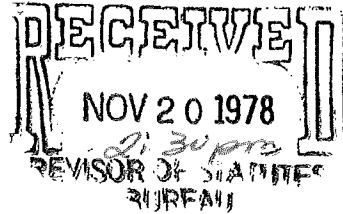


Ins 4



STATE OF WISCONSIN)
)ss.
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 amending a rule regarding the Wisconsin Insurance Plan was issued by this office November 20, 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 20th day of November, 1978.

Harold R. Wilde
Commissioner of Insurance

STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

NOV 20 1978

DOUGLAS FARQUHAR
SECRETARY OF STATE

ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE

Amending Rules

Pursuant to authority vested in the Commissioner of Insurance by section 601.41 (3), Wis. Stats., the Commissioner of Insurance hereby amends a rule as follows:

Section Ins 4.10 (6) is amended to read:

(6) ADMINISTRATION. (a) This Plan shall be administered by a governing committee, subject to the supervision of the commissioner, and operated by a manager appointed by the governing committee.

(b) The governing committee shall consist of 9 14 members, each of whom shall serve for a period of one year or until a successor is elected or designated. Each shall have one vote.

1. The following associations shall appoint or elect:

American Insurance Association - one member
American Mutual Insurance Alliance of American Insurers - one member
National Association of Independent Insurers - one member
Wisconsin Insurance Alliance - three members

2. All other insurers not members of the associations in subparagraph 1 shall elect one member by weighted votes based on each insurer's weighted premiums written.

3. The commissioner shall appoint members to represent:

Stock agents - one member
Mutual agents - one member
Consumers and other persons not affiliated in any way with the insurance industry - five members

4. Not more than one insurer in a group under the same management or ownership shall serve on the governing committee at the same time.

Nominees for individuals to serve as consumer members and as representatives of other persons not affiliated in any way with the insurance industry shall be sought from community groups, local agencies, and from the other members of the governing committee.

STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

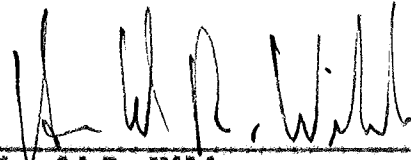
NOV 20 1978

CLAUDE J. PAROLLETTE
SECRETARY OF STATE

Ins. 4.10 (23) is amended to read:

(23) EFFECTIVE DATE. The changes in the composition of the governing committee authorized by subsection (6) shall become effective January 1, 1979.

Dated at Madison, Wisconsin, this 20th day of November, 1978.

A handwritten signature in cursive script, appearing to read "H. R. Wilde", written over a horizontal line.

Harold R. Wilde
Commissioner of Insurance

**WISCONSIN BUYER'S GUIDE
TO
LIFE INSURANCE**

**Office of the Commissioner of
Insurance
123 West Washington Avenue
Madison, Wisconsin 53702
1979**

BUYING LIFE INSURANCE

When you buy life insurance, you want a policy which fits your needs without costing too much. Your first step is to decide how much you need, how much you can afford to pay and the kind of policy you want. Then, find out what various companies charge for that kind of policy. You can find important differences in the cost of life insurance by using the life insurance cost indexes which are described in this guide.

IMPORTANT:

Shopping around for life insurance can mean big savings for you. The difference between two policies offering the exact same amount of protection may add up to thousands of dollars over a period of years.

Unfortunately, it is not always easy to rate or compare policies. Premiums alone may tell you little or nothing about the actual cost of a policy. That's why the Wisconsin Office of the Commissioner of Insurance prepared this guide — and requires all life insurance agents to provide it to their customers prior to any sale. It is designed to help you make comparisons that may save you a considerable amount of money.

See pages 5-11 for specific details on life insurance cost comparison — and examples of cost figures on various types of policies. If you have time to read nothing else in this guide take a look at these pages first.

This guide has been prepared by the Wisconsin Office of the Commissioner of Insurance, in part using materials developed by the National Association of Insurance Commissioners.

This guide does not endorse any company or policy. It is designed to meet the needs of most consumers. Individuals with complicated or unusual financial situations are advised to seek professional advice.

If you have any questions about any of the material in this guide, a good agent or company should be willing to go over it with you.

A Note On Group Life Insurance

Life insurance can be purchased either as an individual or as a member of a group. Group coverage through an employer or employee group is generally less expensive than policies bought on an individual basis, because the administrative costs are low and because employers often contribute toward the premium. If you are eligible for such coverage, check it out carefully. It may be the easiest and least costly way to meet your basic life insurance needs.

If you are going to make a good choice when you buy life insurance, you need to understand what kinds are available. If one kind does not seem to fit your needs, ask about the other kinds which are described in this guide. If you feel that you need more information than is given here, you may want to check the many books and pamphlets on life insurance in your public library. Every library in Wisconsin should have basic information on life insurance cost comparison readily available.

CHOOSING THE AMOUNT

One way to decide how much life insurance you need is to figure how much cash and income your dependents would need if you were to die. You should think of life insurance as a source of cash needed for expenses of final illnesses, paying taxes, mortgages or other debts. It can also provide income for your family's living expenses, educational costs and other future expenses. Your new policy should come as close as you can afford to making up the difference between (1) what your dependents would have if you were to die now, and (2) what they would actually need.

It is important to reassess your life insurance program frequently. Needs will probably be greater if there is only one wage-earner in the family than if there are two people with substantial earning capacity. More protection will be required when your children are young than when they are older. A person with several dependents usually will need more insurance than a person with few.

CHOOSING THE RIGHT KIND

All life insurance policies agree to pay an amount of money if you die. But all policies are not the same. There are three basic kinds of life insurance

1. Term insurance
2. Whole life insurance
3. Endowment insurance

In recent years, various life insurance products have been developed which are "hybrids" of these basic types. Remember, no matter how fancy the policy title or sales presentation might appear, all life insurance policies contain one or more of the three basic kinds. If you are confused about a policy that sounds complicated, ask the agent or company how it combines the various kinds of life insurance, and what the advantages and disadvantages of this combination are. (One possible disadvantage is that it may sometimes make meaningful cost comparison difficult.) The following is a brief description of the three basic kinds:

Term Insurance

Term insurance, as the name implies, insures your life for a specific period of time, such as one year, five years or ten years. Death benefits will be paid only if you die within that term of years. Term insurance generally provides the largest immediate death protection for your premium dollar.

Term insurance policies are usually "renewable" for one or more additional terms, even if your health has changed. Each time you renew the policy for a new term, premiums will be higher, to reflect the higher likelihood of a person dying as he or she grows older. For "annually renewable term," this means that your premiums will increase every year; for "10 year renewable term," every ten years. (One form of term insurance, "term to 65," has only one "term," so annual premiums are level.) Since not all term policies are renewable, be sure to check on this feature before buying.

Term Insurance and "Death Protection"

People purchase term insurance to maximize the amount of death protection they can obtain for their beneficiaries for a given sum of money. How this works can best be seen using an example, based on the actual rates of a company offering various kinds of life insurance.

For \$200, a 35 year old male could obtain:

Type of Policy	Premium	Death Protection
Term (annually renewable)	\$200	\$77,200
Term (to 65)	200	19,500
Whole life	200	10,900
Endowment (at 65)	200	7,200

For this one year and age, the man could get ten times as much death protection for his money purchasing annually renewable term instead of endowment insurance.

Term insurance is sometimes sold as "decreasing term." This means that you start out with a set amount of insurance which decreases over time. Instead of the premiums increasing as you get older, the coverage decreases. It is this type of policy which is often used to protect a long-term decreasing debt, such as a mortgage.

Some term insurance policies are also "convertible." This means that before the end of the conversion period, you may trade the term policy for a whole life or endowment insurance policy even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Whole Life Insurance

Whole life insurance is designed to give death protection for as long as you live. The most common type is called "straight life" or "ordinary life" insurance, for which you pay the same premiums for as long as you live. Whole life premiums start out at a higher level than term insurance for an equivalent amount of insurance protection, but they do not increase with age; they remain level throughout the payment period. The "extra" payments made in the early years of the policy accumulate in the form of "cash values," which must be returned if a policy is surrendered, and may be borrowed while a policy is in force. At death any amount which has been borrowed (plus interest) is subtracted from the face value of the policy.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter period.

Whole Life as "An Investment"

Whole life insurance and other forms of life insurance which build up cash values are sometimes sold by companies and agents as "an investment," because of the cash value feature. They shouldn't be — and probably couldn't be, if the cash value "yield" of most policies was properly understood. Cash values are very low in the first years of the policy, and for the first five or ten years the rate of return on your money may actually be negative. This is a major reason that you should not contemplate purchasing a whole life policy (or any cash value policy) unless you intend to hang onto it for at least ten years, and preferably longer.

Endowment Insurance

An endowment insurance policy pays a sum of money or an income to you - the policyholder - if you live to a certain age. If you were to die before then, the death benefit would be paid to your beneficiary. Premiums and cash values for endowment insurance are higher than for the same amount of whole life insurance. Thus endowment insurance gives you the least amount of death protection for your premium dollar.

SOME WORDS OF CAUTION

Don't buy a life insurance policy unless you are sure that it's the type of policy you want and that you can afford the premiums. Few people plan to drop their whole life policies soon after buying them. Yet about one in five new policyholders do just that. (This may be especially true of young people who are talked into buying expensive policies when in college, before they have an accurate understanding of either their insurance needs or their financial capacity.)

There are many varieties of life insurance currently being marketed as part of "packages" which combine elements of term and whole life insurance, and annuities or an investment "side fund." An annuity is a long-term investment, generally used to provide retirement income. A "side fund" is a savings device used in some policies (called "deposit term") to provide a strong incentive for policyholders to stay with their term policies for a specified period — such as ten years. Early surrender of these policies can be extremely costly.

When considering purchase of a policy or "package" combining elements of life insurance, annuity, or "side funds," you should ask for the guaranteed rate of return on all the premiums which you pay, not just on the amounts which are left after insurance expenses (such as agent commissions) are deducted. You should carefully investigate claims made as to tax advantages and implications. While some "new" products may be a significant improvement over insurance you have purchased in the past (particularly if that insurance policy's cash value has a low rate of return), others may be designed to fall into the cracks between insurance and securities, and not be regulated adequately by any government agency.

It is a good idea to seek financial advice from several competing sources before making a major investment or insurance decision.

BEFORE ANY AGENT SELLS YOU A LIFE INSURANCE POLICY IN WISCONSIN, HE OR SHE MUST PROVIDE YOU WITH THE SURRENDER COST INDEX FIGURE FOR THAT POLICY AT 10 AND 20 YEARS. TO SEE HOW THAT POLICY RANKS, YOU SHOULD THEN COMPARE THAT FIGURE WITH THOSE FOR SIMILAR POLICIES FROM OTHER COMPANIES.

How Do I Use This Cost Index?

THE MOST IMPORTANT THING TO REMEMBER WHEN USING THE SURRENDER COST INDEX IS THAT A SMALL NUMBER IS GENERALLY A BETTER BUY THAN A COMPARABLE POLICY WITH A LARGER INDEX NUMBER.

To see how this works, let's look at an example. On the next page there is a table giving illustrations of the range of surrender cost indexes for four commonly sold policies, both participating ("par") and non-participating ("non-par"): (The figures given are for females; the male figures would be generally a little higher.) The graph on the top of the page uses one set of figures from the table: the 20 year surrender cost indexes for \$25,000 non-participating whole life policies sold to females at ages 20, 35 and 50.

The purpose of the graph is to illustrate the wide range of cost differences on just one life insurance policy. To emphasize the importance of comparative shopping, it may be useful to give that range of cost indexes a more concrete meaning. Using reasonable assumptions about the time value of money, the money saved between the lowest cost policy (A) and the highest cost policy (B), if purchased at age 20 and surrendered at age 40, would be approximately \$1,500; if the policy were purchased at age 35 and surrendered at age 55, the savings would be approximately \$2,400.

**THE RANGE OF SURRENDER COST INDEXES:
AN ILLUSTRATION**
20 Year Surrender Cost Index
Female Non-participating Whole Life \$25,000

Index Nos.	High Cost	Low Cost
25-		• B (21.63)
15-		
10-	• B (9.21)	• A (10.70)
5-	• B (5.57)	• A (4.25)
0-	• A (2.35)	

Age	20	25	35	40	45	50	55
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LIFE INSURANCE COST COMPARISON
Surrender Cost Index - Female

Policy Type	Size	Range of Values	Age 20		Age 35		Age 50	
			10 Yr	20 Yr	10 Yr	20 Yr	10 Yr	20 Yr
Non-Participating	Whole Life \$10,000	Low	4.03	3.66	5.32	5.23	9.86	13.21
		High	7.30	6.55	9.59	10.07	20.04	22.09
	Whole Life \$25,000	Low	2.03	2.35	2.73	4.25	6.40	10.70
		High	6.13	5.57	8.93	9.21	21.19	21.63
	Term** \$25,000	Low	2.95	3.01	3.50	4.72	9.97	14.98
		High	5.84	5.89	6.53	7.86	16.90	20.13
Term** \$50,000	Low	2.33	2.36	2.85	4.07	9.32	14.33	
	High	5.24	5.29	5.99	7.26	16.70	21.90	
Participating	Whole Life \$10,000	Low	1.27	.79	2.55	1.46	4.39	3.94
		High	7.87	5.42	9.25	7.59	16.49	16.95
	Whole Life \$25,000	Low	2.62	.96	2.00	.32	4.02	2.80
		High	6.79	4.21	8.35	8.31	15.56	24.63
	Term** \$25,000	Low	1.78	1.78	2.45	3.20	6.99	9.91
		High	3.75	3.78	5.04	6.73	13.78	19.21
Term** \$50,000	Low	1.38	1.40	2.07	2.81	6.61	9.53	
	High	3.59	3.48	4.78	5.68	12.70	18.97	

* The figures in the table are for illustrative purposes only. Policies with low index numbers may not always be available to all consumers because of underwriting restrictions. Most of the surrender cost data is taken from the Consumers Shopping Guide for Life Insurance, New York, 1977. Wisconsin figures may be somewhat different (e.g., because of differences in the maximum effective annual loan rate) but the ranges will be similar. The interest assumption used in computing surrender cost index data in Wisconsin is 5%. All values are per \$1,000 face amount.

** 5-year renewable and convertible.

The ranges of surrender cost indexes shown on the table only apply to the particular policies and ages given. The easiest way to find out if the particular policy you are considering is low or high is to call up a number of competing companies and ask for the 10 and 20 year surrender cost index figures (at your age) for their comparable policy — or look up these figures in the library. As you do this, you should also keep in mind the following rules:

1. Cost comparisons should only be made between similar plans of life insurance. Similar plans are those which provide essentially the same basic benefits and require premium payments for approximately the same period of time. The closer policies are to being identical, the more reliable the cost comparison will be.
2. Compare index numbers only for the kind of policy, for your age and for the amount you intend to buy. Since no one company offers the lowest cost for all types of insurance at all ages and for all amounts of insurance, it is important that you get the indexes for the actual policy, age and amount which you intend to buy.
3. Small differences in index numbers could be offset by other policy features, or differences in the quality of service you may expect from the company or its agent.
4. In any event, you will need other information on which to base your purchase decision. Be sure you can afford the premiums, and that you understand the policy's cash values, dividends and death benefits. You should also make a judgment on how well the life insurance company or agent will provide service in the future, to you as a policyholder.
5. This life insurance cost index is not designed for the purpose of determining whether you should drop a policy you have already owned for awhile, in favor of a new one. If such a replacement is suggested, you should ask for information from the company which issued the old policy before you take action.

Other Useful Cost Indexes

In addition to the surrender cost index, experts on insurance have developed other cost indexes which may be helpful in comparing various life insurance products. Insurers which provide these index figures must do so in accordance with standards set by the Insurance Commissioner.

Life Insurance Net Payment Cost Index. This index is useful if your main concern is the benefits that are to be paid at your death and if you compare costs at some future point in time, such as 10 or 20 years, if you continue paying premiums on your policy and do not take its cash value. A lower index indicates a lower cost.

The Equivalent Level Annual Dividend. This figure shows the part dividends play in determining the surrender cost index or the net payment cost index of a particular policy. Adding a policy's equivalent Level Annual Dividend to its surrender cost index or its net payment cost index allows you to compare total costs of similar policies before deducting dividends.

Average Annual Rate of Return Index. This index gives an approximation of the rate of return on the cash value element of a whole life policy. Because it does not lead to a significantly different ranking of policies from the surrender cost index, insurers are not currently required to provide this information to consumers. In the future, however, companies will be required to compute rate of return index figures on various policies sold in Wisconsin. If any agent or company attempts to sell you a whole life policy by emphasizing its investment or savings element, you should ask to see its 10 and 20 year rate of return, using this index, so that you can compare the policy's "yield" with the after tax return of alternate, "safe" investments (such as the interest you would earn on your money in a savings institution). Under most circumstances, life insurance should not be sold or purchased as an investment. The rate of return index provides you with important information necessary to make this determination for yourself.

IMPORTANT THINGS TO KEEP IN MIND

1. **BUY ONLY WHAT YOU CAN AFFORD.** If you drop your whole life policy within the first 10 years because the premiums turn out to be more than you can afford, you will lose a substantial amount of the money you have paid in.
2. **GROUP INSURANCE.** If you have access to good group term insurance, take advantage of it.
3. **TRY NOT TO LEAVE YOURSELF UNDERINSURED.** Remember, during your younger years, when your needs are generally greatest, term insurance may provide you with many times as much insurance protection for your premium dollars as whole life or endowment.

4. **SHOP AROUND.** Many people think all policies cost about the same. They don't. Before you buy a life insurance policy, always check to see if it has a low surrender cost index. To determine whether a policy is high, medium or low cost, compared to other similar policies available in Wisconsin, check the life insurance cost comparison information on file at your local public library, call up competing companies and get their policy costs and indexes; or, if you need further assistance, contact the Wisconsin Insurance Commissioner's Office.

5. **COMPARE POLICIES, NOT COMPANIES.** Policyholders should look at the indexes for the particular policy which they intend to purchase. Companies vary and the company with the lowest indexes for one policy will not necessarily have the lowest indexes for all policies.

6. **REASSESS YOUR LIFE INSURANCE NEEDS FREQUENTLY.** Your life insurance needs will change as the number of your dependents and your income changes.

7. **SHOP FOR A GOOD AGENT AS WELL AS A GOOD POLICY.** You can't over estimate the value of an honest, well-informed agent. Inexperienced agents often lack detailed knowledge about their company's products and don't realize that the costs of similar policies differ markedly from company to company. In addition, because agent commissions are tied to premium size, there is some incentive for unprofessional agents to sell higher cost products where they may not be appropriate. So shop around. Talk to two or three agents including agents who represent several companies. Compare the advice each one gives you and the indexes of the policies each one recommends.

8. **BE VERY CAREFUL ABOUT SWITCHING OR REPLACING LIFE INSURANCE POLICIES.** Sometimes an expensive whole life or endowment policy may be providing you with little protection for the money you spend — and a switch to a much higher level of term protection for the same amount of money may make sense. In other cases, switching policies may be a mistake because you will have to pay the heavy first year expenses again, and will lose certain rights you have under the old policy.

9. **LIFE INSURANCE MAY BE ONE OF THE MOST SIGNIFICANT PURCHASES YOU CAN MAKE FOR YOUR FAMILY IN A LIFE TIME.** If you are buying life insurance as "an investment," be sure to check its rate of return. It's definitely worth your time (and money) to read up on life insurance and compare relative value before you make a purchase.

REMEMBER: COMPARISON SHOPPING SAVES MONEY. ANY TIME WHICH IS SPENT INFORMING YOURSELF ABOUT THE DIFFERENT TYPES OF LIFE INSURANCE POLICIES AVAILABLE — AS WELL AS COMPARING THE COSTS OF THESE POLICIES — WILL BE WELL WORTH IT. IF YOU NEED FURTHER ASSISTANCE, YOU MAY WANT TO CONSULT YOUR LOCAL LIBRARY WHICH SHOULD HAVE CURRENT INFORMATION ON COMPARATIVE LIFE INSURANCE PRICES AND INDEXES.

A STATE-WIDE, TOLL-FREE "WISCONSIN LIFE INSURANCE COST DISCLOSURE INFORMATION LINE" MAY BE IN OPERATION IN 1979. CHECK ON IT.

If you cannot get the answers you need from the agent or company, or if you have a specific complaint, contact

The Office of the Commissioner of Insurance
123 West Washington Avenue
Madison, Wisconsin 53702

(608) 266-0103 (If in Milwaukee, call 224-2925)