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STATE OF WISCONSIN  
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VEL PHILLIPS  
SECRETARY OF STATE

STATE OF WISCONSIN )  
OFFICE OF THE COMMISSIONER OF INSURANCE ) ss.

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12:40 PM  
REVISOR OF STATUTES  
BUREAU

*GD*

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Susan Mitchell, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order amending a rule relating to life insurance solicitation requirements was issued by this office November 27, 1979.

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 27th day of November, 1979.

*Susan Mitchell*

Susan Mitchell  
Commissioner of Insurance

ORDER OF THE COMMISSIONER OF INSURANCE

NOV 27 1979

Amending a Rule

Relating to life insurance solicitation requirements.

VEL PHILLIPS  
SECRETARY OF STATE

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ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

The rule is amended to include the Wisconsin Buyer's Guide to Life Insurance as Appendix 3 to make that guide an integral part of the rule. Changes have been made in Appendices 1 and 2, the preliminary policy summaries, to change the statements which the District IV Court of Appeals found to be misleading in directing the Circuit Court for Dane County to enjoin enforcement of portions of existing section Ins 2.14. Editorial changes have also been made in the Buyer's Guide and reference changes have been made in the portion of the rule which refers to the Buyer's Guide and in subsection (6) to change the effective date to make the rule applicable to solicitations which commence on or after February 1, 1980.

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

Section Ins 2.14 (3) (a) is amended to read:

(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. Appendix 3 to this rule contains the current edition of "The Wisconsin Buyer's Guide to Life Insurance." 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).

Section Ins 2.14 (6) is amended to read:

(6) EFFECTIVE DATE. This rule shall apply to all solicitations of life insurance which commence on or after January 1, 1979, except that the requirements of subsection (4) (a) shall apply to solicitations which commence on or after February 1, 1980.

Appendix 1 and Appendix 2 are repealed and recreated and Appendix 3 is adopted to read:

APPENDIX 1

PRELIMINARY POLICY SUMMARY  
WHOLE LIFE

Name and Address of Company: \_\_\_\_\_

Type and Name of Policy: \_\_\_\_\_

Face Amount at Time of Issue: \_\_\_\_\_

Age at Issue: \_\_\_\_\_

ANNUAL PREMIUM \_\_\_\_\_

10 years    20 years

SURRENDER COST INDEX\* \_\_\_\_\_

To find a low cost policy, compare cost index figures, not just premiums. The Surrender Cost Index takes premiums, cash values, dividends (if any) and interest into consideration. A policy with a lower Surrender Cost Index is likely to be a better buy.

Be sure you use the Surrender Cost Index to compare only similar policies. Small differences in the index are probably not significant. Large differences may mean substantial savings. See the Wisconsin Buyer's Guide to Life Insurance for examples.

Name of Agent \_\_\_\_\_ Date \_\_\_\_\_

Address of Agent \_\_\_\_\_

\* The Surrender Cost Index assumes that the policy is surrendered for its cash value 10 or 20 years in the future. Death prior to these surrender dates may alter the cost comparisons. Figures for participating policies are based on illustrated dividends which are not guaranteed.

The Wisconsin Commissioner of Insurance requires an agent to complete this form when he or she takes an application.

APPENDIX 2

PRELIMINARY POLICY SUMMARY  
TERM INSURANCE

Name and Address of Company: \_\_\_\_\_

Type and Name of Policy: \_\_\_\_\_

Age at Issue: \_\_\_\_\_

Renewable: Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, through what age? \_\_\_\_\_

If you're buying term insurance for long-term needs, make sure your policy is guaranteed renewable through at least age 65.

Convertible: Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, through what age? \_\_\_\_\_

<u>Policy Years</u>	<u>Annual Premium</u>	<u>Guaranteed Amount 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.

<u>10 years</u>	<u>20 years</u>
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SURRENDER COST INDEX\*

_____	_____
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First-year premiums can be a good way to compare the costs of term policies. However, policies with the same premium today may have different premiums in the future. Furthermore, if a policy pays dividends, they will help offset the premiums you pay for the policy. In these cases, the Surrender Cost Index gives a better measure of a term policy's cost than the first-year premium alone. A policy with a lower Surrender Cost Index is likely to be a better buy.

Be sure you use the Surrender Cost Index to compare only similar policies. Small differences in the index are probably not significant. Large differences may mean substantial savings. See the Wisconsin Buyer's Guide to Life Insurance for examples.

Name of Agent \_\_\_\_\_ Date \_\_\_\_\_

Address of Agent \_\_\_\_\_

\*The Surrender Cost Index assumes that the policy is surrendered for its cash value 10 or 20 years in the future. Death prior to these surrender dates may alter the cost comparisons. Figures for participating policies are based on illustrated dividends which are not guaranteed.

The Wisconsin Commissioner of Insurance requires an agent to complete this form when he or she takes an application.

## APPENDIX 3

### WISCONSIN BUYER'S GUIDE TO LIFE INSURANCE

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

1980

This guide has been prepared by the Wisconsin Commissioner of Insurance.

This guide does not endorse any company or policy. It is designed to help most consumers buy life insurance. However, individuals with unusual financial situations should seek professional advice.

#### BUYING LIFE INSURANCE

When you buy life insurance, you should look for the least expensive policy which meets your needs. This guide will help you:

- Decide how much life insurance you should buy.
- Choose the type of policy best for you.
- Compare the cost of similar policies issued by different companies.

You also may want to check information on life insurance at your public library. A little extra thought before choosing your life insurance could save you a substantial amount of money.

#### CHOOSING THE AMOUNT

One way to decide how much life insurance you need is to figure how much cash and income your dependents will need when you die. They will need money for living expenses, taxes and debts. They may also need money for educational expenses or other unusual costs. Ideally, your life insurance should equal the difference between your assets and the amount your family will need for these expenses.

You should reassess your life insurance frequently. Needs will be greater if there is only one wage earner in the family. You need more protection when your children are young.

## CHOOSING THE RIGHT KIND

The two basic kinds of life insurance are:

- Term insurance
- Whole life insurance

Some policies combine the two types. If you don't understand a policy, ask the agent or company for an explanation.

### Term insurance

Term insurance provides death protection for a specified period. Death benefits are paid only if you die within that period. People buy term insurance to get the most death protection for their money. For example, suppose a 35 year old man plans to spend \$200 on life insurance this year. Here are the amounts of different kinds of insurance he could buy from a typical company:

<u>Type of Policy</u>	<u>Premium</u>	<u>Death Protection</u>
Term (annually renewable)	\$200	\$77,200
Term (to 65)	200	19,500
Whole life	200	10,900

Some term insurance policies are renewable for added terms even if your health changes. Each time you renew the policy the premiums will be higher. You should check the size of premiums at older ages. You should also find out how long the policy can be renewed.

One kind of term insurance is called decreasing term. The premiums stay the same as you get older, but the amount of coverage decreases. This type of policy is often used to protect a decreasing debt such as a mortgage.

### Whole life insurance

Whole life insurance is intended to give you insurance protection for your lifetime. The most common type is straight life or ordinary life insurance. You pay the same premiums for these policies for as long as you live.

Other types of 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.

An ordinary life policy costs more at first than the same amount of term insurance. However premiums for term insurance will increase with age.

Ordinary life policies accumulate cash values in the early years of the policy which are returned to you if you surrender the policy. You may borrow up to the amount of your cash value. If you do, your benefits will be reduced by that amount.

Whole life insurance is sometimes sold as an investment. It should not be. Very little of your premium will be returned to you if you surrender your policy in the early years. For the first several years the rate of return on the cash value is low. This is why you should not consider any whole life policy unless you intend to keep it for ten years or longer.

#### FINDING A LOW COST POLICY

After you decide which kind of life insurance fits your needs, look for a good buy. The best way to compare similar policies is to use the cost indexes. A POLICY WITH A LOW COST SURRENDER INDEX IS LIKELY TO BE A BETTER BUY.

What are Cost Indexes?

Premiums alone do not always reveal the true cost. Cost is the difference between what you pay and what you get back. Three factors affect the cost: Premiums, dividends, and cash values.

Premiums are the most obvious factor in a policy's cost. You should not buy a policy unless you can afford the premiums.

If the company's investment return, loss experience and expenses are favorable, a portion of your premium is returned as a dividend. Only participating policies pay dividends. When you consider buying a participating policy, you will receive a dividend illustration based on the company's current dividend scale. These future dividends are not guaranteed.

Computing the cost of whole life insurance is difficult. This is because a policyholder will receive one amount of money if the policy is surrendered for its cash value and another amount if he or she dies. Usually people who buy whole life insurance policies intend to keep them but in fact many people surrender the policies early. For this reason, you should consider cash values in determining the cost of a policy.



## The Surrender Cost Index

This index takes into account all three factors discussed above, as well as interest. The surrender cost index compares costs as if you surrendered the policy in the future and took its cash value.

Before anyone sells you a life insurance policy, he or she must give you surrender cost index figures at 10 and 20 years. To see how that policy ranks, you should compare those figures with ones for similar policies from other companies.

Here's how a cost index works. Suppose a woman wants to buy a \$25,000 non-participating whole life policy. The following chart shows possible ranges using the surrender cost indexes for this type of policy.

### \$25,000 Non-Participating Whole Life Cost Comparison\* Surrender Cost Index - Female

	<u>10 year</u>	<u>20 year</u>
Age 25	Low .57 High 8.66	Low 2.10 High 7.96
Age 35	Low 1.43 High 10.66	Low 3.57 High 12.36
Age 45	Low 4.40 High 15.77	Low 7.02 High 23.27

If the woman is 35 years old, a policy with a 10 year surrender cost index close to 1.43 and a 20 year index close to 3.57 is likely to be a better value. If she bought the policy with the 20 year index of 3.57, instead of 12.36, and surrendered it after 20 years, she would save about \$4,300.

If the woman wanted to buy a \$50,000 5-year renewable and convertible term policy, she might find the following ranges of indexes for policies she could buy:

**\$50,000 5-Year Term Cost Comparison\***  
**Surrender Cost Index - Female**

	<u>10 year</u>	<u>20 year</u>
Age 25	Low 1.54 High 7.14	Low 1.60 High 6.87
Age 35	Low 2.07 High 16.37	Low 2.81 High 15.00
Age 45	Low 4.30 High 12.09	Low 6.22 High 17.56

These ranges are quite different from those for the whole life policies. This is why it's important to decide what kind of policy to buy before comparing costs.

To get the most reliable comparisons, keep the following rules in mind:

- Cost comparisons should be made only among similar policies. For example, you should avoid using the surrender cost index to compare term and whole life insurance.
- Compare index numbers only for the type of policy, for your age and for the amount you want. No one company offers the lowest cost for all types of policies.
- Small differences in index numbers may be offset by other policy features or differences in the quality of service.
- This index is not designed to determine whether you should drop a policy you own for a new one. If such a change is suggested, you should ask for information from the company which issued the old policy.

\*The figures in the tables are for illustration only. Policies with low index numbers may not always be available to all customers. The interest assumption used in computing surrender cost index data in Wisconsin is 5%. Surrender cost index figures for participating policies are based on illustrated dividends which are not guaranteed. All values are per \$1,000 face amount. Surrender cost index data were collected in November 1978 from insurance companies on policies sold in Wisconsin.

## Other Useful Indexes

Life Insurance Net Payment Cost Index. This index does not take cash values into account. It is useful if your main concern is the benefits to be paid at your death. As with the surrender cost index, a policy with a lower index figure is likely to be a better buy.

The Equivalent Level Annual Dividend. This index is an average annual dividend, taking the time value of money into account.

Average Annual Rate of Return. This index approximates the rate of return on the cash value of a policy. The higher the index figure, the greater the rate of return. If any agent or company attempts to sell you a whole life policy by emphasizing its investment value, you should ask to see its 10 and 20 year average annual rate of return. Using this index you can compare the policy's "yield" with the after-tax return of other investments.

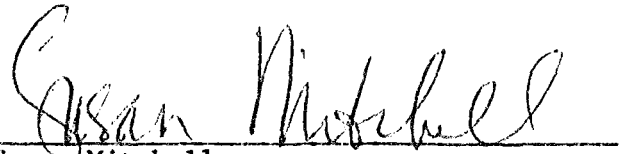
## SHOPPING HINTS

- BUY ONLY WHAT YOU CAN AFFORD. If you drop your whole life policy because the premiums are too high, you will lose a substantial amount of money.
- CONSIDER GROUP INSURANCE. Group coverage through an employer or employee group is generally less expensive than individual policies. If you are eligible for group coverage, take advantage of it.
- TRY NOT TO LEAVE YOURSELF UNDERINSURED. When your needs are greatest, term insurance may provide you with much more protection for your money than whole life.
- SHOP AROUND. Policies vary substantially in cost. Before you buy a policy, check the surrender cost index.
- COMPARE POLICIES AND COMPANIES. The company with the lowest indexes for one policy will not necessarily have the lowest indexes for others.
- LOOK FOR A GOOD AGENT. An honest, well-informed agent will assist you in making the right choice.

- THINK CAREFULLY BEFORE REPLACING YOUR POLICY.  
Sometimes an expensive policy may provide you  
with little protection for the money and a  
switch to term insurance may make sense. In  
other cases, switching policies may be a  
mistake.

REMEMBER: COMPARISON SHOPPING SAVES MONEY. ANY  
TIME YOU SPEND LEARNING ABOUT LIFE INSURANCE  
POLICIES AND COMPARING COSTS WILL BE WORTH IT.

Dated at Madison, Wisconsin this 27th day of November, 1979.

A handwritten signature in cursive script that reads "Susan Mitchell". The signature is written in dark ink and is positioned above a horizontal line.

Susan Mitchell  
Commissioner of Insurance