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STATE OF WISCONSIN
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DOUGLAS LA FOLLETTE
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

To repeal Ins 2.15 (9) (e) and (12); to amend Ins 2.15 (5) (title) (Intro.), (a), (i) and (j), (6) (title) (Intro.), (a), (j) and (k), (7) (title) (Intro.), (a), and (8) (a), (b), and (c); to repeal and recreate Ins 2.15 (4), and Appendix 1 and to create (6) (im) and (in) relating to annuity benefit solicitation.

ANALYSIS PREPARED BY THE COMMISSIONER OF INSURANCE

This rule interprets s. 628.34 (1) and (12) and is authorized by ss. 628.38 and 601.41 (3), Stats. The purpose of this rule is to revise the Wisconsin Buyer's Guide to Annuities which must be given to all prospective purchasers of annuities. This revision is necessary to give consumers up-to-date information on the types of annuities available and the most important features to look for.

This rule is also being amended to change the term "statement of benefit information" to "contract summary" since contract summary is the term used in the buyer's guide.

SECTION 1. Ins 2.15 (4) is repealed and recreated to read:

Ins 2.15 (4) DEFINITIONS. (a) "Contract Summary" means a written statement to be provided to the buyer at the time of contract delivery describing the elements of the annuity contract or deposit fund in the manner set out in sub. (6).

(b) "Preliminary Contract Summary" means a written statement to be provided to the buyer prior to sale which describes the elements of the annuity contract or deposit fund in the manner set out in sub. (5).

(c) "Wisconsin Buyer's Guide to Annuities" means the document which contains, and is limited to, the language set forth in Appendix I to this section.

(d) "Yields" means those effective annual interest rates at which the accumulation of 100% of all gross considerations would be equal to the guaranteed and illustrative cash surrender values at the points specified. For contracts without surrender values the yields shall be figured on the basis of the contract values used to determine annuity payments at the points specified.

SECTION 2. Ins 2.15 (5) (Intro.), (a), (i) and (j), (6) (Intro.), (a), (j) and (k), (7) (Intro.), (a) and (8) (a), (b) and (c) are amended to read:

(5) ~~PRELIMINARY-STATEMENT-OF-BENEFIT-INFORMATION~~ PRELIMINARY CONTRACT SUMMARY. The ~~Preliminary-Statement-of-Benefit-information~~ Preliminary Contract Summary shall include:

(a) A prominently placed title, ~~PRELIMINARY-STATEMENT-OF-BENEFIT INFORMATION~~ PRELIMINARY CONTRACT SUMMARY, followed by an identification of the arrangement to which the statement applies;

(i) In the event any sales promotion literature or oral representation illustrates values or annuity payments which are based on dividends, excess interest credits, or current annuity rates, then the ~~Preliminary-Statement-of-Benefit-Information~~ Preliminary Contract Summary shall contain a statement that such dividends, excess interest credits, and current annuity purchase rates are not guaranteed and that any corresponding

values and annuity amounts are illustrations only and are not guaranteed;

(j) A statement that the insurer shall provide the prospective customer a Statement-of-Benefit-Information Contract Summary upon request.

(6) STATEMENT-OF-BENEFIT-INFORMATION CONTRACT SUMMARY. The Statement of-Benefit-Information Contract Summary shall include:

(a) A prominently placed title, STATEMENT-OF-BENEFIT-INFORMATION CONTRACT SUMMARY, followed by an identification of the arrangement to which the statement applies;

(j) For a Statement-of-Benefit-Information Contract Summary which includes values based on the current dividend scale or the current dividend accumulation or excess interest rate, a statement that such values are illustrations and are not guaranteed;

(k) The date on which the Statement-of-Benefit-Information Contract Summary is prepared.

(7) PREPARATION-OF-PRELIMINARY-STATEMENT-OF-BENEFIT-INFORMATION-AND STATEMENT-OF-BENEFIT-INFORMATION- PREPARATION OF PRELIMINARY CONTRACT SUMMARY AND CONTRACT SUMMARY. The following must be considered in preparing the Preliminary Statement-of-Benefit-Information Contract Summary and the Statement-of-Benefit-Information Contract Summary:

(a) The Preliminary Statement-of-Benefit-Information Contract Summary and the Statement-of-Benefit-Information Contract Summary must be separate documents;

(8) DISCLOSURE REQUIREMENTS. (a) The insurer and its intermediaries shall provide, to all prospective purchasers of any contract or arrangement subject to this section, a copy of the current edition of the Wisconsin Buyer's Guide to Annuities and a properly filled-out completed Preliminary Statement-of-Benefit-Information Contract Summary or Statement-of-Benefit

(6) CONTRACT SUMMARY. The Statement-of-Benefit-Information Contract Summary shall include:

(a) A prominently placed title, STATEMENT-OF-BENEFIT-INFORMATION CONTRACT SUMMARY, followed by an identification of the arrangement to which the statement applies;

(j) For a Statement-of-Benefit-Information Contract Summary which includes values based on the current dividend scale or the current dividend accumulation or excess interest rate, a statement that such values are illustrations and are not guaranteed;

(k) The date on which the Statement-of-Benefit-Information Contract Summary is prepared.

(7) PREPARATION OF PRELIMINARY CONTRACT SUMMARY AND CONTRACT SUMMARY. The following must be considered in preparing the Preliminary Statement-of-Benefit-Information Contract Summary and the Statement-of-Benefit-Information Contract Summary:

(a) The Preliminary Statement-of-Benefit-Information Contract Summary and the Statement-of-Benefit-Information Contract Summary must be separate documents;

(8) DISCLOSURE REQUIREMENTS. (a) The insurer and its intermediaries shall provide, to all prospective purchasers of any contract or arrangement subject to this section, a copy of the current edition of the Wisconsin Buyer's Guide to Annuities and a properly filled-out completed Preliminary Statement-of-Benefit-Information Contract Summary or Statement-of-Benefit-Information Contract Summary prior to accepting the applicant's initial consideration for the annuity contract, or in the case of a rider or provision prior to acceptance of the applicant's initial consideration for the associated insurance policy or annuity contract. Insurers which do not market

contracts through an intermediary may provide the ~~Preliminary Statement of Benefit Information, the Statement of Benefit Information~~ Contract Summary, and the Wisconsin Buyer's Guide to Annuities at the point of contract delivery so long as provided they:

1. Guarantee to the contractholder the right to return the contract for a full refund of premium any time during a 30 day period commencing on the date such contractholder receives the ~~Statement of Benefit Information~~ Contract Summary and the Wisconsin Buyer's Guide to Annuities;

2. Alert the prospective contractholder, in advertisements or direct mail solicitations, of his or her right to obtain a copy of the Wisconsin Buyer's Guide to Annuities and a ~~Preliminary Statement of Benefit Information~~ Contract Summary prior to the sale.

(b) The insurer and its intermediaries shall provide a ~~Statement of Benefit Information~~ Contract Summary upon delivery of the contract, if it has not been delivered beforehand;

(c) The insurer and its intermediaries shall provide a Wisconsin Buyer's Guide to Annuities and a ~~Statement of Benefit Information~~ Contract Summary to individual prospective purchasers upon reasonable request;

SECTION 3. Ins 2.15 (6) (im) and (in) are created to read:

(im) If the annuity payments have not yet commenced, the yield on gross considerations at the end of 10 years and at the scheduled commencement of annuity payments. For contracts without surrender values, only the yield at the scheduled commencement of annuity payments need be shown. The yield shall be figured on the basis of the contract value used to determine the annuity payments. These yield figures shall be shown on a guaranteed basis and, if current annuity payments or cash surrender values are shown, on an illustrative basis also.

(in) A statement of the interest rates used in calculating the guaranteed and illustrative contract or fund values.

SECTION 4. Ins 2.15 (9) (e) is repealed.

SECTION 5. Ins 2.15 (12) is repealed.

SECTION 6. Appendix 1 is repealed and recreated to read:

WISCONSIN BUYER'S GUIDE TO ANNUITIES

WHAT IS AN ANNUITY?

An annuity contract is a written contract between you and a life insurance company. In return for your premiums, the company will pay you an annuity which is a series of payments made at regular intervals. An annuity contract is not a life insurance policy or a health insurance policy. It is not a savings account or savings certificate and it should not be bought for short term purposes.

- AN ANNUITY IS NOT "RISK FREE" OR "GUARANTEED SAFE." IT IS ONLY AS SOUND AS THE INSURANCE COMPANY WHICH ISSUES IT.
- IF YOU TAKE YOUR MONEY OUT AFTER A SHORT, TIME PENALTY PROVISIONS OF MANY CONTRACTS MEAN THAT YOU MAY GET BACK LESS THAN YOU PUT IN.

TYPES OF ANNUITY CONTRACTS

Annuity contracts vary in a number of ways. The following are some of the more important ways:

WHEN BENEFITS ARE RECEIVED

- Annuities may be either immediate or deferred. Immediate annuities provide income payments that start shortly after you pay the premium. Deferred annuities provide income payments that start at a later date. The main reason for buying an immediate annuity is to obtain an immediate income, most frequently for retirement purposes. The main reason for buying a deferred annuity is to accumulate money on a tax-deferred basis, which can then provide an income at a later date.

HOW PREMIUMS ARE PAID

- Annuities may be either single premium or installment premium. Single premium contracts require you to pay the company only one premium. Installment premium contracts are designed for a series of premiums. Most of these are flexible premium contracts. You pay as much as you wish whenever you wish, within specified limits. Some are scheduled premium contracts that specify the size and frequency of your premiums.

FIXED OR VARIABLE

- Annuities may be fixed, variable, or a combination of both. During the deferred period of a fixed annuity contract, interest is paid on the accumulated premiums (minus charges) at a rate set by the company. The amount of each annuity payment is determined when payments begin. During the deferred period of a variable annuity, interest is paid on the accumulated premiums (minus charges) at a rate that varies with the performance of a specified pool of investments. The amount of each annuity payment also varies with the performance of the pool. Combination annuities allow you to put part of your premium in a fixed annuity and part in a variable annuity.

ANNUITY CONTRACT FEATURES

The value of your annuity consists of the premiums you have paid, less charges, plus interest credited. This value is used to calculate the amount of benefits that you will receive. Charges, interest, surrender rights, and benefits are explained below.

CHARGES

There are many types and amounts of charges. Companies may refer to these charges by different names. Some annuities are "front loaded", which means that most of the costs to the company are charged to you in the beginning. Some are "back loaded", which means that most of these costs are charged to you later on. Other spread their charges evenly throughout the life of the annuity. Some charges will be fixed by the contract while some may be changed by the company from time to time.

Before buying an annuity you should know all of the charges that you will pay and when you will pay them. Also, you should understand how these charges might affect the actual amount of money that will accumulate from your premium payments. A typical contract might contain one or more of the following types of charges:

- Percentage of Premium Charge. This charge, often called a "load," is deducted from each premium before any interest is added. The percentage may reduce after the contract has been in force for a certain number of years or after the total premiums paid have reached a certain level.
- Contract Fee. This is a flat dollar amount charged either once at the time of issue, or charged once each year.
- Transaction Fee. This is a fixed charge per premium payment or other transaction.
- Surrender Charge. This charge is usually a percentage of the value of the contract or of premiums paid. The percentage may be reduced or eliminated after the contract has been in force for a certain number of years. Sometimes the charge is a reduction in the interest rate credited. Sometimes the charge is eliminated if the interest rate declared by the company falls below a certain level.

INTEREST

The interest rate used to accumulate contract values may never be less than the guaranteed rate stated in the contract. In practice, the interest rate actually used by a company, usually referred to as the "current" rate, is often higher. The company may change the current rate from time to time, but it cannot be lower than the guaranteed rate. Companies differ substantially in their methods of determining the current rate.

SURRENDER RIGHTS

Most annuities allow you to surrender your contract if income payments have not yet started. Upon surrender, the contract terminates. The surrender value is equal to your contract value less the surrender charge, if any. This amount could be less than you paid in.

Many annuities also provide that you may withdraw a portion of your contract value, under certain conditions, without terminating the contract. A charge may be deducted from the amount withdrawn. This charge is usually a percentage of either the accumulated value of the contract, the premiums paid or the portion withdrawn.

There may be certain tax penalties for early surrenders. Be sure you understand any tax implications before surrendering an annuity contract.

BENEFITS

Annuity contracts provide a number of benefits. While the annuity income benefit is the primary one, other benefits are also important. Some of the more important ones are described below:

Annuity Income Benefit

Income payments are usually made monthly, although other frequencies are available. The amount of the annuity payments is based on both the value of the contract and the contract's "benefit rate" when the first payment is made. The benefit rate depends on your age, sex, and the specific features of the annuity you chose.

Annuity contracts contain a table of guaranteed benefit rates. Most companies periodically develop "current" benefit rates as well. These rates are subject to change by the company at any time. When annuity payments begin, the company will determine the amount of each payment according to the current benefit rates then in effect. If the guaranteed benefit rates would provide higher income payments, those rates will be used. Once payments begin, they are unaffected by any future benefit rate changes.

The most commonly available annuity income benefits are:

- Straight Life. The annuity is paid as long as you are alive. There are no further payments to anyone after your death.

- Life With Period Certain. The annuity is paid as long as you are alive. If you die before the end of the period referred to as the "certain period," the annuity will be paid to your beneficiary for the rest of that period. Typical certain periods are 10 or 20 years.
- Joint and Survivor. The annuity is paid as long as either you or another named annuitant is still alive. In some variations, the annuity is decreased after the first death. A period certain may also be available with this form.

Death Benefit

Most contracts provide that, if you die before the annuity payments start, the contract value will be paid to your beneficiary. Some contracts provide that the death benefit will be the total premiums paid if that amount is greater than the value of the contract at death.

Waiver of Premium Benefit

Some companies offer a benefit which will pay premiums for you if you become disabled. A charge is made for this benefit.

HOW MUCH SHOULD I BUY?

Before buying, ask yourself these questions:

1. How much annuity income will I need in addition to social security, pension savings and investments?
2. Will I need an income only for myself or also for someone else?
3. How much can I afford to pay in premiums?
4. How will the annuity contract fit in with my total financial planning?

HOW TO BUY AN ANNUITY

Buying an annuity contract is a major financial decision which should be considered carefully. The prospective purchaser of an annuity contract should consider the offerings of as many different companies and agents as possible.

CONTRACT SUMMARY

In addition to receiving this Buyer's Guide, you must receive either a Preliminary Contract Summary or a Contract Summary prior to the time you pay the initial premium. If you did not receive a Contract Summary with this Buyer's Guide, you must receive one when the contract is delivered or you can ask for one now. You should review the contract summary thoroughly.

Accumulated values and surrender values under the contract are illustrated for various years on this summary. During the first few years, these values may be less than premiums paid. This is why an annuity contract should not be purchased for short term purposes.

Also illustrated are the yields on gross premiums at specified times. Yields takes into account not only the interest credited under the contract, but also the effect of all charges. The yield on gross premiums is a figure you can use to compare annuity contracts. Be careful in comparing this yield with yields available on other investments. The tax treatment of annuity earnings is usually substantially different from that of earnings from other investments.

One reason for buying an annuity contract is to obtain an income, so you should review the life income figures.

Values and income figures may be shown on both a "guaranteed" and an "illustrated" basis. The guaranteed basis shows the minimum values and income which would be paid under the contract. The "illustrated" basis shows the values and income which would be paid if the current interest and benefit rates were to continue in effect. Since it is impossible to predict future interest and benefit rates, you will have to decide whether to rely on any illustrated basis values when making your purchase decision.

OTHER POINTS TO CONSIDER

Be certain you understand all charges that will be made and how they may reduce the value of the annuity.

Be certain you can afford the premium payments.

Check whether the annuity contract allows you to change the amount and frequency of your premium payments. Find out what happens if you stop paying premiums.

You may want to obtain and compare Contract Summaries for similar contracts from several companies. Comparing these should help you in your selection.

If you are buying an annuity contract for an Individual Retirement Account (IRA) or another tax deferred retirement program, make sure that you are eligible. Make sure that you understand any restrictions and tax implications connected with the program.

If you are shown a presentation which illustrates tax savings, be sure the assumptions, such as the tax bracket, apply in your case.

Some companies offer deposit fund arrangements with their life insurance policies or annuity contracts. These arrangements allow you to pay amounts in addition to your premiums that will be accumulated at interest in much the same way as under a deferred fixed annuity contract.

READ THE CONTRACT

When you receive your new annuity contract read it carefully. Ask the agent or the company for an explanation of anything you do not understand.

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

Office of the Commissioner of Insurance
123 West Washington Avenue

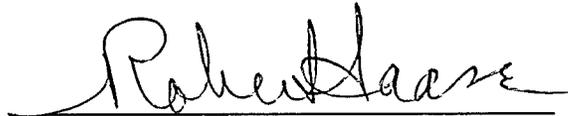
Mailing Address
P. O. Box 7873
Madison WI 53707-7873

Phone: (608) 266-0103

This Guide Does Not Endorse Any Company Or Policy

EFFECTIVE DATE. This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22 (2) (Intro.), Stats., and shall first apply to policies issued after October 1, 1987.

Dated at Madison, Wisconsin, this 22 day of May, 1987.



Robert D. Haase
Commissioner of Insurance



The State of Wisconsin
Office of the Commissioner of Insurance

Robert D. Haase
Commissioner
(608) 266-3585

DATE: May 22, 1987
TO: Gary Poulson
FROM: Mary Grossman, Director
Office of Policy Analysis
SUBJECT: Ins 2.15, Clearinghouse No. 87-23

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Enclosed are two copies of an Order of the Commissioner of Insurance amending, repealing and recreating Ins 2.15, Clearinghouse No. 87-23, relating to annuity benefit solicitations.

MG:LH:imk
Enclosure
7929K-2