

1999 DRAFTING REQUEST

Bill

Received: 04/23/1999

Received By: **kunkemd**

Wanted: **As time permits**

Identical to LRB:

For: **Frank Lasee (608) 266-9870**

By/Representing: **Mark**

This file may be shown to any legislator: **NO**

Drafter: **kunkemd**

May Contact:

Alt. Drafters:

Subject: **Occupational Reg. - misc
Insurance - miscellaneous**

Extra Copies: **PJK**

Pre Topic:

No specific pre topic given

Topic:

Preneed life insurance policies

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	kunkemd 05/10/1999	wjackson 05/11/1999	martykr 05/11/1999	_____	lrb_docadmin 05/11/1999		
	kunkemd 09/08/1999	wjackson 09/09/1999		_____			
/2			martykr 09/09/1999	_____	lrb_docadmin 09/09/1999	lrb_docadmin 09/14/1999	

FE Sent For:

<END>

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For Assm per mDK

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12 WLJ 9/9 Jm 9

tb 9
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1/?	kunkemd	11 wlj 5/11	km 5/11	JF 5/11			

FE Sent For:

<END>

MDK
2

POSSIBLE SOLUTION TO THE PRE-NEED MULTI-PAY PRODUCT PROBLEM

- 3026

Problem:

The minimum benefits standards set in Ins. 23.35 by the Office of the Commissioner of Insurance makes a profitable multi-pay pre-need product (a burial agreement that is funded with the proceeds of a life insurance policy) an impossibility for insurers to provide because the rule states that, "An insurer may issue a funeral policy only if the policy's death benefit will equal or exceed the cumulative premiums which may be required to pay for the policy plus interest at the rate of three percent per annum compounded annually to the tenth anniversary of the effective date of coverage." This standard is impossible to underwrite, therefore, no multi-pay pre-need life insurance policies are being sold in Wisconsin.

Solution: Statutory Change

An amendment to s. 632.41 (2) b. 2. of the statutes that would remove the requirement that OCI set the minimum benefits standards for these policies would negate the problematic portion of Ins. 23.

Section 632.41 (2) b. 2. of the statutes is amended to read:

Subject to subd. 3., the commissioner shall by rule establish minimum standards for ~~benefits~~, claims payments, marketing practices, ~~compensation arrangements~~ and reporting practices for life insurance policies sold under subd. 1.

The amendment would make the portions of Ins. 23.35 relating to benefits and compensation arrangements ineffective (authority for those rules would be, by this statutory adjustment, withdrawn by the legislature). However, this proposed amendment would retain the consumer protection sections of the rule (i.e., advertising, marketing, disclosures etc.) but would allow any life insurance policy to be used for prepaid funeral purposes. There is no good reason why any life insurance policy approved by OCI should not be eligible for use for pre-need purposes.

In addition, to ensure that the minimum benefits standards that are already in place for all life insurance policies also apply to life insurance policies that will specifically be used to fund burial agreements, a citation to the regulating statute could be added to s. 632.41 by creating another subsection.

Section 632.41 (2) b. 3. of the statutes is created to read:

Minimum standards for life insurance benefits detailed in s. 632.43 shall also apply to life insurance policies sold under subd. 1.

Effect of this Proposed Solution on Ins 23 and Other Regulations

The proposed statutory changes detailed above would eliminate the Ins. 23.35 Minimum Benefit Requirements from the OCI rule (by eliminating the statutory authority for that portion of the rule) and would, therefore, eliminate the pre-need multi-pay problem. The minimum benefit requirements for life insurance policies used to fund burial agreements would become the *same* as the minimum benefit requirements for any other life insurance policy. It is also important to note that no other section of Ins. 23 will be affected by the proposed changes. All other sections detailing policy requirements, advertising and marketing procedures etc. will be maintained in the rule.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-3026/1

MDK:f:...

WJ

NOTE

By Friday 5/14

1999 BILL

Gen Cat

1 **AN ACT** ./.; **relating to:** minimum standards for life insurance policies in which
2 the proceeds are assigned to funeral directors or funeral establishment
3 operators.

Analysis by the Legislative Reference Bureau

Under current law, a life insurance policy may provide for the assignment of the proceeds of the policy to a funeral director or operator of a funeral establishment only if certain requirements, including requirements regarding the sale of the policy, are satisfied. In addition, the commissioner of insurance is required to promulgate rules that establish minimum standards for benefits, claims payments, marketing practices, compensation arrangements and reporting practices for such policies.

This bill eliminates the authority of the commissioner of insurance to promulgate rules establishing minimum standards for benefits and compensation arrangements for such policies. In addition, the bill specifies that such policies must contain certain nonforfeiture benefits that are required, with certain exceptions, for life insurance policies under current law.

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

4 SECTION 1. 632.41 (2) (b) 2. of the statutes is amended to read:

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3026/1dn

MDK./:....

WJ

Representative Lasee:

Please review this bill very carefully to make sure that it achieves your intent. In particular, please note that the bill eliminates the authority of the commissioner to promulgate rules regarding benefits and compensation arrangements. The term "compensation arrangements" refers to how agents who sell policies are compensated by insurers and is unrelated to the benefits that are paid to an insured. Do you want to prohibit the commissioner from promulgating rules regarding compensation arrangements? If not, the bill must be revised.

Please contact me if you have any questions or redraft instructions.

Mark D. Kunkel
Legislative Attorney
Phone: (608) 266-0131
E-mail: Mark.Kunkel@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3026/1dn
MDK:wj:km

May 11, 1999

Representative Lasee:

Please review this bill very carefully to make sure that it achieves your intent. In particular, please note that the bill eliminates the authority of the commissioner to promulgate rules regarding benefits and compensation arrangements. The term "compensation arrangements" refers to how agents who sell policies are compensated by insurers and is unrelated to the benefits that are paid to an insured. Do you want to prohibit the commissioner from promulgating rules regarding compensation arrangements? If not, the bill must be revised.

Please contact me if you have any questions or redraft instructions.

Mark D. Kunkel
Legislative Attorney
Phone: (608) 266-0131
E-mail: Mark.Kunkel@legis.state.wi.us

Kunkel, Mark

From: Jordan Lamb [jkl@dewittross.net]
Sent: Wednesday, August 04, 1999 2:55 PM
To: Mark Kunkel
Subject: Message from Ron Kuehn re LRB 3026/1

Hi Mark! Ron requested a draft of an insurance bill (through Representative Lasee) earlier this spring. It is LRB 3026/1 dealing with burial agreements funded with the proceeds of a life insurance policy. Ron would like you to consider redrafting the analysis of the bill (specifically the second paragraph of the analysis) in order to emphasize that point this legislation is bringing this type of policy into consistency with all other life policies -- parity with all life products rather than "eliminating the authority" of OCI. Please consider this change, and let me know if you have any questions. Thank you for all your help! Jordan Lamb

After labor day

Thurs. Aug 26, 1999

Mark

I'd like to insert the enclosed into LRB 3026/1 at the location indicated in the analysis

Call me if you see a problem or wish to discuss

Mate Wadium
6-9871
call on's
afternoon

Thanks

Paul Kuehn
252-9325

Call
WED MORNING

INSERT

As a result, such policies will be subject to the same minimum standards for benefits and compensation arrangements, if any, which all other life insurance policies are subject.

Furthermore, the bill retains the commissioner's authority to cause such policies to be subject to rules regarding claims payments, marketing practices and reporting practices specific to such policies.



1999 BILL

1 AN ACT to amend 632.41 (2) (b) 2. and 632.43 (8) (a) (intro.) of the statutes;
2 relating to: minimum standards for life insurance policies in which the
3 proceeds are assigned to funeral directors or funeral establishment operators.

Analysis by the Legislative Reference Bureau

Under current law, a life insurance policy may provide for the assignment of the proceeds of the policy to a funeral director or operator of a funeral establishment only if certain requirements, including requirements regarding the sale of the policy, are satisfied. In addition, the commissioner of insurance is required to promulgate rules that establish minimum standards for benefits, claims payments, marketing practices, compensation arrangements and reporting practices for such policies.

This bill eliminates the authority of the commissioner of insurance to promulgate rules establishing minimum standards for benefits and compensation arrangements for such policies. In addition, the bill specifies that such policies must contain certain nonforfeiture benefits that are required, with certain exceptions, for life insurance policies under current law.

Insert

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

4 SECTION 1. 632.41 (2) (b) 2. of the statutes is amended to read:

D/NOTE

*THURS.
9/9
NOON*

1999 BILL

2
*RM NOT
SUN*

Reger

INSERT A

1 AN ACT *to amend* 632.41 (2) (b) 2. and 632.43 (8) (a) (intro.) of the statutes;
2 relating to: minimum standards for life insurance policies in which the
3 proceeds are assigned to funeral directors or funeral establishment operators.

Analysis by the Legislative Reference Bureau

~~Under current law,~~ a life insurance policy may provide for the assignment of the proceeds of the policy to a funeral director or operator of a funeral establishment only if certain requirements, including requirements regarding the sale of the policy, are satisfied. In addition, the commissioner of insurance is required to promulgate rules that establish minimum standards for benefits, claims payments, marketing practices, compensation arrangements and reporting practices for such policies.

INSERT B

This bill eliminates the authority of the commissioner of insurance to promulgate rules establishing minimum standards for benefits and compensation arrangements for such policies. In addition, the bill specifies that ~~such~~ policies must provide for ~~contain~~ certain nonforfeiture benefits that are required, with certain exceptions, for life insurance policies ~~under current law.~~ *generally*

INSERT C

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

4 SECTION 1. 632.41 (2) (b) 2. of the statutes is amended to read:

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3026/2ins
MDK.....

1

INSERT A:

4
Under current law, life insurance policies are subject to certain requirements that are administered by the commissioner of insurance. One of these requirements is that

2

INSERT B:

No
ff
, but does not affect the commissioner's other rulemaking authority for such policies, nor does the bill affect other requirements regarding life insurance policies that are administered by the commissioner under current law

3

INSERT C:

No
ff
that provide for the assignment of proceeds to funeral director or funeral establishment operator

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3026/2dn

MDK:/:....

WLj

Representative Lasee:

This version is identical to LRB-3026/1, except for some changes to the analysis.

Mark D. Kunkel
Legislative Attorney
Phone: (608) 266-0131
E-mail: Mark.Kunkel@legis.state.wi.us

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3026/2dn
MDK:wj:km

September 9, 1999

Representative Lasee:

This version is identical to LRB-3026/1, except for some changes to the analysis.

Mark D. Kunkel
Legislative Attorney
Phone: (608) 266-0131
E-mail: Mark.Kunkel@legis.state.wi.us

**SUBMITTAL
FORM**

LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and sign on the appropriate line(s) below.

Date: 09/09/1999

To: Representative F. Lasee

Relating to LRB drafting number: LRB-3026

Topic

Preneed life insurance policies

Subject(s)

Occupational Reg. - misc, Insurance - miscellaneous

1. **JACKET** the draft for introduction

in the **Senate** _____ or the **Assembly** (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT**. See the changes indicated or attached _____.

A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction _____.

If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Mark D. Kunkel, Legislative Attorney
Telephone: (608) 266-0131