

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis

Original Updated Corrected

2. Administrative Rule Chapter, Title and Number

Ins 2.14(4)(g)1., 2.15(3)(b)1. and 2., 2.15(4)(c), 2.15(8), and 2.16(3)(a)2.

3. Subject

disclosure requirements for life insurance and annuity contracts

4. Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

5. Chapter 20, Stats. Appropriations Affected

None

6. Fiscal Effect of Implementing the Rule

No Fiscal Effect Increase Existing Revenues Increase Costs
 Indeterminate Decrease Existing Revenues Could Absorb Within Agency's Budget
 Decrease Cost

7. The Rule Will Impact the Following (Check All That Apply)

State's Economy Specific Businesses/Sectors
 Local Government Units Public Utility Rate Payers
 Small Businesses (if checked, complete Attachment A)

8. Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes No

9. Policy Problem Addressed by the Rule

The purpose of repealing Ins 2.14(4)(g)1. is to bring the rule up to date with a change in the law that occurred in 1998. The entire subdivision should be deleted because the sentence stating "Further explanation of the intended use of these indexes is provided in the life insurance buyer's guide" is incorrect as no such explanation is contained in the NAIC Life Insurance Buyer's Guide concerning cost indexes. The explanation was previously included in OCI's Life Insurance Buyer's Guide which was replaced with the NAIC Buyer's Guide by rule change in January, 1998. This is a minor technical change to the existing rule which does not encompass a change of existing policy with respect to the disclosure rules applicable to life insurance.

The purpose of the changes to rule 2.15 is to update the buyer's guide that is furnished to Wisconsin consumers during the sale of annuities. The current Wisconsin Buyer's Guide is outdated as it does not provide any information about indexed annuities which are now common in the marketplace. In 2013, the NAIC updated and revised the NAIC buyer's guide to include information about fixed, indexed and variable annuities. This amendment to Rule 2.15 will permit insurers and agents to use the most current version of the applicable NAIC buyer's guide for deferred annuities. As a result of this change, the outdated Wisconsin Buyer's Guide will be discontinued. Wisconsin adopted the NAIC Life Insurance Buyer's Guide in 1998. Using the NAIC guides for both life insurance and annuities will provide uniformity and consistency for insurers, agents and consumers. In addition, the delivery of the applicable NAIC buyer's guide will be required in sales of variable annuities.

10. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments.

OCI solicited comments generally through publication requesting comments from the public utilizing the OCI website. In addition, OCI solicited comments from the following businesses and associations:

Benefit Services Group;
Capitol Consultants;
Catholic Financial Life;

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Hamilton Consulting;
Independent Insurance Agents of Wisconsin
Johnson Insurance;
Liberty Mutual Insurance;
Martin Schreiber Associates;
Ministry Health Care;
National Association of Insurance and Financial Advisors;
National Federation of Independent Businesses;
Network Health;
Northwestern Mutual Insurance Professional Insurance Agents of Wisconsin;
Sentry Insurance;
Thrivent Financial;
WEA Trust;
Wisconsin Association of Health Plans;
Wisconsin Association of Health Underwriters;
Wisconsin Chiropractic Association;
Wisconsin Council of Life Insurers;
Wisconsin Counties Association;
Wisconsin Hospital Association;
Wisconsin Insurance Alliance;
Wisconsin Physicians Service Insurance Corporation; and
Wisconsin Primary Health Care Association

OCI received two comments all in support of the proposed rules. The supporting comments approve the changes to the rules and estimate minimal economic impact on life insurers resulting from the adoption of this regulation. OCI did not receive any negative comments about the proposed regulation.

11. Identify the local governmental units that participated in the development of this EIA.
None

12. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

The proposed rule change will have no fiscal effect on the state or local governments, nor will it have a significant effect on the private sector. The rule would affect insurers offering individual annuity contracts, however any impact would not be significant. In the past, NAIC has charged \$.35 per copy of the buyer's guide. However, NAIC has informed OCI that as a part of the 2015 budgetary process, there is a fiscal proposal that would result in the NAIC posting all buyer's guides on the NAIC website for free. As a result, OCI will be able to link to the NAIC buyer's guides posted on the NAIC website or post the NAIC buyer's guides on the OCI website--at no cost.

According to the comments from the industry to the proposed rule changes, insurers do not believe they will incur any significant economic impact from the regulation.

13. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule
The proposed rule will foster consistency and uniformity across state lines which will promote predictability in the annuity marketplace and enhance consumer protection through important disclosures. In addition, the updated and revised buyer's guides will provide more relevant general product information and provide answers to basic questions about risks and investing that consumers can use to decide whether the annuity products are suitable for them. There is

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no adequate alternative to the proposed rule since the current Wisconsin Buyer's Guide to Annuities is out of date and does not contain information about fixed indexed annuities, a common product in the marketplace.

14. Long Range Implications of Implementing the Rule
None

15. Compare With Approaches Being Used by Federal Government

The OCI is not aware of any existing or proposed federal regulations intended to address the activities to be regulated by the proposed rule change.

16. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Iowa: Iowa Administrative Code r. 191-15.61 to 191-15.67 (2003/2012) adopts the NAIC approved Annuity Buyer's Guide as the buyer's guide to be used in Iowa. Under this law, Iowa can use the most recent 2013 version of the NAIC buyer's guides.

Illinois, Minnesota, and Michigan have not adopted disclosure rules for annuity benefit solicitations. To date, those states have not adopted formal language similar to the proposed rule changes.

17. Contact Name

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18. Contact Phone Number

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This document can be made available in alternate formats to individuals with disabilities upon request.

ADMINISTRATIVE RULES
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ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
 - Less Stringent Schedules or Deadlines for Compliance or Reporting
 - Consolidation or Simplification of Reporting Requirements
 - Establishment of performance standards in lieu of Design or Operational Standards
 - Exemption of Small Businesses from some or all requirements
 - Other, describe:
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4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes No
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