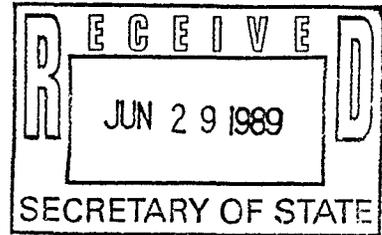


CR 88-207



STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Robert D. Haase, Commissioner of Insurance and custodian of the official records of said Office, do hereby certify that the annexed order creating a rule relating to return of premiums that are less than pro rata unearned premiums and miscellaneous premium prohibitions was issued by this Office on the *29th* day of *June*, 1989.

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 *29th* day of *June*, 1989.

Robert Haase
Robert D. Haase
Commissioner of Insurance

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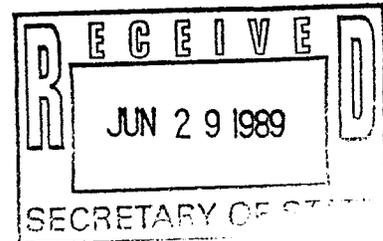
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ORDER OF THE COMMISSIONER OF INSURANCE

CREATING A RULE

To create s. Ins 6.10, relating to return of premiums that are less than pro rata unearned premiums and miscellaneous premium prohibitions.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory authority: ss. 227.11 (2) (a), 601.41 (3) and 628.34 (12), Stats.

Statutes interpreted: ss. 227.10 (1), 601.01 (2), 625.13 (1), 628.34 (1), (3), and (11), 631.20 and 631.36 (2), Stats.

The purpose of this rule is to provide consumers who purchase property and casualty insurance with premium information needed to make an informed decision on whether to purchase a particular insurance product. The rule also protects consumers from a practice related to premiums that the Commissioner finds to be misleading, unfairly discriminatory, or otherwise an unfair insurance trade practice.

Much of the rule deals with the return of premiums that are less than the pro rata unearned premium. Pro rata unearned premium represents that portion of all premium charged a policyholder that corresponds to the number of days in the policy term that have not elapsed or expired.

Insurers sometimes return premium that is less than the pro rata unearned premium when a policyholder cancels his or her policy before its

expiration date. This rule prohibits an insurer from doing so if the insurer initiates cancellation or for a cancellation due to the insured's failure to pay premium.

Insurers must file with the Commissioner any schedule of return premium applicable in the event of policy cancellation wherein the return premium is less than the pro rata unearned premium for that policy form. An insurer who may return a premium which is less than the pro rata unearned premium must clearly and prominently disclose that the insured may pay a substantial penalty for early cancellation.

The Commissioner finds as an unfair trade practice any attempt by the insurer to cancel one policy solely to apply the unearned premium to the balance due on another policy. The rule prohibits this practice.

SECTION 1. Ins 6.10 is created to read:

Ins 6.10 PROPERTY AND CASUALTY PREMIUM RESTRICTIONS. (1) PURPOSE.

This section requires insurers who may return a premium that is less than the pro rata unearned premium to disclose this to the insured. This section also establishes prohibitions concerning specified practices relating to premiums. This section implements and interprets ss. 227.10 (1), 601.01 (2), 625.13 (1), 628.34 (1), (3), (11), and (12), 631.20 and 631.36 (2), Stats.

(2) SCOPE. This section applies to all lines or classes of insurance classified as property and casualty insurance in s. Ins 6.75 (2), except lines or classes of insurance providing disability insurance under s. Ins 6.75 (2) (c).

(3) DEFINITIONS. In this section:

(a) "Pro rata unearned premium" means the pro rata portion of the written premium covering the unexpired portion of the policy term for which the written premium has been charged by the insurer to the policyholder.

(b) "Written premium" means the entire amount of premium charged a policyholder for the term of the policy.

(4) PREMIUM IN EXCESS OF PRO RATA EARNED PREMIUM: FILING, RESTRICTIONS, DISCLOSURES. (a) An insurer shall file with the Commissioner in accordance with s. 625.13, Stats., and s. Ins 6.06 any schedule of return premium applicable in the event of policy cancellation wherein the return of premium is less than the pro rata unearned premium for that policy form. The rate filing shall include the basis of the premium calculation in the event of a policy cancellation.

(b) Subject to par. (c), in any policy under which an insurer may return a premium that is less than the pro rata unearned premium, the insurer shall provide the policyholder with a separate written notice that the policyholder may pay a substantial penalty if the policyholder cancels the policy prior to its expiration date. No insurer may return a premium that is less than the pro rata unearned premium until at least 10 days after the insurer mails or delivers this written notice to the policyholder.

(c) Notwithstanding pars. (a) and (b), no insurer may return to the policyholder a premium that is less than the pro rata unearned premium if the insurer initiates cancellation or for a cancellation due to the nonpayment of premium.

(5) MISCELLANEOUS PREMIUM PROHIBITION. No insurer may initiate cancellation of one policy solely to apply the pro rata unearned premium of that policy to the balance due on another policy.

EFFECTIVE DATE. As provided in s. 227.22 (2) (b), Stats., this rule shall take effect on October 1, 1989.

Dated at Madison, Wisconsin, this 29th day of June, 1989.


Robert D. Haase
Commissioner of Insurance