

(h) If a contract of 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 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, 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 indicate the limitation clearly.

(i) Conspicuous notice of the debtor's right to return the policy, certificate of insurance or notice of proposed insurance within 10 days of incurring the indebtedness and to receive a refund of any premium paid if the debtor is not satisfied with the insurance for any reason, as required by s. 424.203 (4), Stats., shall be given with the policy, certificate or notice of proposed insurance.

(j) Charges or premiums for credit life insurance or credit accident and sickness insurance may only be collected from debtors if the disclosure and authorization requirements of s. 422.202 (2s), Stats., are met. If 2 debtors are to be insured for credit life insurance each must receive the disclosure information and each one must request credit life insurance coverage. However, the individual policy or group certificate may be delivered to only one debtor.

(8) FILING OF POLICY FORMS. (a) All policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders to be delivered or issued for delivery in this state and the schedules of premium rates pertaining to them shall be filed with the commissioner. In the case of credit transactions covered under a group policy issued in another state or jurisdiction, the insurer shall file for approval only the group certificate, notice of proposed insurance and the premium rates to be used in this state.

(b) The commissioner shall, within 30 days after the filing of any policy, certificate of insurance, notice of proposed insurance, application for insurance, endorsement or rider, disapprove any form if the benefits provided in the form are not reasonable in relation to the premium charged, or if the form contains provisions which are unjust, unfair, inequitable, misleading, deceptive or which encourage misrepresentation of the coverage or are contrary to any law or administrative rule.

(c) If the commissioner notifies the insurer that the form is disapproved, the insurer shall not issue or use the form. The notice shall specify the reason for the disapproval and state that a hearing will be granted not less than 10 nor more than 30 days after a request in writing by the insurer.

(cm) No policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until 30 days after it has been filed, unless the commissioner gives prior written approval.

(d) The commissioner may, at any time after a hearing held not less than 20 days after written notice to the insurer, withdraw approval of any form on any ground set forth in par. (b). The written notice of the hearing shall state the reason for the proposed withdrawal of approval.

The insurer shall not issue or use any form after the effective date of the withdrawal of the approval.

(9) **PREMIUMS AND REFUNDS.** (a) Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the commissioner. No insurer shall issue any credit life insurance policy or credit accident and sickness insurance policy if the premium rate exceeds that established by the filed rate schedules of the insurer.

(b) The amount charged to a debtor for any credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(c) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to the debtor that coverage will not be issued and shall promptly make an appropriate credit to the account of the debtor.

(d) A creditor may not remit and an insurer may not collect on a monthly outstanding balance basis if the insurance charge or premium is included as part of the outstanding indebtedness. If the creditor adds identifiable insurance charges or premiums for credit insurance to the total amount of indebtedness and a direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with the insurance charge, the creditor shall remit and the insurer shall collect on a single premium basis only.

(e) Dividends on participating individual policies of credit insurance shall be payable to the individual insureds. Payment of these dividends may be deferred until the policy is terminated.

(f) Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled to the refund. The policy certificate may prescribe a minimum refund of \$1 and no refund of a lesser amount need be made. The sum of the refunds due on all credit life insurance or credit accident and sickness insurance being terminated in connection with the indebtedness and all other credits due to the customer under chs. 421 to 427, Stats., shall be used to determine if a refund is due.

(g) Schedules for computing refunds in the event of cancellation of credit life or credit accident and sickness insurance prior to the scheduled maturity date of the indebtedness must meet the following minimum requirements:

1. In the case of credit life or credit accident and sickness insurance for which premiums are payable other than by a single premium, and in the case of level term credit life insurance, the refund of premium shall be not less than the pro rata unearned gross premium. In the case of credit life or credit accident and sickness insurance paid by a single premium, the refund shall be not less than the amount computed by the "sum of digits" formula commonly known as the "Rule of 78."

rates if it can be reasonably expected that the use of these higher rates will result in a ratio of claims incurred to premiums earned that is not less than the applicable basic loss ratio.

(b) These higher rates may be:

1. Applied uniformly to all applicable credit insurance of the insurer; or
2. Applied according to a case-rating procedure on file with and approved by the commissioner.

(c) An insurer electing to file a case rating procedure may either file its own plan for approval by the commissioner or may use the standard case rating procedure specified in sub. (17).

(17) STANDARD CASE RATING PROCEDURE. (a) An insurer, by written notice to the commissioner of its election to do so, may file and use rates determined by the standard case rating procedure. If elected, the procedure shall be used by the insurer to rate all of its credit insurance in this state.

(b) The case rate shall be the prima facie premium rate if the life years exposure is less than the minimum life years exposure shown below:

<u>Plan of Benefits</u>	<u>Minimum Life Years Exposure</u>
Life - Single	1,900
Life - Joint	1,200
Accident and Sickness:	
14 Day Non Retroactive	100
14 Day Retroactive	100
30 Day Non Retroactive	200
30 Day Retroactive	200

(c) If the life years exposure is not less than the minimum life years exposure, the case rate for a plan of benefits shall be calculated as the product of the deviation factor determined in par. (d) and the prima facie premium rate in effect at the end of the experience period. The case rates shall be rounded to the nearest cent per \$1000 indebtedness for single premiums payable on the basis of monthly outstanding balances.

(d) Deviation factor determination. The deviation factor shall be determined using the following worksheet:

<u>Plan of Benefits</u>	<u>Prima Facie Incidence</u>	<u>Basic Loss Ratio</u>
Life - Single	0.00369	.50
Life - Joint	0.00554	.50
Accident and Sickness:		
14 Day Non Retroactive	0.05200	.59
14 Day Retroactive	0.05980	.60
30 Day Non Retroactive	0.03081	.52
30 Day Retroactive	0.03543	.57

Basic Data Entry:

Plan of Coverage	_____
Actual Earned Premium	_____
Prima Facie Earned Premium	_____
Incurred Claims	_____
Number of Years in Experience Period	_____
Life Years Exposure	_____

All calculations below shall be taken to five decimal places:

<u>Line Number</u>	<u>Description of Item</u>	<u>Value</u>
1	Prima Facie Incidence	_____
2	Life Years Exposure	_____
3	Prima Facie Loss Ratio	_____
4	Basic Loss Ratio	_____
5	Line 3 Divided by Line 4	_____
6	Line 5 Times Line 1	_____
7	Line 6 Minus Line 1	_____
8	Line 2 Times Line 7	_____
9	Line 8 Times Line 7	_____
10	One Minus Line 1	_____
11	Line 10 Times Line 1	_____
12	Line 9 Minus Line 11	_____

IF LINE 12 IS GREATER THAN ZERO, GO ON TO LINE 13.

IF LINE 12 IS LESS THAN OR EQUAL TO ZERO, THE DEVIATION FACTOR IS ONE AND THE CASE RATE IS THE PRIMA FACIE RATE BASIS CURRENTLY IN EFFECT.

13	Line 2 Times Line 6	_____
14	One Plus Two Times Line 13	_____
15	One Plus Line 2	_____
16	Line 13 Times Line 6	_____
17	Line 14 Squared	_____
18	Line 15 Times Line 16 Times Four	_____
19	Line 17 Minus Line 18	_____
20	Square Root of Line 19	_____
21	Two Times Line 15	_____
22	Line 14 Divided by Line 21	_____
23	Line 20 Divided by Line 21	_____
24	Line 22 Plus Line 23	_____
25	Line 22 Minus Line 23	_____

IF LINE 12 IS LESS THAN OR EQUAL TO ZERO, LINE 26 EQUALS LINE 1; OTHERWISE, IF LINE 5 EXCEEDS ONE, LINE 26 EQUALS LINE 25, AND IF LINE 5 IS LESS THAN ONE, THEN LINE 26 EQUALS LINE 24

26	Credibility Adjusted Incidence	_____
27	Deviation Factor	_____
	The greater of 1 or Line 26 Divided by Line 1	_____

(e) The period of time for which a case rate may be used by an insurer may not exceed the length of the experience period on which the rate is based. However, the period may not be less than one year nor more than 3 years.

(18) CHANGE OF INSURERS. (a) If a creditor changes insurers, the case rate applicable to that creditor's coverage may be used by the replacing insurer under the same terms and conditions that apply to the replaced insurer;

(b) If the case rate is higher than the prima facie premium rate on the date of change, the replacing insurer shall furnish notice of the change of insurers to the commissioner within 30 days following the date of change. The notice shall include the identity of the creditor and of the replaced insurer, the approved case rate applicable to the creditor's coverage and the rate to be charged by the replacing insurer, and shall request that the commissioner inform the replacing insurer of the termination date of the case rate applicable to the creditor's coverage. In no event shall the replacing insurer charge a rate higher than that approved for use by the replaced insurer for the remainder of the case rate period or, if sooner, until a new case rate for that creditor's coverage is approved by the commissioner.

(19) FILING OF EXPERIENCE INFORMATION. Every insurer having credit life insurance or credit accident and sickness insurance in force in this state shall report Wisconsin experience data annually in the form of Appendix B. The experience data for each calendar year shall be submitted on or before June 30 of the next succeeding year and shall be accompanied by the following:

(a) Written certification by an officer of the insurer that the report fully complies with this reporting requirement and is prepared according to the instructions in sub. (21) except as may be noted and explained in such certification; and

(b) An actuarial description specifying the basis of calculation of unearned premium reserves and claim reserves and liabilities for each category of business, signed by a qualified actuary as defined in s. Ins 6.12.

(20) FINANCIAL STATEMENT MINIMUM RESERVES. (a) Each insurer shall show, as a liability in any financial statement or report required under s. 601.42, Stats., except for the report required to be filed under sub. (19), its policy or unearned premium reserve in an amount not less than as computed in pars. (b) through (f). 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 minimum mortality and interest standards for active life reserves for individual credit life insurance policies shall be not less than 100% of the commissioner's 1958 standard ordinary mortality table at 4½% annual interest.

(c) The minimum mortality and interest standards for active life reserves for group credit life insurance policies shall be not less than 100% of the commissioner's 1960 standard group mortality table at 4½% annual interest.

(d) In no event shall the active life reserves for credit life insurance be less than the unearned premium.

(e) The minimum morbidity and interest standards for active life reserves 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 commissioners 1964 disability table at 4½% annual interest, or the unearned premium reserve.

(f) With the approval of the commissioner, a company may, for valuation purposes, use any appropriate mortality or morbidity table, in lieu of those specified in pars. (b), (c) and (e), that is based on credible credit life or disability experience.

(g) Unearned premium shall be computed according to the method prescribed in sub. (21) for use in completing Appendix B.

(21) INSTRUCTIONS FOR COMPLETING APPENDIX B. (a) Data shall be provided for all coverage in force at any time during the calendar year, excluding coverage for which no identifiable charge is made to insured debtors.

(b) Unearned premiums shall be reported consistently as of the beginning and the end of each year, and shall be based on the premium that would be charged for the remaining amount and term of coverage using the premium rate or schedule of premium rates in effect at the time the coverage became effective. The following calculation bases shall be deemed to comply with this requirement in lieu of a precise calculation:

1. For single premium uniformly decreasing credit life insurance coverage, the "sum of the digits" method, commonly know as the "Rule of 78";

2. For single premium credit accident and sickness coverage with substantially equal monthly benefits and with coterminous coverage and benefit periods, the arithmetic mean of the unearned premium calculated according to the "sum of the digits" method and the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

3. For premiums payable on a monthly outstanding balance basis, single premium level life coverage or any other coverage where the benefit amount remains constant throughout the remaining coverage period, the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

4. For decreasing credit life insurance coverage provided for the full term of the indebtedness where the benefit is equal to the actual or scheduled net amount necessary to liquidate the indebtedness, the unearned premium calculated as the original premiums multiplied by the ratio of the scheduled remaining dollar-months of coverage to the scheduled initial dollar-months of coverage. Dollar-months of coverage may be approximated using an assumed interest rate that is reasonably representative of the interest rates applicable to all indebtedness with respect to which coverage is provided on this basis;

5. For credit life insurance coverage providing a combination of level and decreasing benefits, or providing a truncated coverage period or pro-

viding full-term coverage of an indebtedness that requires a balloon payment, an appropriate combination of methods described in this paragraph; or

6. Any other reasonable approximation method approved by the commissioner.

7. In this paragraph, a "dollar-month of coverage" means one dollar of coverage for one month.

(c) Unearned premium for partial months may be calculated on an exact daily basis, on a basis assuming that the valuation date occurs in the middle of each installment period or using the method commonly known as the "15 day 16 day rule" in which the value at the beginning of the month is used if less than 16 days have elapsed in the current month and the value at the end of the month is used if more than 15 days have elapsed in the current month. For the purpose of the "15 day-16 day rule," the current month shall be deemed to begin on the day following the most recent payment due date of the indebtedness and end on the next succeeding payment due date. The valuation date shall be counted as a full day.

(d) Claim reserves and liabilities shall be reported on a consistent basis from year to year. Any change in the basis of calculation shall be disclosed, together with a recalculation of all items as of the end of the preceding calendar year according to the revised basis.

(e) Prima facie earned premium shall be reported as the premium that would have been earned if all coverage had been written at the prima facie premium rates in effect as of the last day of the calendar year for which the experience is submitted. Thus, an adjustment to actual premium will be required for all coverage written at other than the prima facie rate and for any business written at a prima facie rate that differs from the corresponding prima facie rate in effect on the last day of the calendar year for which the experience is submitted.

(22) PENALTY. Violations of this section shall subject the violator to ss. 601.64 and 601.65, Stats.

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; r. (19) under s. 13.93 (2m) (b) 16, Stats., Register, December, 1984, No. 348; reprinted to correct printing errors in (13) (b), (14) (c) and (f), Register, June, 1986, No. 366; r. and recr. Register, November, 1987, No. 383, eff. 1-1-88; am. (8) (c) and (17) (d), Register, November, 1988, No. 395, eff. 12-1-88.

Appendix A

GROUP CREDIT DISABILITY INSURANCE
SINGLE PREMIUM RATES PER \$100 OF INITIAL
INSURED INDEBTEDNESS

BENEFITS PAYABLE AFTER:

Original number of equal monthly installments	the 14th day of <u>disability</u>		the 30th day of <u>disability</u>	
	<u>Retroactive to first day</u>	<u>Non- retroactive</u>	<u>Retroactive to first day</u>	<u>Non- retroactive</u>
6	1.74	1.39	1.10	.69
7	1.84	1.56	1.30	.80
8	1.94	1.66	1.40	.89
9	2.02	1.74	1.49	.97
10	2.10	1.82	1.58	1.05
11	2.17	1.89	1.63	1.12
12	2.23	1.95	1.68	1.18
13	2.29	2.01	1.72	1.24
14	2.35	2.07	1.75	1.30
15	2.41	2.13	1.79	1.35
16	2.46	2.18	1.82	1.40
17	2.51	2.23	1.86	1.45
18	2.56	2.27	1.89	1.50
19	2.60	2.32	1.91	1.54
20	2.65	2.36	1.94	1.59
21	2.69	2.40	1.97	1.62
22	2.73	2.44	1.99	1.64
23	2.77	2.48	2.02	1.67
24	2.81	2.52	2.04	1.69
25	2.85	2.56	2.06	1.71
26	2.88	2.60	2.09	1.73
27	2.92	2.63	2.11	1.75
28	2.95	2.67	2.13	1.77
29	2.99	2.70	2.15	1.79
30	3.02	2.74	2.17	1.82
31	3.06	2.77	2.19	1.83
32	3.09	2.80	2.21	1.85
33	3.12	2.83	2.23	1.87
34	3.15	2.86	2.25	1.89