



## WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

**2013 Wisconsin Act 278**  
[2013 Senate Bill 581]

**Administrative Rules Related to  
Long-Term Care Insurance**

2013 Wisconsin Act 278 modifies ch. Ins 3 of the administrative rules, originally promulgated by the Office of the Commissioner of Insurance (OCI). Specifically, the Act modifies certain rules related to compensation of an insurance intermediary or other representative in a sale or replacement of a long-term care insurance policy or certificate, as described below.

Under the prior OCI rules governing the **sale** of long-term care insurance, an insurer could pay compensation to another party in connection with a sale, and the party could accept it, provided that certain requirements were met. The prior rules applied to an insurance intermediary or other representative, and included a requirement that first-year compensation to the other party not exceed 400% of second-year compensation.

The Act modifies the rules governing the sale of long-term care insurance by retaining the authorization for an intermediary to receive compensation, but removing the authorization for any other representative to receive the compensation. The Act also removes the restriction on first-year compensation over 400% of second-year compensation, while retaining other compensation-related provisions in the rules.

Also, under the prior OCI rules governing the **replacement** of long-term care insurance, an arrangement in which an insurance intermediary received compensation for the replacement of long-term care insurance was prohibited if the compensation was greater than the renewal compensation provided by the replacing insurer for the replacing policy.

The Act adds an exception to the rules governing replacement of long-term care insurance. The exception allows arrangements in which an insurance intermediary receives replacement compensation that is greater than the renewal compensation, if certain criteria are satisfied. The criteria include the suitability of the replacing policy for the applicant, and reasonable standards for appropriateness of the compensation given.

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This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.wisconsin.gov>.

The Act also modifies chs. 13, 35, and 227, Stats., relating generally to the promulgation procedure for administrative rules, to formally recognize modification of administrative rules by legislative initiative. Under the Act, administrative rules repealed or modified by legislative initiative must be published in the Administrative Code and Administrative Register and the repeal or modification must take effect on the first day of the month commencing after publication in the Administrative Register.

*Effective date:* April 18, 2014.

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