

Chapter Ins 3

CASUALTY INSURANCE

Ins 3.01	Accumulation benefit riders attached to health and accident policies	Ins 3.14	Group accident and sickness insurance
Ins 3.02	Automobile fleets, vehicles not included in	Ins 3.15	Blanket accident and sickness insurance
Ins 3.04	Dividends not deducted from premiums in computing loss reserves	Ins 3.17	Reserves for accident and sickness policies
Ins 3.07	Rules in Chapter 4, FIRE AND ALLIED LINES INSURANCE, applicable to casualty insurance	Ins 3.18	Total consideration for accident and sickness insurance policies
Ins 3.08	Advertisements of accident and sickness insurance	Ins 3.19	Group accident and sickness insurance insuring debtors of a creditor
Ins 3.09	Mortgage guaranty insurance	Ins 3.20	Substandard risk automobile physical damage insurance for financed vehicles
Ins 3.11	Multiple peril insurance contracts	Ins 3.21	"In the same industry", definition of
Ins 3.12	Membership fees and policy fees	Ins 3.22	Bail bond insurance
Ins 3.13	Individual accident and sickness insurance	Ins 3.23	Franchise accident and sickness insurance
		Ins 3.25	Credit life insurance and credit accident and sickness insurance

Ins 3.01 Accumulation benefit riders attached to health and accident policies. Except where such rider is used only on a policy replacing the company's own policy, and so recites, no rider providing for accumulations of benefits will be approved for use upon any policy of health and accident insurance, whether it is proposed to issue such rider with or without an additional premium. Such rider operates as an aid to twisting the policies of another company in such manner as to make its use a direct encouragement of this practice.

Ins 3.02 Automobile fleets, vehicles not included in. Individually owned motor vehicles cannot be included or covered by fleet rates. The determining factor for inclusion under fleet coverage must be ownership and not management or use.

Ins 3.03 History: 1-2-56; r. Register, October, 1953, No. 34, eff. 11-1-53.

Ins 3.04 Dividends not deducted from premiums in computing loss reserves. Premiums returned to policyholders as dividends may not be deducted from the earned premiums in computing loss reserves under section 204.28, Wis. Stats.

Ins 3.05 History: 1-2-56; r. Register, October, 1953, No. 34, eff. 11-1-53.

Ins 3.06 History: 1-2-56; r. Register, October, 1953, No. 34, eff. 11-1-53.

Ins 3.07 Rules in chapter 4, fire and allied lines insurance, applicable to casualty insurance. The following captioned rules under chapter 4, FIRE AND ALLIED LINES INSURANCE, are applicable to casualty insurance:

Ins 4.01 Mutual insurance companies operating on a post mortem assessment plan cannot limit assessments to a specified amount.

Ins 4.02 Nonassessable policies of mutual companies.

Ins 4.03 Policy, inspection and similar fees.

Register, August, 1972, No. 200

Ins 3.08 Advertisements of accident and sickness insurance. (1) PURPOSE (a) The purpose of these rules is to implement and interpret the statutory standards governing the advertisements of accident and sickness insurance. Section 204.31, Wis. Stats., provides that the commissioner of insurance may disapprove a form ". . . if it contains a provision which is unjust, unfair, inequitable, misleading, deceptive or encourages misrepresentation of such policy . . ." Section 207.04 (1) (b), Wis. Stats., defines false information and advertising which is untrue, deceptive or misleading as an unfair method of competition and as an unfair and deceptive act or practice in the business of insurance.

(b) It is the intent of these rules to create a set of standards which are to be adhered to by the several insurers within the jurisdiction of this department which engage in the advertising of their accident and sickness insurance policies.

(c) When interpreting these rules as related to a specific advertisement, this department will consider the type of policy to which the advertisement refers; the content of the advertisement; and the detail, character, and purpose of such advertisement.

(d) Advertising material should have a reasonable relation to the policy it represents in regard to the content, purpose, and use of said policy. The test is whether or not the advertisement has the capacity or tendency to mislead or deceive.

(2) DEFINITIONS. (a) An advertisement for the purpose of these rules shall include: 1. Printed and published material and descriptive literature of an insurer used in newspapers, magazines, radio and TV scripts, billboards and similar displays; and

2. Descriptive literature and sales aids of all kinds issued by an insurer for presentation to members of the public, including but not limited to circulars, leaflets, booklets, depictions, illustrations, and form letters; and

3. Prepared sales talks, presentations of material for use by agents, and representations made by agents in accordance therewith.

(b) Policy for the purpose of these rules shall include any policy, plan, certificate, contract, agreement, statement of coverage, rider or endorsement which provides accident or sickness benefits or medical, surgical or hospital expense benefits, whether on a cash indemnity, reimbursement, or service basis, except when issued in connection with another kind of insurance other than life and except disability and double indemnity benefits included in life insurance and annuity contracts.

(c) Insurer for the purpose of these rules shall include any person, individual, corporation, association, partnership, reciprocal exchange, inter-insurer, Lloyds, fraternal benefit society, and any other legal entity engaged in the advertisement of a policy as herein defined.

(d) These rules shall also apply to agents to the extent that they are responsible for the advertisement of any policy.

(3) ADVERTISEMENTS IN GENERAL. Advertisements shall be truthful and not misleading in fact or in implication. Words or phrases the meaning of which is clear only by implication or by familiarity with insurance terminology shall not be used.

(4) ADVERTISEMENTS OF BENEFITS PAYABLE, LOSSES COVERED, OR PREMIUMS PAYABLE. (a) *Deceptive words, phrases or illustrations.*

cedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

(b) A policy which contains any provision under which the claimant may elect one benefit in lieu of another shall not limit to a specified period the time within which election may be made.

History: Cr. Register, March, 1958, No. 27, eff. 4-1-58; am. (4) (a), cr. (5), Register, November, 1959, No. 47, eff. 12-1-59; am. (1), (3) and (4) (a), Register, October, 1961, No. 70, eff. 11-1-61; am. (4) (a), Register, April, 1963, No. 88, eff. 5-1-63; am. (4) (a), Register, June, 1963, No. 90, eff. 7-1-63; am. (4) (a), Register, October, 1963, No. 94, eff. 11-1-63; am. (4) (a), Register, August, 1964, No. 104, eff. 9-1-64; am. (4) (a), Register, August, 1968, No. 152, eff. 9-1-68; am. (4) (a), Register, March, 1969, No. 159, eff. 4-1-69; am. (4) (a), Register, August, 1970, No. 176, eff. 9-1-70; am. (4) (a), renum. (5) to be (5) (a), and cr. (b), Register, June, 1971, No. 186, eff. 7-1-71.

Ins. 3.16 History: Cr. Register, December, 1958, No. 36, eff. 1-1-59; am. (5) (b), Register, March, 1959, No. 39, eff. 4-1-59; am. (2) (c), Register, May, 1959, No. 41, eff. 6-1-59; am. (2) (b) 3 and 8; (2) (c) and (d); (5) (c); (6) and (7) (b), Register, October, 1961, No. 70, eff. 11-1-61; am. (3) and (4), Register, August, 1962, No. 80, eff. 9-1-62; r. Register, August, 1972, No. 200, eff. 9-1-72.

Ins 3.17 Reserves for accident and sickness policies. (1) PURPOSE. This rule establishes minimum standards for insurance company active life reserves and claim liability reserves as authorized by section 201.18 (4), Wis. Stats., and for fraternal benefit society reserves as authorized by section 208.28 (3), Wis. Stats.

(2) **SCOPE.** This rule shall apply to the kinds of insurance authorized by section 201.04 (4), Wis. Stats., and shall also apply to fraternal benefit contracts subject to section 208.162, Wis. Stats.

(3) **ACTIVE LIFE RESERVES, INDIVIDUAL AND FRANCHISE POLICIES.** Active life reserves are required for all in force policies issued subject to section 204.31, section 204.32, or section 208.162, Wis. Stats.

(a) For purposes of this rule, individual policies will be classified as follows:

1. Policies which are non-cancellable or non-cancellable and guaranteed renewable for life or to a specified age.
2. Policies which are guaranteed renewable for life or to a specified age.
3. Policies, other than those in subparagraph 5 of this paragraph, in which the insurer has reserved the right to cancel or refuse renewal for one or more reasons, but has agreed implicitly or explicitly that, prior to a specified time or age, it will not cancel or decline renewal solely because of deterioration of health after issue.
4. Franchise policies, as defined in section 204.32 (1), Wis. Stats., issued under or subject to an agreement that, except for stated reasons, the insurer will not cancel or refuse to renew the coverage of

Next page is numbered 57

Ins 3.22 Bail bond insurance. (1) **PURPOSE.** This rule is intended to implement and interpret applicable statutes including but not limited to sections 201.04 (7), 204.01 to 204.14, Wis. Stats., inclusive, and 209.04, Wis. Stats., for the purpose of establishing minimum requirements for the transaction of bail bond insurance.

(2) **DEFINITIONS.** (a) *Commissioner* means the commissioner of insurance.

(b) *Insurer* means any domestic, foreign, or alien insurance company which has qualified to transact fidelity business under subsection 201.04 (7), Wis. Stats.

(c) *Bail bondsman* means an individual who shall be appointed by an insurer by power of attorney as its licensed agent under section 209.04, Wis. Stats., to execute or countersign bail bonds in connection with judicial proceedings and who receives or is promised money or other things of value therefor.

(4) **POWER OF ATTORNEY.** Every insurer engaged in the writing of bail bonds shall submit to and have approved by the commissioner a sample power of attorney which shall be the only form of power of attorney the insurer shall issue in this state.

(5) **BAIL BOND RATES.** (a) Bail bond rates and premiums are subject to the provisions of sections 204.37 to 204.54, Wis. Stats. It is unlawful for any bail bondsman to execute a bail bond without charging the filed rate and premium therefor. No bail bondsman shall make any charge or collect or receive any fee, service fee, or consideration other than the premium based on rates and premiums as approved by the commissioner. Nothing in this rule shall prohibit collateral security or coindemnity agreements.

(b) The premium shall be a term charge for the term of the bond. No additional premium shall be charged in the event of a bind over except that if the amount of the bond has been increased a premium based on the approved rate for the amount of the increase may be charged.

(c) If the penal sum of the bond is reduced within 7 days after time of commitment by the original committing jurisdiction, the defendant shall be entitled to a refund of the premium in proportion to the amount of the reduction except that the minimum premium shall not be affected.

(d) The original premium charged and any additional or return premium required hereunder shall be shown or endorsed on the bond.

(6) **ISSUANCE OF BAIL BONDS.** No person shall execute or countersign bail bonds for a fee, or act in the capacity of a bail bondsman, or perform any of the functions, duties or powers prescribed for bail bondsmen, or collect any premium or fee under the provisions of this rule unless he is licensed as a bail bondsman under section 209.04, Wis. Stats.

History: Cr. Register, April, 1964, No. 100, eff. 6-1-64; r. (3), Register, December, 1967, No. 144, eff. 1-1-68.

Ins 3.23 Franchise accident and sickness insurance. (1) **FRANCHISE GROUP HEADQUARTERS.** A franchise group described in section 204.32 (1), Wis. Stats., need not have its headquarters or other executive offices domiciled in Wisconsin.

(2) **ACCOUNTING.** All premiums paid in connection with franchise accident and sickness insurance on Wisconsin residents shall be reported for annual statement purposes as Wisconsin business and shall be subject to the applicable Wisconsin premium tax.

History: Cr Register, May, 1964, No. 101, eff. 6-1-64.

Ins 3.25 Credit life insurance and credit accident and sickness insurance. (1) **PURPOSE.** The purpose of this rule is to assist in the maintenance of a fair and equitable credit insurance market and to protect the interest of debtors and the public in this state by providing a system of rate, policy form, and operating standards for the transaction of credit life insurance and credit accident and sickness insurance. This rule interprets and implements, including but not limited to the following Wisconsin statutes: sections 201.18, 204.31 (3) (g), 204.321 (4), 206.17, 206.20, 206.201, 206.60 (2), 206.63, 601.01 (3) (b) and (c), 601.42, 625.11, 625.12 and 625.34.

(2) **SCOPE.** (a) This rule shall apply to the transaction of credit life insurance defined in section 201.04 (3c) and 206.63, Wis. Stats., and to the transaction of credit accident and sickness insurance as defined in section 201.04 (4a), Wis. Stats.

(b) This rule shall be the basis for review of all policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders and the schedules of premium rates pertaining thereto submitted for filing after the effective date of this rule.

(3) **FORMS OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE.** Credit life insurance and credit accident and sickness insurance shall be issued only in the following forms:

(a) Individual policies of life insurance issued to debtors on the nonrenewable, nonconvertible term plan;

(b) Individual policies of accident and sickness insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

(c) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;

(d) Group policies of accident and sickness insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

(4) **AMOUNT OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE.** (a) The amount of credit life insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable in instalments to the creditor, or \$10,000, whichever is less. Where the indebtedness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months except that such insurance may be continued for an additional period not exceeding 6 months in the case of default, extension or recasting of the loan. The amount of the insurance on the life of any debtor shall at no time exceed the amount of the unpaid indebtedness, or \$10,000, whichever is less.

(b) The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in

Register, August, 1972, No. 200

the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic instalments.

(5) **TERM OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE.** The term of any credit life insurance or credit accident and sickness insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than 30 days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than 15 days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In any renewal or refinancing of the indebtedness the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced, but this does not apply to an amount of indebtedness, exclusive of refinancing charges, in excess of the original indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in subsection (8).

(6) **PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE; DISCLOSURE TO DEBTORS.** (a) All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(b) Each individual policy or group certificate of credit life insurance, and/or credit accident and sickness insurance shall, in addition to other requirements of law set forth;

1. The name and home office address of the insurer,
2. The name or names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor,
3. The premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and sickness insurance,
4. A description of the coverage including the amount and term thereof, and any exceptions, limitations and restrictions,
5. A provision that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the

amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate, and

6. A provision that the insurance on any debtor will be cancelled and refund made if his indebtedness is terminated through prepayment or otherwise.

(c) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

(d) If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance shall;

1. be delivered to the debtor at the time such indebtedness is incurred,
2. be signed by the debtor,
3. set forth the name and home office address of the insurer,
4. set forth the name or names of the debtor,
5. set forth the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and sickness insurance, and
6. set forth the amount, term and a brief description of the coverage provided.

The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificates of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in subsection (5).

(e) If the named insurer does not accept the risk, then and in such event the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer, if any, and the information required by subsection (6) (b), and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

(f) If a contract of insurance provides for a limitation of the amount of coverage related to insurance provided by other contracts in force on the debtor, such limitation shall be explained to the debtor at the time the indebtedness is incurred and shall be acknowledged in writing by him 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 limitation of amount of coverage. The brief description or separate statement, if used to meet the foregoing requirement, 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 clearly indicate the limitation.

(g) 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 by him 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, if used to meet the foregoing requirement, 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 clearly indicate the limitation.

(7) 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 thereto 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 and notice of proposed insurance to be used in this state, and the premium rates to be used in connection with such certificate and notice.

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

(c) If the commissioner notifies the insurer that the form is disapproved, it may not issue or use such form. Such notice shall specify the reason for the disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until the expiration of 30 days after it has been so filed, unless the commissioner shall give his prior written approval thereto.

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

(e) The insurer may not issue such forms or use them after the effective date of such withdrawal.

(8) 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 for which the premium rate differs from that determined by the schedules of such insurer as then on file.

(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 such debtor and shall promptly make an appropriate credit to the account.

(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. This means that where the creditor adds identifiable insurance charges or premiums for credit insurance to the total amount of indebtedness, and any direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with such insurance charge, the creditor must 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 such dividends may be deferred until such time as 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 thereto; provided, however, that the premium schedule may prescribe a minimum refund of \$1 and no refund of a lesser amount need be made. The formula to be used in computing such refund shall be filed with and approved by the commissioner.

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

1. The refund of premium, in the case of credit insurance for which premiums are payable other than by a single premium, and in the case of level term credit life insurance, shall be equal to the pro-rata unearned gross premium. In the case of credit insurance paid by a single premium the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

2. The refund of the amount charged the debtor for insurance, in the case of credit insurance for which said amount is charged other than in single sum, and in the case of level term credit life insurance, shall be equal to the pro-rata unearned gross amount charged or to be charged. In the case of credit insurance for which the whole amount is charged in a single sum the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

3. Refunds shall be based upon the number of full months prepaid from the maturity date of the policy, counting a fractional month of 16 days or more as a full month.

4. Upon termination of indebtedness repayable in a single sum prior to the scheduled maturity date, the refund shall be computed from the date of termination to the maturity date. If less than 15

days of a loan month has been earned, no charge may be made for that loan month, but if 15 days or more, a full month may be charged.

(9) CLAIMS AND AUDIT PROCEDURES. (a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer. However, nothing herein shall be construed to relieve the insurer of the responsibility for proper settlement, adjustment and payment of all claims in accordance with the terms of the insurance contract and this ruling.

(d) The insurer must make a good faith examination of each credit insurance account in the first year of the account and annually thereafter. The examination shall be made to assure that the creditor is conducting the insurance program in compliance with the credit insurance policy provisions, the insurer's administrative instructions furnished the creditor to implement the insurance program, and with the applicable credit insurance law and regulation of Wisconsin. The examination must include verification of the accuracy of the computation of premium payments, insurance charges made to debtors, and claim payments reported to the insurer by the creditor. The insurer will maintain records of examinations for 2 years, and such records will be subject to call and review by the commissioner.

(10) CHOICE OF INSURER. When credit life insurance or credit accident and sickness insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

(11) CREDIT INSURANCE PREMIUM RATE FILINGS. (a) Every credit insurer shall file with the commissioner every premium rate schedule applicable to credit insurance in this state, together with the premium, loss, and expense experience on which the insurer bases the proposed premium rate, at least 30 days before the proposed effective date.

(b) In the absence of credible mortality or morbidity experience, the benefits provided under a credit insurance form shall be deemed not to be unreasonable in relation to the premium rate charged if the premium rates filed do not exceed the prima facie premium rate standards set forth in sections (12) and (13) and if the forms provide benefits which are no more restrictive than the coverage standards enumerated.

(c) Nothing herein shall preclude an insurer from requesting approval of the commissioner for premium rates higher or lower than the prima facie rate standards on the basis of the mortality or morbidity rate actually experienced or anticipated.

(d) If an insurer proposes to provide coverage which is more restrictive than coverage described in subsections (12) and (13), the insurer must demonstrate to the commissioner's satisfaction that the premium rate schedule applicable for the coverage will produce loss ratios at least as great as those contemplated in the premium rate standards set forth or can reasonably be expected to produce such loss ratios.

(e) Where no debtor is paying an identifiable charge for any part of the premium for credit insurance the rates shall be such reasonable rates as are approved by the commissioner.

(12) PRIMA FACIE CREDIT LIFE INSURANCE PREMIUM RATE STANDARDS.

(a) The basic permissible loss ratio for credit life insurance shall be not less than 60% except as provided in paragraph (e).

(b) The rate standard for premiums payable on the basis of monthly outstanding balances is \$0.77 per \$1,000 of insurance. Rates applicable to other methods of payment shall be actuarially equivalent.

(c) The rate standard for premiums payable on the single premium basis is \$.50 per \$100 of initial insured amount of indebtedness repayable in 12 equal monthly instalments. The single premium rate standards for repayment periods other than 12 months shall be computed according to the following formula:

$$P_n = \frac{[n + 1]}{20} 0.77$$

Where P_n = Single premium rate per \$100 of initial insured indebtedness repayable in n equal monthly instalments

n = Original repayment period, in months

(d) The rate standard for premiums payable on single premium level term credit life insurance is \$0.93 per \$100 of indebtedness for a 12 month term. The single premium rate standards for repayment periods other than 12 months shall be computed according to the following formula:

$$P_n = \frac{[n]}{10} 0.77$$

Where P_n = Single premium rate per \$100 of level insured indebtedness repayable in n months

n = Original term of level indebtedness in months

(e) The rate standard for credit life insurance wherein the individual original indebtedness is \$500 or less may be 120% of the rate otherwise applicable, but no creditor or insurer shall segment loans or use other means to avoid the rate standards set forth herein.

(f) The rate standards for credit life insurance providing coverage on two lives with respect to a single indebtedness shall be 150% of the rate standards provided in subsections (b), (c), (d), and (e) above.

(g) As an alternative to subsections (b), (c), or (d) above, where age data applicable to the insured debtors is available, rate standards may be based on such data, under a plan approved by the commissioner.

(h) The rate standards set forth herein shall be applicable for a plan of death benefits with or without requirements for evidence of insurability which contains:

1. No exclusions other than suicide within one year of the incurral of the indebtedness, and
2. No age restrictions, or only age restrictions making ineligible for coverage:
 - a. Debtors 65 or over at the time the indebtedness is incurred or
 - b. Debtors who will have attained age 66 or over on the maturity date of the indebtedness.

(13) PRIMA FACIE MAXIMUM CREDIT ACCIDENT AND SICKNESS INSURANCE PREMIUM RATE STANDARDS. (a) If premiums are payable in one sum (single premium) for coverage for the entire duration of indebtedness, the premium rate standards per \$100 of initial amount of insured indebtedness repayable in equal monthly instalments are as shown below. Premium rate standards for other benefit plans and for indebtedness repayable in instalments other than as shown shall be actuarially consistent with the indicated rate standards.

Original Number of Equal Monthly Instalments	14 Days	30 Days
<u>Non-Retroactive Elimination Period</u>		
6	\$1.39	\$.69
12	1.95	1.18
18	2.27	1.50
24	2.52	1.69
30	2.74	1.82
36	2.93	1.93
42	3.10	2.03
48	3.26	2.12
Basic permissible loss ratio	59%	52%
<u>Retroactive Waiting Period</u>		
6	\$1.74	\$1.19
12	2.23	1.68
18	2.56	1.89
24	2.81	2.04
30	3.02	2.17
36	3.21	2.29
42	3.39	2.39
48	3.55	2.48
Basic permissible loss ratio	61%	57%

(b) The rate standards applicable for premiums payable on the basis of monthly outstanding balances shall be computed as follows:

$$p_n = \frac{20}{n+1} P_n$$

Where n = Original repayment period, in months

p_n = The Monthly Outstanding Balance Premium Rate per \$1,000 for an indebtedness repayable in equal monthly instalments with an original repayment period of n months

P_n = The Single Premium Rate per \$100 initial insured indebtedness with an original repayment period of n months, from subsection (a) above.

The outstanding balance premium rate for an indebtedness with a given original repayment period is applicable to the outstanding balance of this indebtedness at each month during the period, regardless of the remaining repayment period.

(c) The rate standards set forth herein shall be applicable for a plan of benefits which contains:

1. No provision excluding or denying a claim for disability resulting from pre-existing conditions except for those conditions which manifested themselves to the insured debtor by requiring medical diagnosis or treatment or would have caused a reasonably prudent person to have sought the medical diagnosis or treatment, within six months preceding the effective date of the debtor's coverage and which caused loss within the six months following the effective date of coverage; provided, however, that disability commencing thereafter resulting from such condition shall be covered.

2. No other provision which excludes or restricts liability in the event of disability caused in a certain specified manner except that it may contain provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in non-scheduled aircraft, war or military service.

3. No age restrictions, or only age restrictions making ineligible for coverage:

a. debtors 65 or over at the time the indebtedness is incurred or

b. debtors who will have attained age 66 or over on the maturity date of the indebtedness.

4. Provision for a daily benefit equal in amount to the initial indebtedness divided by the number of days in the period during which the indebtedness is scheduled to be repaid in equal monthly instalments.

Note: This is not intended to preclude calculation of the daily benefit based on a 30 day month.

(14) DEVIATION PROCEDURE AND CASE RATE DETERMINATION. (a) For cases of less than \$50,000 earned premiums (prima facie basis) the case rates shall be the prima facie rates. For cases of \$50,000 or greater earned premiums (prima facie basis) the actual case ratio shall be calculated as (actual ratio of claims incurred to premiums earned) divided by the basic permissible loss ratio shown in subsection (12) or (13). If the actual case ratio is within the acceptance range shown in the following credibility table, the case rates will be the prima facie rates. If the actual case ratio is outside the acceptance range, the adjusted case ratio will be calculated by adjusting the actual case ratio toward 100% by addition or subtraction of the "adjustment constant", also shown in the credibility table.

CREDIBILITY TABLE
Earned Premium (Prima Facie Basis)

Size Group	Small Loans or Credit Unions	Banks or Sales Finance	Acceptance Range	Adjustment Constant
CREDIT LIFE				
I	50,000-125,000	50,000- 200,000	0.80-1.20	0.15
II	125,000-300,000	200,000- 500,000	0.85-1.15	0.10
III	300,000-650,000	500,000-1,000,000	0.85-1.15	0.05
IV	650,000 or over	1,000,000 or over	0.90-1.10	0.00
CREDIT ACCIDENT AND SICKNESS				
I	50,000- 75,000	50,000- 100,000	0.80-1.20	0.15
II	75,000-125,000	100,000- 175,000	0.85-1.15	0.10
III	125,000-250,000	175,000- 350,000	0.85-1.15	0.05
IV	250,000 or over	350,000 or over	0.90-1.10	0.00

Register, August, 1972, No. 200

(b) If the adjusted case ratio exceeds 1.00, the case rate is the product of deviation factor f, and the prima facie rate shown in subsection (12) or (13), where

$$f = [(\text{Adjusted case ratio} - 1) \times 1.25 \times \text{Basic Permissible Loss Ratio}] + 1$$

(c) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, but greater than the limit specified in the following table, the case rates are the product of the deviation factor g, and the prima facie rates in subsection (13), where

$$g = 1 - [(1 - \text{adjusted case ratio}) \times 1.25 \times \text{Basic Permissible Loss Ratio}]$$

<i>Plan of Benefit</i>	<i>Limit</i>
14 days Retroactive Elimination Period51
14 days Non-Retroactive Elimination Period59
30 days Retroactive Elimination Period67
30 days Non-Retroactive Elimination Period89

$$\text{Limit} = \frac{.5 (1 - \text{Loading Factor} \times \text{Basic Loss Ratio})}{\text{Basic Permissible Loss Ratio} (1 - .5 \times \text{Loading Factor})}$$

(Rounded Down)

(d) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, and less than or equal to the limit specified in the above table, the case rates are the product of deviation factor h, and the prima facie rate in subsection (13), where

$$h = (\text{Adjusted Case Ratio} \times \text{Basic Loss Ratio} \times 2)$$

(e) If the adjusted case ratio for credit life insurance is less than 1.00, the case ratio is the product of the deviation factor h, and the prima facie rate in subsection (12) where

$$h = (\text{Adjusted Case Ratio})$$

(f) If the case rate determined by the above procedures is within 5¢ of the existing single premium rate per \$100 per year, the existing rate will be the case rate.

(g) The case rate as determined shall continue for a period equal to the experience period on which it was based. Where the case rate applies to a group of accounts, the rate will continue to apply to every account which was grouped for determination of the rate and to only those accounts. The insurer shall annually determine and submit for filing under subsection 8 (a) the applicable case rate calculated as prescribed herein.

(h) As used in this rule the following words mean:

1. Account—The aggregate credit life or credit accident and sickness coverage for a single plan of benefits and class of business written through a single creditor by the insurer, whether coverage is written on a group or individual policy basis.

2. Class of business—Means any of the following:

- a. Credit unions
- b. Commercial and savings banks
- c. Other cash loans (small loans, industrial bank loans, etc.)
- d. Other sales finance (discount transactions, etc.)

3. Experience year—A 12-month period ending on the policy anniversary or renewal date or on a calendar year-end. Experience for a

given account or permitted combinations of accounts shall be reported consistently from year to year.

4. Case—a. An account, if the earned premium for the account based upon the prima facie premium rates promulgated in subsections (12) or (13) during the most recent 3 experience years has been \$50,000 or more. If the rates applicable to the account are not at the prima facie level or at a uniform percentage of the prima facie rates, the amount of premium which would have been earned at the prima facie rates shall be approximated by a reasonable method filed with the experience report.

b. A combination of all the insurer's accounts of the same plan of benefits and class of business, excluding all accounts which meet the criterion for inclusion under

a. immediately preceding.

5. Experience period—The last 3 experience years unless a lower number of full years produces an earned premium in size group IV as shown in the credibility table.

(j) In determining the case ratios in this subsection for application of the deviation formula, the following rules shall be applied:

1. If the coverage for a single creditor which qualifies for separate consideration under case definition a. above has been in force with the insurer for less than the experience period, the claim experience of the creditor while covered by any prior insurer shall be included to the extent necessary in determining the appropriate case ratios.

2. The case ratios shall be based wholly or partially on the experience of the insurer on the case within the state, or a group of states or on the total United States experience, so long as the insurer reports and files consistently for that case thereafter. An account which qualifies for separate treatment as a case but which provides coverage on a multi-state basis, may be considered in its entirety if the insurer so chooses excluding experience used for deviation purposes in any state, states or group of states.

(15) ACCOUNTING AND UNDERWRITING EXPERIENCE. Each insurer shall maintain records of premiums, losses and expenses of Wisconsin business separately for credit life insurance and credit accident and sickness insurance on a calendar year basis or on a policy year basis. Such underwriting experience shall be maintained for each form of policy, creditor, and class of creditor. This information shall be subject to call annually by the commissioner.

(16) FINANCIAL STATEMENT MINIMUM RESERVES. (a) Each insurer shall show, as a liability in any financial statement or report required under section 601.42, Wis. Stats., its policy or unearned premium reserve in an amount not less than as computed in paragraphs (b), (c) and (d). 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 reserve for individual credit life insurance policies shall be not less than 130% of the Commissioner's 1958 Standard Ordinary Mortality Table at 3½% annual interest.

(c) The reserve for group credit life insurance policies shall be not less than 130% of the Commissioner's 1960 Standard Group Mortality Table at 3½% annual interest.

(d) The reserve 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 Commissioner's 1964 Disability Table at 3½% annual interest or the pro rata unearned premium reserve.

(17) **EFFECTIVE DATE.** (a) This rule shall become effective September 1, 1972.

(b) Each insurer subject to this rule shall file with the commissioner on or before October 1, 1972, a listing of all policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders and the schedules of premium rates pertaining thereto which have been heretofore approved and which the insurer intends to issue or use in Wisconsin after the effective date of this rule.

(18) **PENALTY.** Violations of this rule shall subject the insurer or agent to section 601.64, Wis. Stats.

(19) **SEPARABILITY.** If any provision or clause of this ruling or the application thereof to any person or circumstance is, for any reason held invalid, the remainder of this ruling and the application of such provision to other persons or circumstances shall not be affected thereby.

Note: It is the intent of this rule that it shall apply prospectively to the review for approval of policy and other forms of credit life and credit accident and sickness insurance and to the rates applicable to such forms that are submitted for filing after the effective date. Individual hearings will be held to consider whether credit life and credit accident and sickness insurance contract forms and rate levels presently in use provide benefits that are reasonable in relation to premium charges.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72.

Next page is numbered 85