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STATE OF WISCONSIN

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OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Harold R. Wilde, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order repealing and adopting rules regarding life insurance solicitation was issued by this office October 2, 1978.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have
hereunto subscribed my name
in the City of Madison, State
of Wisconsin, this 2nd day of
October, 1978.

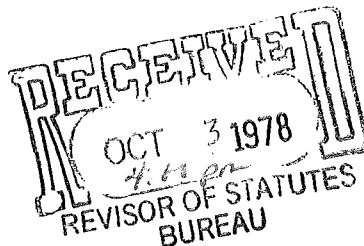


Harold R. Wilde
Commissioner of Insurance

STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

OCT 3 1978

DOUGLAS LAPOLLETTE
SECRETARY OF STATE



OCT 3 1978

ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE

Repealing and Adopting Rules

DOUGLAS LAPOLLETTE
SECRETARY OF STATE

Pursuant to authority vested in the Commissioner of Insurance by section 601.41 (3), Wis. Stats., the Commissioner of Insurance hereby repeals and adopts rules as follows:

Sections Ins 2.14 and 2.15 of the Wisconsin Administrative Code are repealed and section Ins 2.14 is adopted to read:

Ins 2.14 Life Insurance Solicitation. (Sections 601.01 (3), 601.41 (3) and 628.34, Wis. Stats.) (1) **PURPOSE.** The purpose of this rule is to require insurers to deliver to purchasers of life insurance information which will improve the buyer's ability to select the most appropriate plan of life insurance for his or her needs, improve the buyer's understanding of the basic features of the policy which has been purchased or which is under consideration and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance. This rule does not prohibit the use of additional material which is not in violation of this rule or any other Wisconsin statute or rule. This rule interprets and implements, including but not limited to the following Wisconsin Statutes: sections 601.01 (3) (b), (c), (g) and (j) and 628.34.

(2) **SCOPE.** (a) Except as hereafter exempted, this rule shall apply to any solicitation, negotiation or procurement of life insurance occurring within this state. This rule shall apply to any issuer of life insurance contracts including fraternal benefit societies and the State Life Insurance Fund.

(b) Unless otherwise specifically included, this rule shall not apply to:

1. Annuities.
2. Credit life insurance.
3. Group life insurance.
4. Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the federal Employee Retirement Income Security Act of 1974 (ERISA).
5. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account.

(3) **DEFINITIONS.** For the purposes of this rule, the following definitions shall apply:

(a) Wisconsin Buyer's Guide to Life Insurance. The Wisconsin Buyer's Guide to Life Insurance is a document which contains, and is

limited to, the language within the current edition of "The Wisconsin Buyer's Guide to Life Insurance" put out by the Insurance Commissioner of the State of Wisconsin. This pamphlet shall be reviewed periodically for accuracy and appropriateness. Prior to the publication of a revised pamphlet, it shall be submitted to the Life Subcommittee of the Forms and Classifications Advisory Council for public hearing and review. Insurers may purchase this pamphlet at cost from the Office of the Commissioner of Insurance, or they may reproduce it themselves (subject to reasonable standards of style, size, and layout).

(b) Cash Dividend. A Cash Dividend is the current illustrated dividend which can be applied toward payment of the gross premium.

(c) Equivalent Level Death Benefit. The Equivalent Level Death Benefit of a policy or term life insurance rider is an amount calculated as follows:

1. Accumulate the guaranteed amount payable upon death, regardless of the cause of death, at the beginning of each policy year for ten and twenty years at five percent interest compounded annually to the end of the tenth and twentieth policy years, respectively.
2. Divide each accumulation of step 1 by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in step 1 over the respective periods stipulated in step 1. If the period is ten years, the factor is 13.207 and if the period is twenty years, the factor is 34.719.

(d) Generic Name. Generic Name means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

(e) Life Insurance Indexes.

1. Surrender Cost Index. The Surrender Cost Index is calculated by applying the following steps:
 - a. Determine the guaranteed cash surrender value, if any, available at the end of the tenth and twentieth policy years.
 - b. For participating policies, add the terminal dividend payable upon surrender, if any, to the accumulation of the annual Cash Dividends at five percent interest compounded annually to the end of the period selected and add this sum to the amount determined in step a.
 - c. Divide the result of step b (step a for guaranteed-cost policies) by an interest factor that converts it into an equivalent level annual amount that if paid at the beginning of each year, would accrue to the value in step b (step a for guaranteed-cost policies) over the respective periods stipulated in step a. If the period is ten years, the factor is 13.207 and if the period is twenty years, the factor is 34.719.

- d. Determine the equivalent level premium by accumulating each annual premium payable for the basic policy or rider (if the annual premium includes supplemental benefits without separate identifiable charge, a reasonable adjustment may be made) at five percent interest compounded annually to the end of the period stipulated in step a and dividing the result by the respective factors stated in step c. (This amount is the annual premium payable for a level premium plan).
 - e. Subtract the result of step c from step d.
 - f. Divide the result of step e by the number of thousands of the Equivalent Level Death Benefit to arrive at the Surrender Cost Index.
2. Net Payment Cost Index. The Net Payment Cost Index is calculated in the same manner as the comparable Surrender Cost Index except that the cash surrender value and any terminal dividend are set at zero.
 3. Equivalent Level Annual Dividend. The Equivalent Level Annual Dividend is calculated by applying the following steps:
 - a. Accumulate the annual cash dividends at five percent interest compounded annually to the end of the tenth and twentieth policy years.
 - b. Divide each accumulation of step 1 by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the values in step 1 over the respective periods stipulated in step 1. If the period is ten years, the factor is 13.207 and if the period is twenty years, the factor is 34.719.
 - c. Divide the results of step 2 by the number of thousands of the Equivalent Level Death Benefit to arrive at the Equivalent Level Annual Dividend.
 4. Average Annual Rate of Return Index. This index is calculated on cash value policies using the Linton yield method.
 - a. The Linton yield method solves for a level, effective, annually compounded interest rate, or yield. This yield is determined by equating the cash available at the end of a specified number of years from two different protection/savings programs, each with identical yearly death benefits, and then solving for the annual yield that must be achieved on the separate savings fund of the second program in order to produce the cash equivalency with the first program. The two programs compared are:
 1. A life insurance policy on, normally but not necessarily, some permanent plan. The cash used at the end of the specified year is the policy's guaranteed cash surrender value plus the terminal dividend payable upon surrender and the dividend payable at the end of the specified year.

- a. A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.
- b. The name and address of the insurance intermediary, or, if no intermediary is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.
- c. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.
- d. The Generic Name of the basic policy and each rider.
- e. The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including but not necessarily limited to, the years for which the Surrender Cost Index is displayed and at least one age from sixty through sixty five or maturity whichever is earlier:
 - i. The annual premium for the basic policy.
 - ii. The annual premium for each optional rider.
 - iii. Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.
 - iv. Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.
 - v. Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider. (Dividends need not be displayed beyond the twentieth policy year.)
 - vi. Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above.
- f. The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest is variable, the Policy Summary shall include the maximum annual percentage rate.
- g. Surrender Cost Indexes for ten and twenty years. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.

- h. A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed.
- i. A statement in close proximity to the Surrender Cost Index (and other cost indexes) as follows: A further explanation of the intended use of this (these) index(es) is provided in the Life Insurance Buyer's Guide.
- j. The date on which the Policy Summary is prepared.
- 2. The Policy Summary must consist of a separate document. All information required to be disclosed must be set out in a manner as to not minimize or render any portion thereof obscure. Any amounts which remain level for two or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in subdivision 1 e above shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider, guaranteed death benefits shall be displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

(4) DISCLOSURE REQUIREMENTS. (a) The insurer shall provide, to all prospective purchasers of any policy subject to this rule, a copy of the current edition of the Wisconsin Buyer's Guide to Life Insurance and a properly filled out Preliminary Policy Summary prior to accepting the applicant's initial premium or premium deposit, except that insurers which do not market policies through an intermediary may provide the Preliminary Policy Summary and Wisconsin's Buyer's Guide to Life Insurance at the point of policy delivery, so long as they:

- 1. guarantee to the policyholder a 30-day right to return the policy for a full refund of premium, and
- 2. alert the prospective policyholder, in advertisements or direct mail solicitations, of his or her right to obtain a copy of the Wisconsin Buyer's Guide to Life Insurance and a Preliminary Policy Summary prior to sale.

(b) The insurer shall provide a Policy Summary upon delivery of the policy.

(c) The insurer shall provide a Wisconsin Buyer's Guide to Life Insurance and a Preliminary Policy Summary to individual prospective purchasers upon reasonable request.

(d) The insurer may provide information concerning life insurance cost indexes other than the surrender cost index so long as the information and its method of presentation is in conformance with this rule.

(e) For policies already issued and paying premiums on the effective date of this rule, policyholders shall have the right to obtain a Policy Summary at cost. The company may charge a reasonable fee for preparing this summary, not to exceed \$5, and may utilize reasonable assumptions in providing the cost disclosure information, so long as they are clearly disclosed.

(5) GENERAL RULES. (a) Each insurer shall maintain at its home office or principal office, a complete file containing one copy of each document authorized by the insurer for use pursuant to this rule. Such file shall contain one copy of each authorized form for a period of three years following the date of its last authorized use.

(b) An intermediary shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that he is acting as a life insurance intermediary and inform the prospective purchaser of the full name of the insurance company which he is representing to the buyer. In sales situations in which an intermediary is not involved, the insurer shall identify its full name.

(c) Terms such as financial planner, investment advisor, financial consultant, or financial counseling shall not be used in such a way as to imply that the insurance intermediary is generally engaged in an advisory business in which compensation is unrelated to sales unless such is actually the case.

(d) Any reference to policy dividends must include a statement that dividends are not guaranteed.

(e) Any sales presentation which repeatedly refers to an insurance premium or element of the insurance premium as a deposit, an investment, a savings or in any other phrase of similar import, and does not disclose the Average Annual Rate of Return Index figures for 10 and 20 years is an unfair marketing practice, within the meaning of section 628.34, State.

(f) The purchase or replacement of any life insurance contract or annuity shall not be recommended by any insurer or intermediary without reasonable grounds to believe that the recommendation is not unsuitable for the applicant on the basis of information furnished by such person after reasonable inquiry as may be necessary under the circumstances concerning the prospective buyers insurance and annuity needs and means.

(g) A system or presentation which does not recognize the time value of money through the use of appropriate interest adjustments shall not be used for comparing the cost of two or more life insurance policies.

(h) A presentation of benefits shall not display guaranteed and non-guaranteed benefits as a single sum unless they are shown separately in close proximity thereto.

(i) A statement regarding the use of the Surrender Cost Index shall include an explanation to the effect that the index is useful only for the comparison of the relative costs of two or more similar policies.

(j) A Life Insurance Index which reflects dividends or an Equivalent Level Annual Dividend shall be accompanied by a statement that it is based on the company's current dividend scale and is not guaranteed.

(k) For the purposes of this rule, the annual premium for a basic policy or rider, for which the company reserves the right to change the premium, shall be the maximum annual premium.

(6) EFFECTIVE DATE. This rule shall apply to all solicitations of life insurance which commence on or after January 1, 1979.

(7) UNUSUAL CIRCUMSTANCES. Insurers with unique difficulties in implementing sections of this rule may petition the commissioner for allowance to meet the requirements of the rule through alternative approaches.

(8) YEARLY RENEWABLE TERM INSURANCE MORTALITY RATES:

The following mortality rates are to be used in determining YRT premiums for calculating Average Annual Rate of Return Index figures.

MORTALITY RATES PER 1,000

<u>Attained Age (x)</u>	<u>Male Lives</u>	<u>Female Lives</u>	<u>Attained Age (x)</u>	<u>Male Lives</u>	<u>Female Lives</u>
0	5.80	4.80	30	1.15	.75
1	1.33	1.22	31	1.22	.83
2	0.84	0.72	32	1.28	.93
3	0.65	0.55	33	1.32	1.04
4	0.53	0.48	34	1.34	1.14
5	0.48	0.42	35	1.40	1.21
6	0.42	0.37	36	1.49	1.23
7	0.39	0.33	37	1.60	1.25
8	0.35	0.29	38	1.75	1.29
9	0.32	0.22	39	1.91	1.37
10	0.31	0.25	40	2.12	1.47
11	0.31	0.26	41	2.36	1.59
12	0.33	0.27	42	2.66	1.74
13	0.42	0.29	43	3.02	1.91
14	0.52	0.31	44	3.45	2.10
15	0.73	0.36	45	3.96	2.32
16	0.87	0.36	46	4.51	2.58
17	1.02	0.37	47	5.09	2.88
18	1.18	.38	48	5.71	3.20
19	1.29	.40	49	6.34	3.52
20	1.37	.41	50	6.94	3.84
21	1.46	.44	51	7.56	4.15
22	1.52	.48	52	8.32	4.48
23	1.47	.53	53	9.20	4.84
24	1.32	.60	54	10.09	5.23
25	1.25	.66	55	11.00	5.67
26	1.22	.70	56	12.06	6.16
27	1.19	.70	57	13.26	6.70
28	1.17	.70	58	14.60	7.27
29	1.13	.71	59	16.06	7.87

<u>Attained Age (x)</u>	<u>Male Lives</u>	<u>Female Lives</u>	<u>Attained Age (x)</u>	<u>Male Lives</u>	<u>Female Lives</u>
60	17.69	8.52	78	81.98	53.45
61	19.55	9.21	79	89.68	59.01
62	21.61	10.00	80	97.68	66.03
63	23.75	10.83	81	105.42	73.80
64	25.83	11.81	82	113.40	79.38
65	27.99	13.07	83	122.90	86.03
66	30.34	14.72	84	135.00	94.50
67	33.04	16.80	85	149.17	107.40
68	35.92	19.28	86	163.94	122.80
69	39.27	22.28	87	182.12	138.41
70	42.90	25.69	88	196.71	153.43
71	46.45	29.43	89	213.26	170.61
72	49.96	33.43	90	229.66	188.32
73	53.72	37.30	91	246.98	207.47
74	58.16	40.72	92	262.03	225.34
75	63.36	43.59	93	276.79	243.58
76	69.04	46.36	94	302.02	271.82
77	75.09	49.38	95	338.33	311.26

NOTE: The mortality rates for ages 0 through 14 are from the 1965-1970 Select Basic Tables published on pages 202 and 203 of the Transactions of the Society of Actuaries Publication Year 1974, Number 3, 1973 Reports of Mortality and Morbidity Experience. The mortality rates for ages 15 and above are from the Ultimate Basic Tables, Males Lives (1957-1960 Experience), Female Lives (1957-1960 Experience) published on page 48 of the Transactions of the Society of Actuaries, Publication Year 1963, Number 2 1962 Reports of Mortality and Morbidity Experience.

(9) PENALTY. Violations of this rule shall subject the violator to section 601.64, State.

(10) SEPARABILITY. If any provision of this rule shall be held invalid, the remainder of the rule shall not be affected thereby.

PRELIMINARY POLICY SUMMARY

IMPORTANT: Many people think all life insurance policies cost about the same. They don't. The cost of similar policies varies sharply. You can save many hundreds or even thousands of dollars by choosing a low-cost policy. To find out how this particular policy ranks, compare its Cost Index (found below) to the range of cost indexes for similar policies. For further information on cost comparison and examples of the range of cost indexes for a number of policies, see pages 4-8 in the Wisconsin Buyer's Guide to Life Insurance which you should have received with this policy summary.

Name and Address of Company: _____

Type and Name of Policy: _____

Face Amount at Time of Issue: _____ Policyholder's Sex and Age at Issue: _____

YEARLY PREMIUM: _____

This is the amount of cash you'll have to spend each year to keep the policy in force. Be sure you can afford it.

COST INDEX:

To find a low-cost policy, look at the policy's Surrender Cost Index, not its premium. Then compare that index number with the figure for other similar policies. Premiums only measure what you pay for a policy. The benefits you receive from policies with similar premiums vary widely. The Surrender Cost Index takes premiums, cash values, dividends (if any) and interest into consideration. In doing so, it provides a more complete measure of the cost of similar life insurance policies. The lower the Surrender Cost Index, the lower the policy's cost to you.

10 Years20 Years**SURRENDER COST INDEX (Per \$1,000 face amount)**

The Surrender Cost Index should only be used to compare the cost of similar policies. Don't use it to compare the cost of a term policy to that of a whole life policy.

RATE OF RETURN:

Under most circumstances, life insurance should not be sold or purchased as "an investment." Cash values build up slowly in the first years of a whole life or an endowment policy, and for the first five or ten years, the rate of return on your money will be minimal. For further information, see the Wisconsin Buyer's Guide to Life Insurance.

Signature of Agent

Date

Address: _____

[This form should be used for whole life and endowment insurance.]

PRELIMINARY POLICY SUMMARY

IMPORTANT: Many people think all life insurance policies cost about the same. They don't. The cost of similar policies varies sharply. You can save many hundreds or even thousands of dollars by choosing a low-cost policy. To find out how this particular policy ranks, compare its Cost Index (found below) to the range of cost indexes for similar policies. For further information on cost comparison and examples of the range of cost indexes for a number of policies, see pages 4-8 in the Wisconsin Buyer's Guide to Life Insurance, which you should have received with this policy summary.

Name and Address of Company: _____

Type and Name of Policy: _____

Policyholder's Sex and Age at Issue: _____

Renewable* Yes _____ No _____

If yes, through what age? _____

Convertible Yes _____ No _____

If yes, through what age? _____

<u>Policy</u> <u>Years</u>	<u>Annual</u> <u>Premium</u>	<u>Guaranteed Amount</u> <u>Payable on Death</u>
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NOTE: Companies (or intermediaries) should enter in this space the annual premium and guaranteed amount payable on death for representative policy years.

COST INDEX:

To find a low-cost term policy, look at the policy's Surrender Cost Index, not just its first-year premium. That's because the premiums for some term policies go up faster than others. In addition, many term policies pay dividends. When they do, that lowers the cost of these policies. The Surrender Cost Index takes both dividends and later-year premiums into consideration and thus gives a better measure of a term policy's cost than the first-year premium alone. The lower the Surrender Cost Index, the lower the policy's cost to you.

10 years

20 years

SURRENDER COST INDEX (per \$1,000 face amount)

The Surrender Cost Index should be used only to compare the cost of similar policies. Don't use it to compare the cost of a term policy to that of a whole life policy.

Signature of Agent _____

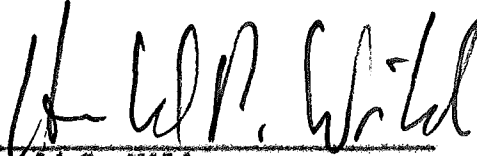
Date _____

Address of Agent: _____

***Renewability:** If you're buying term insurance for long-term needs, make sure your policy is guaranteed renewable through at least age 65. Check above for the age through which this policy can be renewed. For more information, see page 2 of the Wisconsin Buyer's Guide to Life Insurance.

[This form should be used for term insurance.]

Dated at Madison, Wisconsin, this 2nd day of October, 1978.



Harold R. Wilde
Commissioner of Insurance