65 or over at the time the indebtedness is incurred, or
- c. Debtors who will have attained age 66 or over on the maturity date of the indebtedness.

4. Provision for a daily benefit equal in amount to the initial indebtedness divided by the number of days in the period during which the indebtedness is scheduled to be repaid in equal monthly instalments.

5. Provides for benefits to be payable in the event of disability resulting from bodily injury or sickness, which disability commences while the debtor is insured hereunder and prevents the insured debtor from engaging in any gainful occupation for which he is reasonably qualified by reason of education, training or experience, except that during the initial 12 months of disability the inability of the insured to engage in his own occupation shall be the only test.

Note: This is not intended to preclude calculation of the daily benefit based on a 30 day month.

(d) The rate standards set forth in this subsection shall not apply for a plan of benefits wherein the aggregate of the periodic schedule of unpaid installments of indebtedness payable by credit accident and sick-

ness insurance exceeds \$10,000 or for which the term of the indebtedness insured exceeds 5 years.

(14) **DEVIATION PROCEDURE AND CASE RATE DETERMINATION.** (a) For cases of less than \$50,000 earned premiums (prima facie basis) the case rates shall be the prima facie rates. For cases of \$50,000 or greater earned premiums (prima facie basis) the actual case ratio shall be calculated as (actual ratio of claims incurred to premiums earned) divided by the basic permissible loss ratio shown in sub. (12) or (13). If the actual case ratio is within the acceptance range shown in the following credibility table, the case rates will be the prima facie rates. If the actual case ratio is outside the acceptance range, the adjusted case ratio will be calculated by adjusting the actual case ratio toward 100% by addition or subtraction of the "adjustment constant", also shown in the credibility table.

CREDIBILITY TABLE
Earned Premium (Prima Facie Basis)

Size Group	Small Loans or Credit Unions	Banks or Sales Finance	Acceptance Range	Adjustment Constant
CREDIT LIFE				
I	50,000-125,000	50,000- 200,000	0.80-1.20	0.15
II	125,000-300,000	200,000- 500,000	0.85-1.15	0.10
III	300,000-650,000	500,000-1,000,000	0.85-1.15	0.05
IV	650,000 or over	1,000,000 or over	0.90-1.10	0.00
CREDIT ACCIDENT AND SICKNESS				
I	50,000- 75,000	50,000- 100,000	0.80-1.20	0.15
II	75,000-125,000	100,000- 175,000	0.85-1.15	0.10
III	125,000-250,000	175,000- 350,000	0.85-1.15	0.05
IV	250,000 or over	350,000 or over	0.90-1.10	0.00

(b) If the adjusted case ratio exceeds 1.00, the case rate is the product of deviation factor f , and the prima facie rate shown in sub. (12) or (13), where

$$f = \frac{[(\text{Adjusted case ratio} - 1) \times 1.25 \times \text{Basic Permissible Loss Ratio}] + 1}{1}$$

(c) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, but greater than the limits specified in the following table, the case rates are the product of the deviation factor g , and the prima facie rates in sub. (13), where

$$g = 1 - [1 - \text{adjusted case ratio} \times 1.25 \times \text{Basic Permissible Loss Ratio}]$$

Plan of Benefit	Limit
14 days Retroactive Elimination Period55
14 days Non-Retroactive Elimination Period59
30 days Retroactive Elimination Period67
30 days Non-Retroactive Elimination Period89

$$\text{Limit} = \frac{.5 (1 - 1.25 \times \text{Basic Permissible Loss Ratio})}{\text{Basic Permissible Loss Ratio} (1 - .5 \times 1.25)}$$

(Rounded down)

(d) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, and less than or equal to the limit specified in the

above table, the case rates are the product of the deviation factor h , and the prima facie rate in sub. (13) where

$$h = (\text{Adjusted Case Ratio} \times \text{Basic Permissible Loss Ratio} \times 2)$$

(e) If the adjusted case ratio for credit life insurance is less than 1.00, the case rate is the product of the deviation factor h and the prima facie rate in subsection (12) where

$$h = (\text{Adjusted Case Ratio})$$

(f) If the case rate determined by the above procedures is within 5¢ of the existing single premium rate per \$100 per year, the existing rate will be the case rate.

(g) The case rate as determined shall continue for a period equal to the experience period on which it was based. Where the case rate applies to a group of accounts, the rate will continue to apply to every account which was grouped for determination of the rate and to only those accounts. The insurer shall annually determine and submit for filing under sub. (8) (a) the applicable case rate calculated as prescribed herein.

(h) As used in this rule the following words mean:

1. Account—The aggregate credit life or credit accident and sickness coverage for a single plan of benefits and class of business written through a single creditor by the insurer, whether coverage is written on a group or individual policy basis.

2. Class of business—Means any of the following:

a. Credit unions

b. Commercial and savings banks

c. Other cash loans (small loans, industrial bank loans, etc.)

d. Other sales finance (discount transactions, etc.)

3. Experience year—A 12-month period ending on the policy anniversary or renewal date or on a calendar year-end. Experience for a given account or permitted combinations of accounts shall be reported consistently from year to year.

4. Case—a. An account, if the earned premium for the account based upon the prima facie premium rates promulgated in sub. (12) or (13) during the most recent 3 experience years has been \$50,000 or more. If the rates applicable to the account are not at the prima facie level or at a uniform percentage of the prima facie rates, the amount of premium which would have been earned at the prima facie rates shall be approximated by a reasonable method filed with the experience report.

b. A combination of all the insurer's accounts of the same plan of benefits and class of business, excluding all accounts which meet the criterion for inclusion under a. immediately preceding.

5. Experience period—The last 3 experience years unless a lower number of full years produces an earned premium in size group IV as shown in the credibility table.

(j) In determining the case ratios in this subsection for application of the deviation formula, the following rules shall be applied:

1. If the coverage for a single creditor which qualifies for separate consideration under case definition a. above has been in force with the insurer for less than the experience period, the claim experience of the creditor while covered by any prior insurer shall be included to the extent necessary in determining the appropriate case ratios.

2. The case ratios shall be based wholly or partially on the experience of the insurer on the case within the state, or a group of states or on the total United States experience, so long as the insurer reports and files consistently for that case thereafter. An account which qualifies for separate treatment as a case but which provides coverage on a multi-state basis, may be considered in its entirety if the insurer so chooses excluding experience used for deviation purposes in any state, states or group of states.

(15) ACCOUNTING AND UNDERWRITING EXPERIENCE. Each insurer shall maintain records of premiums, losses and expenses of Wisconsin business separately for credit life insurance and credit accident and sickness insurance on a calendar year basis or on a policy year basis. Such underwriting experience shall be maintained for each form of policy, creditor, and class of creditor. This information shall be subject to call annually by the commissioner.

(16) FINANCIAL STATEMENT MINIMUM RESERVES. (a) Each insurer shall show, as a liability in any financial statement or report required under s. 601.42, Stats., its policy or unearned premium reserve in an amount not less than as computed in pars. (b), (c) and (d). If a credit insurance policy provides any combination of life insurance benefits, disability benefits and accident and sickness insurance benefits, a reserve must be established separately for the life insurance benefits, for the disability benefits and for the accident and sickness insurance benefits.

(b) The reserve for individual credit life insurance policies shall be not less than 130% of the Commissioner's 1958 Standard Ordinary Mortality Table at 3½% annual interest.

(c) The reserve for group credit life insurance policies shall be not less than 130% of the Commissioner's 1960 Standard Group Mortality Table at 3½% annual interest.

(d) The reserve for credit accident and sickness insurance policies and for disability benefits in credit life insurance policies shall be not less than the greater of 130% of the Commissioner's 1964 Disability Table at 3½% annual interest or the pro rata unearned premium reserve.

(17) SUBMISSION OF POLICY FORMS AND RATE SCHEDULES IN USE. Each insurer subject to this rule shall file with the commissioner on or before October 1, 1972, a listing of all policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders and the schedules of premium rates pertaining thereto which have been heretofore approved and which the insurer intends to issue or use in Wisconsin after the effective date of this rule.

(18) PENALTY. Violations of this rule shall subject the insurer or agent to s. 601.64, Stats.

(19) SEPARABILITY. If any provision or clause of this ruling or the application thereof to any person or circumstance is, for any reason held

invalid, the remainder of this ruling and the application of such provision to other persons or circumstances shall not be affected thereby.

Note: It is the intent of this rule that it shall apply prospectively to the review for approval of policy and other forms of credit life and credit accident and sickness insurance and to the rates applicable to such forms that are submitted for filing after the effective date. Individual hearings will be held to consider whether credit life and credit accident and sickness insurance contract forms and rate levels presently in use provide benefits that are reasonable in relation to premium charges.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72; cr. (2) (c), (6) (h) and (8) (h); am. (4) (b), (5), (8) (f), (12), (13) (a), (14) (e), and r. (17) (a), Register, February, 1973, No. 206, eff. 3-1-73; am. (4), (5), (6) (a) 6, (6) (h), (8) (f), (12) (g) 2, (13) (c) 3, (14) (c) and (d) and cr. (6) (i) and (13) (c) 5, Register, April, 1975, No. 232, eff. 5-1-75; am. (13) (b), Register, June, 1975, No. 234, eff. 7-1-75; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76; am. (4) and (11) (d), cr. (12) (h) and (13) (d), Register, March, 1977, No. 255, eff. 4-1-77; am. (1), (2) and (14) (c), Register, March, 1979, No. 279, eff. 4-1-79; am. (12) (b) to (e), Register, September, 1981, No. 309, eff. 10-1-81.

Ins 3.26 Unfair trade practices in credit life and credit accident and sickness insurance. (1) **PURPOSE.** The purpose of this rule is to assist in the maintenance of a fair and equitable credit life insurance and credit accident and sickness insurance market. This rule interprets, including but not limited to, the following Wisconsin statutes: 601.04; 601.01 (3) (a), (b), (c), (g) and (h); 601.41 (1), (2) and (3) and ch. 628.

(2) **SCOPE.** This rule shall apply to the transaction of credit life insurance as defined in s. Ins 6.75 (1) (a) 1. and 632.44 (3), Stats., and the transaction of credit accident and sickness insurance as defined in s. Ins 6.75 (1) (c) 1. or (2) (c) 1.

(3) **UNFAIR TRADE PRACTICES DEFINED.** The following acts, whether done directly or indirectly, in consideration of or in connection with a policy issued or proposed to be issued are defined to be prohibited unfair trade practices in the transaction of insurance described in sub. (2) above:

(a) The offer or grant by an insurer of any special favor or advantage, or any valuable consideration or inducement not set out in the insurance contract. The payment of agents' commissions, reported annually in Schedule 24S, shall not be a violation of this paragraph but the acts cited in pars. (b), (c), (d), (e) and (f) may not in any way be construed as agents' commissions.

(b) The offer to deposit or the deposit with a bank or other financial institution, money or securities of the insurer or of any affiliate of the insurer with the design or intent that the deposit offset or take the place of a deposit of money or securities which otherwise would be required of the creditor by such bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement.

(c) The deposit with a bank or other financial institution of money or securities without interest or at a lesser rate of interest than is currently being paid other depositors on similar deposits with such bank or other financial institution. This shall not be construed to prohibit the maintenance by an insurer of such demand deposits as are reasonable necessary for use in the ordinary course of business of the insurer.

(d) The offer to sell or the sale of any capital stock or other security or certificate of indebtedness of the insurer or affiliated person.

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(e) The offer to pay or the payment of any part of the premium for any insurance on the life, health or property of any creditor or any employee or other person affiliated with the creditor.

(f) The extension to the creditor of credit for the remittance of premium beyond the grace period of a group policy or for more than 45 days from the effective date of an individual policy.

(4) PENALTY. Violations of this rule shall subject the insurer or agent to s. 601.64, Stats.

History: Cr. Register, October, 1972, No. 202, eff. 11-1-72; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76; am. (1) and (2), Register, March, 1979, No. 279, eff. 4-1-79.

Ins 3.27 Advertisements of and deceptive practices in accident and sickness insurance. (1) PURPOSE. The interest of prospective purchasers of accident and sickness insurance must be safeguarded by providing such persons with clear and unambiguous statements, explanations, advertisements and written proposals concerning the policies offered to them. This purpose can best be achieved by the establishment of and adherence to certain minimum standards of and guidelines for conduct in the advertising and sale of such insurance which prevent unfair competition among insurers and are conducive to the accurate presentation and description to the insurance buying public of policies of such insurance. This rule interprets and implements, including but not limited to, the following Wisconsin Statutes: ss. 628.34 and 601.01 (3).

(2) SCOPE. This rule shall apply to any solicitation, representation or advertisement in this state of any insurance specified in s. Ins 6.75 (1) (c) or (2) (c), made directly or indirectly by or on behalf of any insurer, fraternal benefit society, nonprofit service plan subject to ch. 613, Stats., voluntary nonprofit sickness care plan organized under s. 185.981, Stats., interscholastic benefit plan organized under s. 185.991, Stats., or agent as defined in ch. 628, Stats.

(3) INTERPRETATION OF REQUIREMENTS APPLICABLE TO ADVERTISEMENTS.

(a) The proper promotion, sale and expansion of accident and sickness insurance are in the public interest. This rule is to be construed in a manner which does not unduly restrict, inhibit or retard such promotion, sale and expansion.

(b) In applying this rule, it shall be recognized that advertising is essential in promoting a broader distribution of accident and sickness insurance. Advertising necessarily seeks to serve this purpose in various ways. Some advertisements are the direct or principal sales inducement and are designed to invite offers to contract. In other advertisements the function is to describe coverage broadly for the purpose of inviting inquiry for further information. Other advertisements are for the purpose of summarizing or explaining coverage after the sale has been made. Still other advertisements are solely for the purpose of promoting the interest of the reader in the concept of accident and sickness insurance or of promoting the insurer sponsoring the advertisement. These differences shall be considered in interpreting this rule.

(c) When applying this rule to a specific advertisement, the type of policy to which the advertisement refers and the detail, character, purpose, use and entire content of the advertisement shall be taken into consideration.