1981 Senate Bill 520 Date published: **April 30, 1982**

CHAPTER 307, Laws of 1981

AN ACT to renumber and amend 623.06 (7); to amend 610.21 (1), 611.26 (4), 620.22 (9), 620.23 (1) (d), 623.06 (2) (a), (b), (e) and (f) and (2a) (intro.), (b) and (d) and 632.43 (1) (intro.), (a) and (e), (2) and (7); to repeal and recreate 632.43 (8); and to create 623.06 (2) (am), (2m), (3m) and (7) (b) and (c) and 632.43 (2) (b) and (c), (6m), (6t) and (7m) of the statutes, relating to modifications of the standard nonforfeiture and valuation requirements for life insurance and annuity contracts, insurance investments and granting rule-making authority.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 610.21 (1) of the statutes is amended to read:

610.21 (1) PROHIBITION FOR DOMESTIC INSURERS. No domestic insurer may engage, directly or indirectly, in any business other than insurance and business reasonably incidental to its insurance business, except as specifically authorized by s. 611.26 (4), 611.26 (4) as incorporated by s. 614.24 (1), or 613.26 or any other provision of chs. 600 to 646;

except that a domestic insurer not restricted under s. 620.03 may engage directly in any activity to the extent it is authorized to do so through a subsidiary.

SECTION 1i. 611.26 (4) of the statutes is amended to read:

611.26 (4) OTHER SUBSIDIARIES. An insurance corporation may form or acquire other subsidiaries than those under subs. (1) to (3). The investment in such subsidiaries may be counted toward satisfaction of the compulsory surplus requirement of s. 623.11 and the security surplus standard of s. 623.12 to the extent that the investment is a part of the leeway investments of s. 620.22 (9) for the first $200,000,000 of assets or to the extent that the investment is within the limitations under s. 620.23 (2) (a) and (b) for other assets.

SECTION 1t. 620.22 (9) of the statutes is amended to read:

620.22 (9) Investments not otherwise permitted by this section, and not specifically prohibited by statute, to the extent of not more than 5% of the first $500,000,000 of the insurer's assets plus 10% of the insurer's assets exceeding $500,000,000.

SECTION 1v. 620.23 (1) (d) of the statutes is amended to read:

620.23 (1) (d) Investments by life insurers in common stock and in shares of mutual funds, 20% of assets~~, except that the total of investments in common stocks and under s. 620.22 (5) shall not exceed 30% of assets~~.

SECTION 1x. 623.06 (2) (a) of the statutes is amended to read:

623.06 (2) (a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ those policies, the commissioners 1941 standard ordinary mortality table for ~~such~~ those policies issued before the operative date of s. 632.43 (6) (b) ~~as defined therein~~, and the commissioners 1958 standard ordinary mortality table for ~~such~~ those policies issued on or after ~~such~~ the operative date of s. 632.43 (6) (b) and before the operative date of s. 632.43 (6m). For any category of ~~such~~ those policies issued on female risks all modified net premiums and present values referred to in this section may be calculated according to an age not more than 6 years younger than the actual age of the insured.

SECTION 2. 623.06 (2) (am) of the statutes is created to read:

623.06 (2) (am) For policies under par. (a) issued on or after the operative date of s. 632.43 (6m):

1. The commissioners 1980 standard ordinary mortality table;

2. At the election of the company for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with 10-year select mortality factors; or

3. Any ordinary mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies.

SECTION 3. 623.06 (2) (b), (e) and (f) and (2a) (intro.), (b) and (d) of the statutes are amended to read:

623.06 (2) (b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ those policies, the 1941 standard industrial mortality table for ~~such~~ those policies issued ~~prior to~~ before the operative date of s. 632.43 (6) (c), and for those policies issued on or after the operative date of s. 632.43 (6) (c) the commissioners 1961 standard industrial mortality table ~~for such policies issued on or after such operative date~~ or any industrial mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies.

(e) For total and permanent disability benefits in or supplementary to ordinary policies or contracts ~~for policies or contracts~~ issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with ~~due~~ regard to the type of benefit, or any tables of disablement rates and termination rates adopted after 1980 by the national association of insurance commissioners, that are approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies; for policies or contracts issued on or after January 1, 1961 and ~~prior to~~ before January 1, 1966, either ~~such~~ those tables or, at the option of the company, the Class (3) disability table (1926); and for policies issued ~~prior to~~ before January 1, 1961, the Class (3) disability table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For accidental death benefits in or supplementary to ~~policies for~~ policies issued on or after January 1, 1966, the 1959 accidental death benefits table or any accidental death benefits table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those policies; for policies issued on or after January 1, 1961 and ~~prior to~~ before January 1, 1966, either ~~such~~ that table or, at the option of the company, the intercompany double indemnity mortality table; and for policies issued ~~prior to~~ before January 1, 1961, the intercompany double indemnity mortality table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(2a) (intro.) ~~The~~ Except as provided in sub. (2m), the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subsection, as defined in sub. (2b), and for all annuities and pure endowments purchased on or after ~~such~~ that operative date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation methods defined in subs. (3) to (4m) and the following tables and interest rates:

(b) For individual single premium immediate annuity contracts issued on or after November 8, 1977, excluding any disability and accidental death benefits in ~~such~~ those contracts, the 1971 individual annuity mortality table or any individual annuity mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those contracts or any modification of ~~the~~ either table approved by the commissioner, and 7.5% interest. For other individual annuity and pure endowment contracts issued on or after November 8, 1977, excluding any disability and accidental death benefits in ~~such contracts~~ those contracts, the 1971 individual annuity mortality table or any individual annuity mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those contracts, or any modification of ~~this~~ either table approved by the commissioner, and 5.5% interest for single premium deferred annuity and pure endowment contracts and 4.5% interest for all other ~~such~~ individual annuity and pure endowment contracts.

(d) For all annuities and pure endowments purchased on or after November 8, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such contracts~~ those contracts, the 1971 group annuity mortality table or any group annuity mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for those annuities and pure endowments, or any modification of ~~this~~ either table approved by the commissioner, and 7.5% interest.

SECTION 4. 623.06 (2m) and (3m) of the statutes are created to read:

623.06 (2m) (a) In this subsection:

1. "Change in fund basis" means a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under an annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

2. "Guarantee duration" means:

a. For life insurance, the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates, nonforfeiture values or both which are guaranteed in the original policy.

b. For annuities and guaranteed interest contracts with cash settlement options, the number of years for which the contract guarantees interest rates in excess of the calendar year valuation interest rate for life insurance policies with a guarantee duration of more than 20 years.

c. For annuities and guaranteed interest contracts without cash settlement options, the number of years from the date of issue or date of purchase to the date annuity or guaranteed interest benefits are scheduled to begin.

3. "I" means the applicable calendar year valuation interest rate determined under par. (c), rounded to the nearest 0.25%.

4. "Issue year basis" means a valuation basis under which the interest rate used to determine the minimum valuation standard for the full duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract.

5. "Moody's monthly average" means the corporate bond yield average (monthly average corporates), as published by Moody's investors service, inc.

6. "Plan type A" means a policyholder may:

a. Withdraw funds with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company;

b. Withdraw funds without adjustment in instalments over 5 years or more;

c. Withdraw funds as an immediate life annuity; or

d. Not withdraw funds.

7. "Plan type B" means that a policyholder is subject to any of subd. 6. a, b or d, and at the end of the interest rate guarantee funds may be withdrawn without the adjustment under subd. 6. a in a single sum or instalments over less than 5 years.

8. "Plan type C" means a policyholder may withdraw funds before the end of the interest rate guarantee in a single sum or instalments over less than 5 years without the adjustment under subd. 6. a or subject to a fixed surrender charge stipulated in the contract as a percentage of the fund.

9. "R" means the applicable reference interest rate determined under par. (f).

10. "R1" means the lesser of R and 0.09.

11. "R2" means the greater of R and 0.09.

12. "W" means the applicable weighting factor determined under par. (e).

(b) Except as provided in par. (d), the formulas under par. (c) shall be used in determining the minimum standard for the valuation of all of the following:

1. Life insurance policies issued in a calendar year on or after the operative date of s. 632.43 (6m).

2. Individual annuity and pure endowment contracts issued in a calendar year after 1982.

3. Annuities and pure endowments purchased in a calendar year after 1982 under group annuity and pure endowment contracts.

4. The net increase in a calendar year after 1982, in amounts held under guaranteed interest contracts.

(c) 1. For life insurance, $I = 0.03 + W (R1 - 0.03) + W/2 (R2 - 0.09)$.

2. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options, $I = 0.03 + W (R - 0.03)$.

3. Except as provided under subd. 2, for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having guarantee durations greater than 10 years, $I = 0.03 + W (R1 - 0.03) + W/2 (R2 - 0.09)$.

4. Except as provided under subd. 2, for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having guarantee durations not exceeding 10 years, $I = 0.03 + W (R - 0.03)$.

5. For annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, $I = 0.03 + W (R - 0.03)$.

6. For annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, $I = 0.03 + W (R - 0.03)$.

(d) Notwithstanding par. (c) 1, if the calendar year valuation interest rate determined under par. (c) 1 differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 0.5%, the calendar year valuation interest rate for those policies is the corresponding actual rate for the immediately preceding calendar year. For purposes of this paragraph, the calendar year valuation interest rate for policies issued in 1980 shall be determined using the reference interest rate for 1979 and shall be determined under this paragraph for subsequent calendar years notwithstanding s. 632.43 (6m).

(e) 1. For life insurance having a guarantee duration of:

a. Not more than 10 years, the weighting factor is 0.50.

b. More than 10 years and not more than 20 years, the weighting factor is 0.45.

c. More than 20 years, the weighting factor is 0.35.

2. For single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the weighting factor is 0.80.

3. Except as provided in subd. 2, for annuities and guaranteed interest contracts valued on an issue year basis and having a guarantee duration of:

a. Not more than 5 years, the weighting factor is 0.80 for plan type A, 0.60 for plan type B and 0.50 for plan type C.

b. More than 5 years and not more than 10 years, the weighting factor is 0.75 for plan type A, 0.60 for plan type B and 0.50 for plan type C.

c. More than 10 years and not more than 20 years, the weighting factor is 0.65 for plan type A, 0.50 for plan type B and 0.45 for plan type C.

d. More than 20 years, the weighting factor is 0.45 for plan type A and 0.35 for plan types B and C.

4. Except as provided in subd. 2, for annuities and guaranteed interest contracts valued on a change in fund basis, the weighting factor is that specified under subd. 3 increased by 0.15 for plan type A, 0.25 for plan type B and 0.05 for plan type C.

5. Except as provided under subd. 2, for annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date, the weighting factor is that specified under subd. 3 or 4 increased by 0.05 for plan types A, B and C.

(f) 1. For life insurance, the reference interest rate is the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year next preceding the year of issue, of Moody's monthly average.

2. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or year of purchase, of Moody's monthly average.

3. Except as provided under subd. 2, for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having a guarantee duration in excess of 10 years, the reference interest is the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

4. Except as provided under subd. 2, for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis and having a guarantee duration of 10 years or less, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

5. For annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's monthly average.

6. Except as provided under subd. 2, for annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the reference interest rate is the average over a period of 12 months, ending on June 30 of the calendar year of the change in the fund, of Moody's monthly average.

(g) If Moody's monthly average is no longer published, or if the national association of insurance commissioners determines that Moody's monthly average is no longer appropriate for the determination of the reference interest rate, an alternative method for determination of the reference interest rate, which is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, may be substituted.

(h) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on an issue year basis or a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis.

(3m) (a) In this subsection:

1. "Assumed ending date" means the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium.

2. "Excess premium" means the amount by which a contract premium in the first policy year exceeds the contract premium in the 2nd policy year.

(b) Except as provided under sub. (7), any life insurance policy issued on or after January 1, 1984, for which no comparable benefit is provided in the first year for an excess premium and which provides an endowment benefit or a cash surrender value or a combination of both in an amount greater than the excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date is the greater of the reserve on that policy anniversary calculated under sub. (3) and the reserve on that policy anniversary calculated under sub. (3) subject to the following computational assumptions:

1. The value defined in sub. (3) (a) is reduced by 15% of the amount of the excess premium.

2. All present values of benefits and premiums are determined without reference to premiums or benefits provided by the policy after the assumed ending date.

3. The policy matures on the assumed ending date as an endowment.

4. The cash surrender value provided on the assumed ending date is an endowment benefit.

(c) In making the comparison under par. (b) the mortality and interest bases stated in subs. (2) and (2m) shall be used.

SECTION 5. 623.06 (7) of the statutes is renumbered 623.06 (7) (a) and amended to read:

623.06 (7) (a) If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating ~~the~~ its reserve ~~thereon~~ but using the minimum valuation standards of mortality and rate of interest under subs. (2) and (2m), the minimum reserve required for ~~such~~ the policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for ~~such~~ the policy or contract, or the reserve calculated by the method actually used for ~~such~~ the policy or contract but using the minimum valuation standards of mortality and rate of interest under subs. (2) and (2m) and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.

SECTION 6. 623.06 (7) (b) and (c) of the statutes are created to read:

623.06 (7) (b) 1. In this paragraph, "excess premium" means the amount by which a gross premium in the first policy year exceeds the gross premium in the 2nd policy year.

2. If a life insurance policy issued on or after January 1, 1984, provides no comparable benefit in the first year for an excess premium and provides an endowment benefit, cash surrender value or both in an amount greater than the excess premium, the minimum reserve at each policy anniversary is the greater of the minimum reserve under subs. (3) to (4) and the minimum reserve under par. (a).

3. For purposes of par. (a), the method used in calculating the reserve of a policy under subd. 2 is specified under subs. (3) to (4).

(c) If a plan of life insurance provides for future determination of premiums based on recent estimates of future experience available at the time of the determination, or if the minimum reserves for a plan of life insurance or an annuity cannot be determined under subs. (3) to (4m) and this subsection, the commissioner shall by rule adopt a method for determining the minimum reserves for the plan or annuity. A rule adopted under this paragraph shall specify a method consistent with the principles of this section and appropriate in relation to the benefits and pattern of premiums for the plan or annuity.

SECTION 7. 632.43 (1) (intro.), (a) and (e) and (2) of the statutes are amended to read:

632.43 (1) (intro.) On and after January 1, 1948, no policy of life insurance, except as stated in sub. (8), shall be issued or delivered in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as the minimum requirements under this section and are substantially in compliance with sub. (7m):

(a) In the event of default in any premium payment, the company will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of ~~such~~ the due date, of ~~such value as may be hereinafter~~ an amount specified in this section or an actuarially equivalent paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or a greater amount or earlier payment of endowment benefits.

(e) ~~A~~ For policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. For other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy~~, together with~~ and a table showing ~~the~~ any cash surrender value~~, if any, and~~ or paid-up nonforfeiture benefit~~, if any,~~ available under the policy on each policy anniversary ~~either~~ during the shorter of the first 20 policy years or ~~during~~ the term of the policy~~, whichever is shorter, such values and benefits to be calculated upon the assumption~~ assuming that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy.

(2) (a) Any cash surrender value ~~available~~ under the policy ~~in the event of~~ on default ~~in~~ of a premium payment due on any policy anniversary~~, whether or not required by sub. (1),~~ shall be ~~an amount~~ not less than ~~the~~ any excess~~, if any,~~ of the then present value~~, on such anniversary,~~ of ~~the~~ any existing paid-up additions and future guaranteed benefits which would have been provided ~~for~~ by the policy, ~~including any existing paid-up additions,~~ if there had been no default, over the sum of ~~(a)~~ the ~~then~~ present value of the adjusted premiums ~~as defined in~~ under subs. (4)~~, (5) and (6),~~ to (6m) corresponding to premiums which would have fallen due on and after ~~such~~ the anniversary~~,~~ and ~~(b)~~ the amount of any indebtedness to the company on the policy.

(d) Any cash surrender value available within 30 days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit~~, whether or not required by sub. (1),~~ shall be ~~an amount~~ not less than the then present value~~, on such anniversary,~~ of ~~the~~ any existing paid-up additions and future guaranteed benefits provided ~~for~~ by the policy~~, including any existing paid-up additions,~~ decreased by any indebtedness to the company on the policy.

SECTION 8. 632.43 (2) (b) and (c) of the statutes are created to read:

632.43 (2) (b) For a policy issued on or after the operative date of sub. (6m) providing by rider or supplemental provision supplemental life insurance or annuity benefits at the option of the insured on payment of an additional premium, any cash surrender value under the policy on default of a premium payment due on a policy anniversary shall be not less than the sum of the following:

1. The cash surrender value under par. (a) for the policy without the rider or supplemental provision.

2. The cash surrender value under par. (a) for a policy providing only the benefits of the rider or supplemental provision.

(c) For a family policy issued on or after the operative date of sub. (6m) providing term insurance on the life of the spouse of the primary insured expiring before the spouse attains the age of 71, any cash surrender value under the policy on default of a premium payment due on a policy anniversary shall be not less than the sum of the following:

1. The cash surrender value under par. (a) for the policy without the term insurance on the life of the spouse.

2. The cash surrender value under par. (a) for a policy providing only the benefits of the term insurance on the life of the spouse.

SECTION 9. 632.43 (6m) and (6t) of the statutes are created to read:

632.43 (6m) (a) In this subsection:

1. "Additional expense allowance" means the sum of the following:

a. One percent of any positive excess of the average amount of insurance at the beginning of each of the first 10 policy years after an unscheduled change in benefits or premiums, over the average amount of insurance before the change at the beginning of each of the first 10 policy years after the next most recent change or date of issue, if there was no previous change.

b. One-hundred twenty-five percent of any positive increase in the nonforfeiture net level premium.

2. "Date of issue" means the date as of which the rated age of the insured is determined.

3. "Premiums" do not include amounts payable as extra premiums to cover impairments or special hazards or a uniform annual contract charge or policy fee specified in the policy in the method to be used in calculating cash surrender values and paid-up nonforfeiture benefits.

4. "Nonforfeiture interest rate" means 125% of the applicable calendar year valuation interest rate under s. 623.06 rounded to the nearest 0.25%.

5. "Nonforfeiture net level premium" means the present value at the date of issue of the guaranteed benefits provided by a policy divided by the present value at the date of issue of an annuity of one per year payable on the date of issue and each policy anniversary on which a premium is due.

(b) Except as provided under par. (d), adjusted premiums shall be calculated on an annual basis and shall be such a uniform percentage of the future premiums specified in the policy for each policy year that the present value at the date of issue of the adjusted premiums is equal to the sum of the following:

1. The present value at the date of issue of the future guaranteed benefits provided by the policy.

2. One percent of any uniform amount of insurance or one percent of the average amount of insurance at the beginning of each of the first 10 policy years.

3. One-hundred twenty-five percent of the nonforfeiture net level premium. For purposes of this subdivision, the nonforfeiture net level premium shall not exceed 4% of any uniform amount of insurance or 4% of the average amount of insurance at the beginning of each of the first 10 policy years.

(c) For policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums or which provide an option for changes in benefits or premiums other than a change to a new policy:

1. The adjusted premiums and present values shall at the date of issue be calculated on the assumption that future benefits and premiums do not change and at the time of the change the future adjusted premiums, nonforfeiture net level premiums and present value shall be recalculated on the assumption that future benefits and premiums do not undergo further change.

2. Except as provided under par. (d), the recalculated future adjusted premiums for the policy shall be such a uniform percentage of the future premiums specified in the policy for each policy year that the present value at the time of the change of the adjusted premiums is equal to the excess of the sum of the present value at the time of the change of the future guaranteed benefits provided by the policy and any additional expense allowance over any cash surrender value at the time of the change or present value at the time of the change of any paid-up nonforfeiture benefit.

3. The recalculated nonforfeiture net level premium is equal to the sum of the nonforfeiture net level premium applicable before the change multiplied by the present value of an annuity of one per year payable on each anniversary of the policy on or after the date of the change on which a premium would have fallen due had the change not occurred, and the present value at the time of the change of the increase in future guaranteed benefits provided by the policy, divided by the present value at the time of the change of an annuity of one per year payable on each anniversary of the policy on or after the date of change on which a premium falls due.

(d) For a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, the policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for the substandard policy may be calculated as if it were issued to provide the higher uniform amounts of insurance on the standard basis.

(e) All adjusted premiums and present values under this section shall be calculated on the following bases:

1. For ordinary insurance policies, the commissioners 1980 standard ordinary mortality table or, at the election of the company for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with 10-year select mortality factors.

2. For industrial insurance policies, the commissioners 1961 standard industrial mortality table.

3. For policies issued in a calendar year, a rate of interest not exceeding the nonforfeiture interest rate for policies issued in that calendar year, except that:

a. At the option of the company, calculations for all policies issued in a calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate for policies issued in the immediately preceding calendar year.

b. Under any paid-up nonforfeiture benefit or any paid-up dividend addition, any cash surrender value available shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of the paid-up nonforfeiture benefit or paid-up dividend additions.

c. A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit or any paid-up addition on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values.

d. In calculating the present value of any paid-up term insurance with any accompanying pure endowment offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those in the commissioners 1980 extended term insurance table for policies of ordinary insurance and not more than those in the commissioners 1961 industrial extended term insurance table for policies of industrial insurance.

e. For insurance issued on a substandard basis, the calculation of adjusted premiums and present values may be based on appropriate modifications of those tables.

f. Any ordinary mortality tables adopted after 1980 by the national association of life insurance commissioners, that are approved by rule adopted by the commissioner for use in determining the minimum nonforfeiture standard, may be substituted for the commissioners 1980 standard ordinary mortality table with or without 10-year select mortality factors or for the commissioners 1980 extended term insurance table.

g. Any industrial mortality tables adopted after 1980 by the national association of insurance commissioners, that are approved by rule adopted by the commissioner for use in determining the minimum nonforfeiture standard, may be substituted for the commissioners 1961 standard industrial mortality table or the commissioners 1961 industrial extended term insurance table.

(f) Any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values does not require refiling of any other provisions of that policy form.

(g) This subsection applies to all policies issued on or after the operative date under par. (h) and subs. (4) to (6) do not apply to policies issued on or after the operative date under par. (h).

(h) After the effective date of this subsection (1981), any company may file with the commissioner a written notice of its election to comply with this subsection after a specified date before January 1, 1989, which shall be the operative date of this subsection for the company. If a company makes no election, the operative date of this subsection for the company is January 1, 1989.

(6t) (a) In this subsection, "plan" means a plan of life insurance:

1. Providing for premiums based on recent estimates of future experience available on or near a premium due date; or

2. For which the minimum nonforfeiture values cannot be determined under this section.

(b) No plan may be issued in this state unless the commissioner determines that:

1. The benefits and pattern of premiums do not mislead prospective policyholders or insureds; and

2. The benefits are substantially as favorable to policyholders and insureds as the minimum benefits required under this section.

(c) The commissioner shall by rule adopt a method consistent with the principles of this section for determining the minimum cash surrender values and paid-up nonforfeiture benefits provided by a plan.

SECTION 10. 632.43 (7) of the statutes is amended to read:

632.43 (7) Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values ~~referred to in~~ under subs. (2)~~, (3), (4), (5) and (6)~~ to (6m) may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the ~~dividends~~ amounts used to provide ~~such~~ the additions. Notwithstanding ~~the provisions of~~ sub. (2), additional benefits payable~~: (a)~~ in the event of death or dismemberment by accident or accidental means, ~~(b)~~ in the event of total and permanent disability, ~~(c)~~ as reversionary annuity or deferred reversionary annuity benefits, ~~(d)~~ as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, ~~(e)~~ as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if ~~such~~

the term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child, and ~~(f)~~ as other policy benefits additional to life insurance and endowment benefits, and premiums for all ~~such~~ of these additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and ~~no such~~ none of these additional benefits ~~shall~~ may be required to be included in any paid-up nonforfeiture benefits.

SECTION 11. 632.43 (7m) of the statutes is created to read:

632.43 (7m) (a) This subsection applies to all policies issued on or after January 1, 1984. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than 0.2% of any uniform amount of insurance or 0.2% of the average amount of insurance at the beginning of each of the first 10 policy years, from the sum of the following:

1. The greater of zero and the basic cash value under par. (b) on the policy anniversary.

2. The present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

(b) The basic cash value is the present value of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the company, if there had been no default, less the present value on the policy anniversary of the nonforfeiture factors under par. (c) corresponding to premiums which would have fallen due on and after the policy anniversary. The effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage under subs. (2) or (4) to (6) shall be the same as the effects under subs. (2) or (4) to (6) on the cash surrender values under those subsections.

(c) The nonforfeiture factor for each policy year is an amount equal to a percentage of the adjusted premium under subs. (4) to (6m) for the policy year. Except as provided under par. (d), the percentage:

1. Must be the same for each policy year between the 2nd policy anniversary and the later of the 5th policy anniversary and the first policy anniversary at which there is available a cash surrender value, before including any paid-up additions and before deducting any indebtedness, of at least 0.2% of any uniform amount of insurance or 0.2% of the average amount of insurance at the beginning of each of the first 10 policy years; and

2. Must apply to at least 5 consecutive policy years after the latest of the policy anniversaries under subd. 1.

(d) No basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy under sub. (6m) were substituted for the nonforfeiture factors in the calculation of the basic cash value.

(e) All adjusted premiums and present values under this subsection shall be calculated on the mortality and interest bases applicable to the policy under this section. The cash surrender values under this subsection include any endowment benefits provided by the policy.

(f) Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available in the event of default in a premium payment shall be determined by methods consistent with the methods under subs. (1) to (3), (6m) and (7). The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits the same or similar to those under sub. (7) shall conform to the principles of this subsection.

SECTION 12. 632.43 (8) of the statutes is repealed and recreated to read:

632.43 (8) (a) This section does not apply to any:

1. Reinsurance.

2. Group insurance.

3. Pure endowment contract.

4. Annuity or reversionary annuity contract.

5. Term policy of uniform amount which provides no guaranteed nonforfeiture or endowment benefits of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy.

6. Term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated under subs. (4) to (6m) is less than the adjusted premium calculated under subs. (4) to (6m) on a term policy of uniform amount providing no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance and for a term of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy.

7. Policy providing no guaranteed nonforfeiture or endowment benefits, for which any cash surrender value or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated under subs. (2) to (6m), does not exceed 2.5% of the amount of insurance at the beginning of the same policy year.

8. Policy delivered outside this state through an agent or other representative of the company issuing the policy.

(b) For purposes of this subsection, the age at expiry for a joint term life insurance policy is the age at expiry of the oldest life.

SECTION 13. **Cross-reference changes.** In the sections of the statutes listed in Column A, the cross-references shown in Column B are changed to the cross-references shown in Column C:

A	B	C
Statute Sections	Old Cross-References	New Cross-References
623.06 (2)(intro.)	sub. (2a)	subs. (2a) and (2m)

SECTION 14. **Effective dates.** (1) Except as provided in subsection (2), this act takes effect on the day after its publication.

(2) The treatment of section 610.21 (1) of the statutes by this act takes effect on January 1, 1983.