

## Chapter Ins 3

## CASUALTY INSURANCE

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**Ins 3.01 Accumulation benefit riders attached to health and accident policies.** Except where such rider is used only on a policy replacing the company's own policy, and so recites, no rider providing for accumulations of benefits will be approved for use upon any policy of health and accident insurance, whether it is proposed to issue such rider with or without an additional premium. Such rider operates as an aid to twisting the policies of another company in such manner as to make its use a direct encouragement of this practice.

**Ins 3.02 Automobile fleets, vehicles not included in.** Individually owned motor vehicles cannot be included or covered by fleet rates. The determining factor for inclusion under fleet coverage must be ownership and not management or use.

**Ins 3.04 Dividends not deducted from premiums in computing loss reserves.** Premiums returned to policyholders as dividends may not be deducted from the earned premiums in computing loss reserves under section 623.04, Wis. Stats.

**History:** 1-2-56; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.07 Rules in chapter Ins 4, fire and allied lines insurance, applicable to casualty insurance.** The following captioned rules

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under chapter Ins 4, FIRE AND ALLIED LINES INSURANCE, are applicable to casualty insurance:

- (1) Nonassessable policies of mutual companies.
- (2) Policy, inspection and similar fees.

**History:** 1-2-56; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.09 Mortgage guaranty insurance.** (1) **PURPOSE.** This rule implements and interprets, including but not limited to, subsection 201.04 (19) of Ins 6.70 and sections 611.02, 611.24, 618.01, 618.21, 620.02 and 623.04, Wis. Stats., for the purpose of establishing minimum requirements for the transaction of mortgage guaranty insurance.

(2) **SCOPE.** This rule shall apply to the underwriting, investment, marketing, rating, accounting and reserving activities of insurers which write the type of insurance authorized by subsection 201.04 (19) of Ins 6.70.

(3) **DEFINITIONS.** (a) Mortgage guaranty insurance is that kind of insurance authorized by subsection 201.04 (19) of Ins 6.70, and includes the guarantee of the payment of rentals under leases of real estate in which the lease extends for 3 years or longer.

(b) As used in this rule, "person" means any individual, corporation, association, partnership or any other legal entity.

(4) **DISCRIMINATION.** No mortgage guaranty insurer may discriminate in the issuance or extension of mortgage guaranty insurance on the basis of the applicant's sex, marital status, race, color, creed or national origin.

(5) **LIMITATION OF TOTAL LIABILITY ASSUMED.** A mortgage guaranty insurer shall not at any time have outstanding a total liability under its aggregate insurance policies, computed on the basis of its election to limit coverage and net of reinsurance assumed and of reinsurance ceded to an insurer authorized to transact such reinsurance in this state, exceeding 25 times the sum of its contingency reserve established under subsection (14) and its surplus as regards policyholders.

(6) **LIMITATION ON INVESTMENT.** A mortgage guaranty insurer shall not invest in notes or other evidences of indebtedness secured by mortgage or other lien upon real property. This section shall not apply to obligations secured by real property, or contracts for the sale of real property, which obligations or contracts of sale are acquired in the course of the good faith settlement of claims under policies of insurance issued by the mortgage guaranty insurer, or in the good faith disposition of real property so acquired.

(7) **LIMITATION ON ASSUMPTION OF RISKS.** A mortgage guaranty insurer shall not insure loans secured by properties in a single or contiguous housing or commercial tract in excess of 10% of the insurer's admitted assets. A mortgage guaranty insurer shall not insure a loan secured by a single risk in excess of 10% of the insurer's admitted assets. In determining the amount of such risk or risks, the insurer's liability shall be computed on the basis of its election to limit coverage and net of reinsurance ceded to an insurer authorized to

transact such reinsurance in this state. "Contiguous" for the purpose of this subsection means not separated by more than one-half mile.

(8) REINSURANCE. A mortgage guaranty insurer may, by contract, reinsure any insurance it transacts in any assuming insurer authorized to transact mortgage guaranty insurance in this state, except it shall not enter into reinsurance arrangements designed to circumvent the compensation control provisions of subsection (15) or the contingency, reserve requirement of subsection (14). It is the intent of this rule that the unearned premium reserve required by subsection (13) and the contingency reserve required by subsection (14) shall be established and maintained in appropriate proportions in relation to risk retained by the original insurer and by the assuming reinsurer so that the total reserves established shall not be less than the reserve required by subsections (13) and (14).

(9) ADVERTISING. No mortgage guaranty insurer or any agent or representative of a mortgage guaranty insurer shall prepare or distribute or assist in preparing or distributing any brochure, pamphlet, report or any form of advertising to the effect that the real estate investments of any financial institution are "insured investments", unless the brochure, pamphlet, report or advertising clearly states that the loans are insured by insurers possessing a certificate of authority to transact mortgage guaranty insurance in this state or are insured by an agency of the federal government, as the case may be.

(10) POLICY FORMS. All policy forms and endorsements shall be filed with and be subject to approval of the commissioner. With respect to owner-occupied, single-family dwellings, the mortgage guaranty insurance policy shall provide that the borrower shall not be liable to the insurance company for any deficiency arising from a foreclosure sale.

(11) PREMIUM. (a) The total consideration charged for mortgage guaranty insurance policies, including policy and other fees or similar charges, shall be considered premium and must be stated in the policy and shall be subject to the reserve requirements of subsections (13) and (14).

(b) The rate making formula for mortgage guaranty insurance shall contain a factor or loading sufficient to produce the amount required for the contingency reserve prescribed by subsection (14).

(12) REPORTING. (a) The financial condition and operations of a mortgage guaranty insurer shall be reported annually on the fire and casualty annual statement form specified by Wisconsin Administrative Code section Ins 7.01 (5) (a).

(b) The total contingency reserve required by subsection (14) shall be reported on line 1, page 3 or on line 22, page 3 of the annual statement. If the contingency reserve is reported on line 1, page 3, appropriate entries must be made on Exhibit 3-A, page 9 of the annual statement. The change in contingency reserve for the year shall be reported on line 5, page 4 of the annual statement as a deduction from underwriting income. The development of the contingency reserve shall be shown in Schedule K of the annual statement as follows:

1. Net premiums earned on policies during the 120 months prior to the annual statement date shall be shown on line 3 (a) of Schedule K;

2. Incurred losses in excess of 35% of earned premiums of any calendar year included in line 3 (a) shall be reported in line 3 (c) of Schedule K; and

3. Appropriate entries shall be made in lines 3 (b), 3 (d), 3 (e), 3 (f), (4) and (5) of Schedule K.

(c) A mortgage guaranty insurer shall compute and maintain adequate case basis and other loss reserves to be reported in Underwriting and Investment Exhibit Part 3-A—Unpaid Losses and Loss Adjustment Expenses, page 9 of the annual statement form. The method used to determine the loss reserve shall accurately reflect loss frequency and loss severity and shall include components for claims reported and unpaid, and for claims incurred but not reported, including estimated losses on:

1. Insured loans which have resulted in the conveyance of property which remains unsold;

2. Insured loans in the process of foreclosure;

3. Insured loans in default for four months or for any lesser period which is defined as default for such purposes in the policy provisions; and

4. Insured leases in default for four months or for any lesser period which is defined as default for such purposes in the policy provisions.

(d) Expenses shall be recorded and reported in accordance with Wis. Adm. Code sections Ins 6.30 and Ins 6.31.

(e) Amounts released from the contingency reserve pursuant to subsection (14) shall be treated on a first-in-first-out basis.

(13) **UNEARNED PREMIUM RESERVE.** (a) A mortgage guaranty insurer shall compute and maintain an unearned premium reserve on an annual or on a monthly pro rata basis on all unexpired coverage, except that in the case of premiums paid in advance for any coverage issued with a term shown in the schedule below the annual unearned premium factor specified shall apply:

Unearned Premium Factor to be Applied to Premiums in Force on Valuation Date						
Contract Year Current at Valuation Date	4 Year Coverage Period	5 Year Coverage Period	6 Year Coverage Period	7 Year Coverage Period	8 Year Coverage Period	9 Year Coverage Period
1	95.7%	96.5%	97.0%	97.3%	97.5%	97.7%
2	76.4%	81.0%	83.7%	85.4%	86.5%	87.3%
3	45.2%	56.0%	62.2%	66.2%	68.8%	70.4%
4	14.5%	31.3%	41.1%	47.4%	51.3%	53.8%
5		9.8%	22.7%	31.0%	36.2%	39.4%
6			7.1%	17.1%	23.3%	27.2%
7				5.4%	12.5%	16.9%
8					3.8%	8.6%
9						2.5%
10						
11						
12						
13						
14						
15						

Contract Year Current at Valuation Date	10 Year Coverage Period	11 Year Coverage Period	12 Year Coverage Period	13 Year Coverage Period	14 Year Coverage Period	15 Year Coverage Period
1	97.7%	97.8%	97.8%	97.8%	97.8%	97.8%
2	87.6%	87.9%	88.1%	88.1%	88.2%	88.2%
3	71.3%	71.9%	72.3%	72.5%	72.6%	72.6%
4	55.3%	56.1%	56.7%	57.1%	57.2%	57.3%
5	41.3%	42.5%	43.2%	43.7%	43.9%	44.0%
6	29.5%	30.9%	31.8%	32.3%	32.7%	32.8%
7	19.6%	21.2%	22.1%	22.8%	23.2%	23.3%
8	11.6%	13.3%	14.4%	15.1%	15.5%	15.7%
9	5.6%	7.5%	8.6%	9.3%	9.9%	10.1%
10	1.6%	3.4%	4.6%	5.4%	6.0%	6.2%
11		0.9%	2.1%	2.9%	3.5%	3.7%
12			0.6%	1.3%	1.9%	2.1%
13				0.4%	0.9%	1.1%
14					0.3%	0.5%
15						0.1%

These unearned premium factors are calculated on the assumption that on the average a contract is written in the middle of the calendar year and that these factors are applied annually to groups of contracts segregated by term and expiration year. These factors include one-half of the earned premium applicable to the contract year current at the valuation date.

(b) On an annual premium plan that portion of the first year premium, excluding policy and other fees or similar charges, which exceeds twice the subsequent renewal premium rate, shall be considered a deferred risk charge and amortized in accordance with factors specified for a 10 year term coverage in paragraph (a) or in accordance with factors specified for a lesser term coverage in paragraph (a) as approved by the commissioner.

(c) On premiums paid in advance for coverage periods in excess of 15 years, the unearned portion of the premium during the first 15 years of coverage shall be the premium collected minus an amount equal to the premium that would have been earned had the applicable premium for 15 years' coverage been received. The premium remaining after 15 years shall be released from the unearned premium reserve pro rata over the remaining term of coverage.

(14) CONTINGENCY RESERVE. (a) A contingency loss reserve shall be established and maintained for the purpose of protecting insureds against the effect of adverse economic cycles and to permit mortgage guaranty insurers to comply with section 832 (e) of the Internal Revenue Code of 1954, as amended.

(b) Subject to subsection (8) relating to reinsurance there shall be an annual contribution to the contingency reserve which in the aggregate shall be the greater of:

1. 50% of the earned premium reported on line 1, page 4 of the fire and casualty annual statement; or
2. The sum of:
  - a. \$1.25 per \$1,000 of face amount of mortgage guaranty insurance in force at year end on residential buildings designed for occupancy by not more than four families with coverage not exceeding 25% of the entire indebtedness; and

b. \$1.875 per \$1,000 of face amount of mortgage guaranty insurance in force at year end on residential buildings designed for occupancy by five or more families with coverage not exceeding 20% of the indebtedness; and

c. \$2.50 per \$1,000 of face amount of mortgage guaranty insurance in force at year end on buildings occupied for industrial or commercial purposes with coverage not exceeding 20% of the entire indebtedness.

(c) If the coverage of residential mortgages on buildings designed for occupancy by not more than 4 families exceeds 25%, or if the coverage on residential mortgages on buildings designed for occupancy by 5 or more families exceeds 20% or if the mortgage guaranty coverage is not expressly provided for in this rule, the commissioner shall establish a rate formula factor that will produce a contingency reserve adequate for the risk assumed. The face amount of an insured mortgage shall be computed before any reduction by the insurer's election to limit its coverage to a portion of the entire indebtedness.

(d) The contingency reserve established by this subsection shall be maintained for 120 months. That portion of the contingency reserve established and maintained for more than 120 months shall be released and shall no longer constitute part of the contingency reserve.

(e) Subject to the approval of the commissioner, the contingency reserve shall be available to the extent necessary to make loss payments either when the incurred losses in a year exceed 35% of the earned premium in that year or when incurred losses in a year exceed 70% of the amount contributed to the contingency reserve, whichever is greater. Funds used in this manner shall be accounted for on a first-in-first-out basis as provided in subsection (12) (e).

(15) CHARGES, COMMISSIONS AND REBATES. (a) Every mortgage guaranty insurer shall adopt, print and make available a schedule of premium charges for mortgage guaranty insurance coverages. The schedule shall show the entire amount of premium charge for each type of mortgage guaranty insurance coverage issued by the insurer.

(b) A mortgage guaranty insurer shall not knowingly pay, either directly or indirectly to an owner, purchaser, mortgagee of the real property or any interest therein or to any person who is acting as agent, representative, attorney or employee of such owner, purchaser, or mortgagee any commission, remuneration, dividend or any part of its premium charges or any other consideration as an inducement for or as compensation on any mortgage guaranty insurance business.

(c) In connection with the placement of any insurance, a mortgage guaranty insurer shall not cause or permit any commission, fee, remuneration, or other compensation to be paid to, or received by: any insured lender; any subsidiary or affiliate of any insured; any officer, director or employee of any insured; any member of their immediate family; any corporation, partnership, trust, trade association in which any insured is a member, or other entity in which any insured or any such officer, director, or employee or any member of their immediate family has a financial interest; or any designee, trustee, nominee, or other agent or representative of any of the foregoing.

(d) A mortgage guaranty insurer shall not make any rebate of any portion of the premium charge shown by the schedule required by paragraph (a). A mortgage guaranty insurer shall not quote any premium charge to any person which is different than that currently available to others for the same type of mortgage guaranty insurance coverage sold by the mortgage guaranty insurer. The amount by which any premium charge is less than that called for by the current schedule of premium charge is a rebate.

(e) A mortgage guaranty insurer shall not use compensating balances, special deposit accounts or engage in any practice which unduly delays its receipt of monies due or which involves the use of its financial resources for the benefit of any owner, mortgagee of the real property or any interest therein or any person who is acting as agent, representative, attorney or employee of such owner, purchaser or mortgagee as a means of circumventing any part of this rule. Except for commercial checking accounts and normal deposits in support of an active bank line of credit, any deposit account bearing interest at rates less than is currently being paid other depositors on similar deposits or any deposit in excess of amounts insured by an agency of the federal government shall be presumed to be an account in violation of this paragraph.

(f) A mortgage guaranty insurer shall make provision for prompt refund of any unearned premium in the event of termination of the insurance prior to its scheduled termination date. If the borrower paid or was charged for the premium, the refund shall be made to the borrower, or to the insured for the borrower's benefit, otherwise refund may be paid to the insured.

(g) This subsection is not intended to prohibit payment of appropriate policy dividends to borrowers.

(16) TRANSITION. Unearned premium reserves and contingency loss reserves shall be computed and maintained on risks insured after the effective date of this rule as required by subsections (13) and (14). Unearned premium reserves and contingency loss reserves on risks insured before the effective date of this rule may be computed and maintained either as required by subsection (13) and (14) or as required by Wisconsin Administrative Code section Ins 3.09 which was previously in effect and which was repealed on the effective date of this rule.

(17) CONFLICT OF INTEREST. (a) If a member of a holding company system as defined in Wis. Adm. Code section Ins 12.01 (3) (e), a mortgage guaranty insurer licensed to transact insurance in this state shall not, as a condition of its certificate of authority, knowingly underwrite mortgage guaranty insurance on mortgages originated by the holding company system or an affiliate or on mortgages originated by any mortgage lender to which credit is extended, directly or indirectly by the holding company system or affiliate.

(b) A mortgage guaranty insurer, the holding company system of which it is a part or any affiliate shall not as a condition of the mortgage guaranty insurer's certificate of authority, pay any commissions, remuneration, rebates or engage in activities proscribed in subsection (15).

(18) **LAWS OR REGULATIONS OF OTHER JURISDICTIONS.** Whenever the laws or regulations of another jurisdiction in which a mortgage guaranty insurer subject to the requirements of this rule is licensed, require a larger unearned premium reserve or a larger contingency reserve in the aggregate than that set forth in this rule, the establishment and maintenance of the larger unearned premium reserve or contingency reserve shall be deemed to be compliance with this rule.

**History:** Cr. Register, March, 1957, No. 15, eff. 4-1-57; am. (2), (3), (4) and (5), Register, January, 1959, No. 37, eff. 2-1-59; am. (4) (c), Register, August, 1959, No. 44, eff. 9-1-59; cr. (4) (e), Register, January, 1961, No. 61, eff. 2-1-61; am. (2), Register, January, 1967, No. 133, eff. 2-1-67; am. (2), (3) (a) and (b), and (4) (a) and (b); r. and recr. (5), Register, December, 1970, No. 180, eff. 1-1-71. r. and recr. Register, March, 1975, No. 231, eff. 4-1-75; emerg. am. (1), (2) and (3) (a), eff. 6-22-76; am. (1), (2) and (3) (a), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.11 Multiple peril insurance contracts.** (1) **PURPOSE AND SCOPE.** (a) This rule implements and interprets subsection 201.05 of Ins 6.70 and chapters 625 and 631, Wis. Stats., by enumerating the minimum requirements for the writing of multiple peril insurance contracts. Nothing herein contained is intended to prohibit insurers or groups of insurers from justifying rates or premiums in the manner provided for by the rating laws.

(b) This rule shall apply to multiple peril insurance contracts permitted by subsection 201.05 of Ins 6.70, and which include a type or types of coverage or a kind or kinds of insurance subject to Chapter 625, Wis. Stats.

(c) Types of coverage or kinds of insurance which are not subject to chapter 625, Wis. Stats., or to the filing requirement provisions thereof, may not be included in multiple peril insurance contracts otherwise subject to said sections unless such entire multiple peril insurance contract is filed as being subject to this rule and said sections and the filing requirements thereof.

(2) **DEFINITION.** Multiple peril insurance contracts are contracts combining 2 or more types of coverage or kinds of insurance included in any one or more than one paragraph of subsection 201.04 of Ins 6.70. Such contracts may be on the divisible or single (indivisible) rate or premium basis.

(3) **RATE MAKING.** (a) When underwriting experience is not available to support a filing, the information set forth in section 625.12, Wis. Stats., may be furnished as supporting information.

(b) Premiums or rates may be modified for demonstrated, measurable, or anticipated variation from normal of the loss or expense experience resulting from the combination or types of coverage or kinds of insurance or other factors of the multiple peril insurance contract. Multiple peril contracts may be filed or revised on the basis of sufficient underwriting experience developed by the contract or such experience may be used in support of such filing.

(c) In the event that more than one rating organization cooperates in a single (indivisible) rate or premium multiple peril insurance filing, one of such cooperating rating organizations shall be designated as the sponsoring organization for such filing by each of the other cooperating rating organizations and evidence of such designation included with the filing.

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(4) **STANDARD POLICY.** The requirements of subsection 203.06 of Ins 6.71 shall apply to any multiple peril insurance contract which includes insurance against loss or damage by fire.

**History:** Cr. Register, July, 1958, No. 31, eff. 8-1-58; am. (3) (a), Register, November, 1960, No. 59, eff. 12-1-60; emerg. am. (1), (2), (3) (a) and (4), eff. 6-22-76; am. (1), (2), (3) (a) and (4), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.12 Membership fees and policy fees.** (1) **PURPOSE.** This rule is intended to implement and interpret chapter 625, Wis. Stats., consistent with the purpose and scope of the applicable insurance statutes.

(2) **DEFINITION.** (a) Automobile coverage means the insurance against any loss, expense, and liability resulting from the ownership, maintenance, or use of any automobile or other vehicle except aircraft.

(b) Initial membership fee is the fee charged for any automobile coverage for membership in an insurance company at the time the policyholder first procures insurance from the insurance company.

(c) Policy fee is the fee charged for issuing an insurance policy.

(3) **ACCOUNTING.** Every initial membership fee, policy fee, or other similar charge for any automobile coverage shall be considered as additional premium for the first policy term subsequent to the collection or payment thereof: (a) For all annual statement purposes, including all summaries, tabulations, schedules, and exhibits;

(b) For recording and reporting in accordance with the uniform classification of expense for fire, marine, and casualty and surety insurance:

(c) For tax purposes;

(d) And shall be subject to all statutory requirements for reserves and financial statements;

(e) And reasonable allocation consistent with the company's method of operation for renewal business shall be made to each coverage for which there is a premium charge contained in the policy.

(4) **INSURANCE RATES AND PREMIUM CHARGES.** (a) Every initial membership fee, policy fee, or other similar charge for any automobile coverage shall be considered as additional premium for the first policy term subsequent to the collection or payment thereof and: 1. Shall be reasonable, equitable, and consistent with the company's method of operation;

2. Shall not discriminate unfairly between risks or classes;

3. Reasonable allocation shall be made to each coverage in accordance with the statistical plans applicable for the specific coverages contained in the policy;

4. In event of cancellation within the first policy term, shall be subject to return to at least the same extent as premium;

5. The conditions applicable to such fees shall be stated in the policy.

(b) Each and every consideration for the policy, including initial membership fee, policy fee, or other similar charge, and the premium, must be stated in the policy.

(c) With respect to the same kind or class of automobile coverage, an insurer may operate only on a plan which is limited to the use of the conventional premium method or to the use of an initial membership fee or policy fee or other similar charge.

(d) No policy fee or other similar charge shall be charged for renewal or extension of an insurance policy by endorsement or certificate.

**History:** Cr. Register, February, 1958, No. 26, eff. 3-1-58; emerg. am. (1), eff. 6-22-76; am. (1), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.13 Individual accident and sickness insurance.** (1) **PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing procedures and requirements to expedite the review and approval of individual accident and sickness policies permitted by subsection 201.04 of Ins 6.70, and franchise type accident and sickness policies permitted by section 600.03 (3m) (d), Wis. Stats. The requirements in subsections (2), (3), (4), (5), and (6) are to be followed in substance, and wording other than that described may be used provided it is not less favorable to the insured or beneficiary.

(2) **POLICY PROVISIONS.** (a) If a policy is not to insure against sickness losses resulting from conditions in existence prior to the effective date of coverage, or in existence prior to a specified period after such effective date, the policy by its terms shall indicate that it covers sickness contracted and commencing (or beginning, or originating, or first manifested or words of similar import) after such effective date or after such specified period. Wording shall not be used that requires the cause of the condition or sickness, as distinguished from the condition or sickness itself, to originate after such effective date or such specified period. (Note: It is understood that "sickness" as used herein means the condition or disease from which the disability or loss results.) Subsection (2) (a) shall not apply to nor prohibit the exclusion from coverage of a disease or physical condition by name or specific description. (b) Where any "specified period" referred to in subsection (2) (a) exceeds 30 days, it shall apply to the occurrence of loss and not to the contracting or commencement of sickness after such period.

(c) A policy, other than a non-cancellable policy or a non-cancelable and guaranteed renewable policy or a guaranteed renewable policy, shall set forth the conditions under which the policy may be renewed, either by: A *brief description* of the policy's renewal conditions, or a *separate statement* referring to the policy's renewal conditions, or a separate appropriately captioned *renewal provision* appearing on or commencing on the first page.

1. The *brief description*, if used to meet the foregoing requirement, shall be printed, in type more prominent than that used in the policy's text, at the top or bottom of the policy's first page and on its filing back, if any, and shall describe its renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company",

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"Renewal at Option of Company as Stated in \_\_\_\_\_" (refer to appropriate policy provision), or "Renewal May be Refused as Stated in \_\_\_\_\_" (refer to appropriate policy provision). A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter.

2. The *separate statement*, if used to meet the foregoing requirement, shall be printed, in type more prominent than that used in the policy's text, at the top or bottom of the policy's first page and on its filing back, if any, and shall describe its renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company", "Renewal at Option of Company as Stated in \_\_\_\_\_" (refer to appropriate policy provision), or "Renewal May be Refused as Stated in \_\_\_\_\_" (refer to appropriate policy provision). A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter.

3. The *renewal provision* appearing on or commencing on the policy's first page, if used to meet the foregoing requirement, shall be preceded by a caption which describes the policy's renewal conditions in one of the following ways: "Renewal Subject to Consent of Company", "Renewal Subject to Company Consent", "Renewal at Option of Company", "Renewal at Option of Company as Stated Below", or "Renewal May be Refused as Stated Herein". A company may submit other wording, subject to approval by the commissioner, which it believes is equally clear or more definite as to subject matter. The caption shall be in type more prominent than that used in the policy's text.

(d) If the policy is not renewable, it shall be so described in the brief description or in a separate statement at the top or bottom of the first page and on the filing back, if any, or it shall be so described in a separate appropriately captioned provision on the first page. The brief description, or the separate statement, or the caption shall be printed in type more prominent than that used in the policy's text.

(e) 1. The terms "non-cancellable" or "non-cancellable and guaranteed renewable" may be used only in a policy which the insured has the right to continue in force by the timely payment of premiums set forth in the policy a. until at least age 50, or b. in the case of a policy issued after age 44, for at least 5 years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the policy while the policy is in force.

2. A non-cancellable or non-cancellable and guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any prominent use of the terms "non-cancellable" or "non-cancellable and guaranteed renewable":

a. the age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable, if other than lifetime,

b. the age or time at which the form's benefits are reduced, if applicable, (The age or time at which a form's benefits are reduced need not be so disclosed if such reduction is not effected prior to the age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable or if regular benefits are payable at

least to the age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable.) and

c. that benefit payments are subject to an aggregate limit, if applicable.

3. Except as provided above, the term "guaranteed renewable" may be used only in a policy which the insured has the right to continue in force by the timely payment of premiums a. until at least age 50, or b. in the case of a policy issued after age 44, for at least 5 years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the policy while the policy is in force, except that the insurer may make changes in premium rates by classes.

4. A guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any prominent use of the term "guaranteed renewable":

a. the age to or term for which the form is guaranteed renewable, if other than lifetime,

b. the age or time at which the form's benefits are reduced, if applicable, (The age or time at which a form's benefits are reduced need not be so disclosed if such reduction is not effected prior to the age to or term for which the form is guaranteed renewable or if regular benefits are payable at least to the age to or term for which the form is guaranteed renewable.)

c. that benefit payments are subject to an aggregate limit, if applicable, and

d. that the applicable premium rates may be changed.

*Note:* "Prominent use" as referred to in subparagraphs 2. and 4. is considered to include, but is not necessarily limited to, use in titles, brief descriptions, captions, bold-face type, or type larger than that used in the text of the form.

5. The foregoing limitation on the use of the term "non-cancellable" shall also apply to any synonymous term such as "not cancellable" and the limitation on use of the term "guaranteed renewable" shall apply to any synonymous term such as "guaranteed continuable".

6. Nothing herein contained is intended to restrict the development of policies having other guarantees of renewability, or to prevent the accurate description of their terms of renewability or the classification of such policies as guaranteed renewable or non-cancellable for any period during which they may actually be such, provided the terms used to describe them in policy contracts and advertising are not such as may readily be confused with the above terms.

7. The provisions of sections 632.76 (1), 632.74 and 632.77 (3) are applicable to non-cancellable or non-cancellable and guaranteed renewable or guaranteed renewable policy forms as herein defined.

(f) Policies issued on a family basis shall clearly set forth the conditions relating to termination of coverage of any family member.

(g) Surgical benefit provisions or schedules shall provide that the benefit for any covered surgical procedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be

determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

(h) A limited policy is one that contains unusual exclusions, limitations, reductions, or conditions of such a restrictive nature that the payments of benefits under such policy are limited in frequency or in amounts. All limited policies shall be so identified by having the words "THIS IS A LIMITED POLICY—READ IT CAREFULLY" imprinted or stamped diagonally across the face of the policy and the filing back, if any, in contrasting color from the text of the policy and in outline type not smaller than 18-point. When appropriate, these words may be varied by the insurer in a manner to indicate the type of policy; as for example, "THIS POLICY IS LIMITED TO AUTOMOBILE ACCIDENTS—READ IT CAREFULLY". Without limiting the general definition above, policies of the following types shall be defined as "limited": 1. School Accident, 2. Aviation Accident, 3. Polio, 4. Specified Disease, 5. Automobile Accident.

(i) If the policy excepts coverage while the insured is in military or naval service, the policy must provide for a refund of pro rata unearned premium upon request of the insured for any period the insured is not covered. However, if coverage is excluded only for loss resulting from military or naval service or war, the refund provision will not be required. This section shall not apply to non-cancellable policies or non-cancellable and guaranteed renewable policies or guaranteed renewable policies.

(j) The provision or notice regarding the right to return the policy required by section 632.73, Wis. Stats., shall:

1. be printed on or attached to the first page of the policy,

2. have a caption or title which refers at least to the right to examine or to return the policy such as: "Right to Return Policy Within 10 Days of Receipt", "Notice: Right to Return Policy", "Right of Policy Examination", "Right to Examine Policy", "Right to Examine Policy for 10 Days", "10 Day Right to Examine Policy", "10 Day Right to Return Policy", or "Notice of 10 Day Right to Return Policy", or other wording, subject to approval by the commissioner, which is believed to be equally clear or more definite as to subject matter, and

3. provide an unrestricted right to return the policy, within 10 days from the date it is received by the policyholder, to the insurer at its home or branch office, if any, or to the agent through whom it was purchased. Provision shall not be made to require the policyholder to set out in writing the reasons for returning the policy, to require the policyholder to first consult with an agent of the insurer regarding the policy, or to limit the reasons for return.

*Note:* Paragraph (j) was adopted to assist in the application of section 204.31 (2) (a) 8. Wis. Stats., to the review of accident and sickness policy and other contract forms. The statute requires that the provision or notice regarding the right to return the policy must be appropriately captioned or titled. Since the important rights given the insured are to examine the policy and to return the policy, the rule requires that the caption or title must refer to at least one of these rights—examine or return. Without such reference, the caption or title is not considered appropriate.

The statute permits the insured to return his policy for refund to the home office or branch office of the insurer or to the agent through whom it was purchased. In order to assure that refund is made promptly, some insurers prefer to instruct the insured to return his policy to a particular office or agent for refund. Notices or provisions with such requirements will be

approved on the basis that the insurer must recognize an insured's right to receive a full refund if he returns his policy to any other office or agent mentioned in the statute.

Also, the statute permits the insured to return his policy for refund within 10 days from the date he receives it. Some insurers' notices or provisions regarding such right, however, refer to delivery to the insured instead of receipt by the insured or do not specifically provide for the running of the 10 days from the date the insured receives the policy. Notices or provisions containing such wording will be approved on the basis that the insurer will not refuse a refund if the insured returns his policy within 10 days from the date he receives it.

All present tense statutory references herein are to 1973, Wis. Stats.

(k) A policy which contains any provision under which the claimant may elect one benefit in lieu of another shall not limit to a specified period the time within which election may be made.

(3) RIDERS AND ENDORSEMENTS. (a) A rider is an instrument signed by one or more officers of the insurer issuing the same to be attached to and form a part of a policy. All riders shall comply with the requirements of subsection 204.31 (2) (a) 4, 1973 Wis. Stats.

(b) If the rider reduces or eliminates coverage of the policy, signed acceptance of the rider by the insured is necessary. However, signed acceptance of the rider is not necessary when the rider is attached at the time of the original issuance of the policy if notice of the attachment of the rider is affixed on the face and filing back, if any, in contrasting color, in not less than 12-point type. Such notice shall be worded in one of the following ways:

"Notice! See Elimination Rider Attached"

"Notice! See Exclusion Rider Attached"

"Notice! See Exception Rider Attached"

"Notice! See Limitation Rider Attached"

"Notice! See Reduction Rider Attached"

A company may submit, subject to approval by the commissioner, other wording which it believes is equally clear or more definite as to subject matter.

(c) An endorsement differs from a rider only in that it is applied to a policy by means of printing or stamping on the body of the policy. All endorsements shall comply with the requirements of subsection 204.31 (2) (a) 4, 1973 Wis. Stats.

(d) If the endorsement reduces or eliminates coverage of the policy, signed acceptance of the endorsement by the insured is necessary. However, signed acceptance of the endorsement is not necessary when the endorsement is affixed at the time of the original issuance of the policy if notice of the endorsement is affixed on the face and filing back, if any, in contrasting color, in not less than 12-point type. Such notice shall be worded in one of the following ways:

"Notice! See Elimination Endorsement Included Herein"

"Notice! See Exclusion Endorsement Included Herein"

"Notice! See Exception Endorsement Included Herein"

"Notice! See Limitation Endorsement Included Herein"

"Notice! See Reduction Endorsement Included Herein"

A company may submit, subject to approval by the commissioner, other wording which it believes is equally clear or more definite as to subject matter.

(4) APPLICATIONS. (a) Application forms shall meet the requirements of Wis. Adm. Code section Ins 3.28 (3).

(b) It shall not be necessary for the applicant to sign a proxy provision as a condition for obtaining insurance. The applicant's signature to the application must be separate and apart from any signature to a proxy provision.

(c) The application form, or the copy of it, attached to a policy shall be plainly printed or reproduced in light-faced type of a style in general use, the size of which shall be uniform and not less than 10-point.

(5) FILING PROCEDURE. Policy forms, riders or endorsements submitted for review and approval must be filed as follows: (a) One copy of all such forms (two copies should be submitted if company desires one copy stamped as approved and returned) shall be submitted with a copy of the application applying thereto, if such application is to be made a part of the contract. If such application is already on file and has been previously approved, the form number and date of approval may be submitted rather than the application.

(b) If the nature of the information to be inserted in any blank space of any such form cannot be determined from the wording of the form, such blank space shall be filled in with hypothetical data to the extent needed to indicate the purpose and use of the form. As an alternative such purpose and use may be explained in the filing letter submitted with the form.

(c) The filing letter shall be in duplicate and shall contain the following information:

1. The identifying form number and title, if any, of the form.
2. A general description of the form.
3. In case of a rider or endorsement, the form numbers, identifying symbols or types of policies with which the rider or endorsement will be used.
4. The form number and date of department approval of any form superseded by the filing.

(6) RATE FILINGS. (a) The following must be accompanied by a rate schedule:

1. Policy forms.
2. Rider or endorsement forms which affect the premium rate.

(b) The rate schedule shall bear the insurer's name and shall contain or be accompanied by the following information:

1. The form number or identification symbol of each policy, rider or endorsement to which the rates apply.

2. A schedule of rates including policy fees or rate changes at renewal, if any, variations, if any, based upon age, sex, occupation, or other classification.

3. An indication of the anticipated loss ratio on an earned-incurred basis.

4. Any revision of a rate filing shall be accompanied by a statement of the experience on the form and the anticipated loss ratio on an earned-incurred basis under the revised rate filing.

5. Subsection (6), paragraphs (b) 3 and (b) 4, shall not apply to non-cancellable policies or riders or non-cancellable and guaranteed renewable policies or riders or guaranteed renewable policies or riders.

**History:** Cr. Register, March, 1958, No. 27; subsections (1), (5), (6) eff. 4-1-58; subsections (2), (3), (4) eff. 5-15-58; am. (2) (c) and cr. (4) (c), Register, March, 1959, No. 39, eff. 4-1-59; am. (2) (e), (6) (b) 3 and 4, Register, November, 1959, No. 47, eff. 12-1-59; am. and renum. (2) (c), (d), (e), (f), (g) and (h); am. (3) and (6) (b) 5, Register, June, 1960, No. 54, eff. 7-1-60; am. (2) (e) 4, Register, November, 1960, No. 59, eff. 12-1-60; r. (2) (j), Register, April, 1963, No. 88, eff. 5-1-63; cr. (2) (j), Register, March, 1964, No. 99, eff. 4-1-64; am. (2) (e) 2 and 4, Register, April, 1964, No. 100, eff. 5-1-64; am. (2) (j) 2.; am. NOTE in (2) (j) 3; Register, March, 1969, No. 159; eff. 4-1-69; cr. (2) (k), Register, June, 1971, No. 186, eff. 7-1-71; am. (4) (a), Register, February, 1974, No. 218, eff. 3-1-74; emerg. am. (1), (2) (e) 7, (2) (j), (3) (a) and (c), eff. 6-22-76; am. (1), (2) (e) 7, (2) (j), (3) (a) and (c), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.14 Group accident and sickness insurance. (1) PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing procedures and requirements to expedite the review and approval of group accident and sickness policies permitted by section 600.03 (34m) (b), Wis. Stats.

(2) **FILING PROCEDURE.** Policy forms, including certificates, riders or endorsements submitted for review and approval must be filed as follows: (a) One copy of all such forms (2 copies should be submitted if company desires one copy stamped as approved and returned) shall be submitted with a copy of the application applying thereto, if such application is to be made a part of the contract. If such application is already on file and has been previously approved, the form number and date of approval may be submitted rather than the application.

(b) If the nature of the information to be inserted in any blank space of any such form cannot be determined from the wording of the form, such blank space shall be filled in with hypothetical data to the extent needed to indicate the purpose and use of the form. As an alternative such purpose and use may be explained in the filing letter submitted with the form.

(c) The filing letter shall be in duplicate and shall contain the following information:

1. The identifying form number and title, if any, of the form.
2. A general description of the form.
3. In case of a certificate, rider or endorsement, the form numbers, identifying symbols or types of policies with which the certificate, rider or endorsement will be used.
4. The form number and date of department approval of any form superseded by the filing.

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(3) **RATE FILINGS.** Schedules of premium rates shall be filed in accordance with the requirements of chapter 601 and section 631.20, Wis. Stats. The schedules of premium rates shall bear the insurer's name and shall identify the coverages to which such rates are applicable.

(4) **CERTIFICATES.** (a) Each certificate issued to an employe or member of an insured group in connection with a group insurance policy shall include a statement in summary form of the provisions of the group policy relative to:

1. The essential features of the insurance coverage,
2. To whom benefits are payable,
3. Notice or proof of loss,
4. The time for paying benefits, and
5. The time within which suit may be brought.

(5) **COVERAGE REQUIREMENTS.** (a) Policies issued in accordance with section 600.03 (34m) (b), Wis. Stats., shall offer to insure all eligible members of the group or association except any as to whom evidence of insurability is not satisfactory to the insurer. Cancellation of coverage of individual members of the group or association who have not withdrawn participation nor received maximum benefits is not permitted, except that the insurer may terminate or refuse renewal of an individual member who attains a specified age, retires or who ceases to actively engage in the duties of his profession or occupation on a full-time basis or ceases to be an active member of the association or labor union or an employe of the employer, or otherwise ceases to be an eligible member.

(b) Surgical benefit provisions or schedules shall provide that the benefit for any covered surgical procedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

(c) A policy which contains any provision under which the claimant may elect one benefit in lieu of another shall not limit to a specified period the time within which election may be made.

(6) **ELIGIBLE GROUPS.** In accordance with section 600.03 (34m) (b), Wis. Stats.:

(a) the members of the board of directors of a corporation are eligible to be covered under a group accident and sickness policy issued to such corporation,

(b) the individual members of member organizations of an association, as defined in section 600.03 (34m) (b), Wis. Stats., are eligible to be covered under a group accident and sickness policy issued to such association insuring employes of such association and employes of member organizations of such association, and

(c) the individuals supplying raw materials to a single processing plant and the employes of such processing plant are eligible to be

covered under a group accident and sickness policy issued to such processing plant.

**History:** Cr. Register, March, 1958, No. 27; subsections (1), (2), (3), eff. 4-1-58; subsections (4), (5), eff. 5-1-58; renum. (5) to be (5) (a); cr. (5) (b), Register, November, 1959, No. 47, eff. 12-1-59; am. (1) (3), (5) (a) and cr. (6), Register, October, 1961, No. 70, eff. 11-1-61; am. (6), Register, February, 1962, No. 74, eff. 3-1-62; cr. (5) (c), Register, June, 1971, No. 186, eff. 7-1-71; emerg. am. (1), (3), (5) (a), (6) (intro.) and (6) (b), eff. 6-22-76; am. (1), (3), (5) (a), (6) (intro.) and (6) (b), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.15 Blanket accident and sickness insurance. (1) PURPOSE.** This rule implements and interprets applicable statutes for the purpose of establishing procedures and requirements to expedite the review and approval of blanket accident and sickness policies permitted by section 600.03 (34m) (c), Wis. Stats.

(2) **FILING PROCEDURE.** Policy forms, including riders or endorsements submitted for review and approval must be filed as follows:

(a) One copy of all such forms (2 copies should be submitted if company desires one copy stamped as approved and returned) shall be submitted with a copy of the application applying thereto, if such application is to be made a part of the contract. If such application is already on file and has been previously approved, the form number and date of approval may be submitted rather than the application.

(b) If the nature of the information to be inserted in any blank space of any such form cannot be determined from the wording of the form, such blank space shall be filled in with hypothetical data to the extent needed to indicate the purpose and use of the form. As an alternative such purpose and use may be explained in the filing letter submitted with the form.

(c) The filing letter shall be in duplicate and shall contain the following information:

1. The identifying form number and title, if any, of the form.
2. A general description of the form.
3. In case of a rider or endorsement, the form numbers, identifying symbols or types of policies with which the rider or endorsement will be used.
4. The form number and date of department approval of any form superseded by the filing.

(3) **RATE FILINGS.** Schedules of premium rates shall be filed in accordance with the requirements of chapter 601 and section 631.20, Wis. Stats. The schedules of premium rates shall bear the insurer's name and shall identify the coverages to which such rates are applicable.

(4) **ELIGIBLE RISKS.** (a) In accordance with the provisions of section 600.03 (34m) (c), Wis. Stats., the following are eligible for blanket accident and health insurance: 1. Volunteer fire departments, 2. National guard units, 3. Newspaper delivery boys, 4. Dependents of students, 5. Volunteer civil defense organizations, 6. Volunteer auxiliary police organizations, 7. Law enforcement agencies, 8. Cooperatives organized under chapter 185, Wis. Stats., on a membership basis without capital stock, 9. Registered guests in a motel, hotel, or resort,

10. Members or members and advisors of fraternal organizations including women's auxiliaries of such organizations and fraternal youth organizations, 11. Associations of sports officials, 12. Purchasers of protective athletic equipment, 13. Migrant workers, 14. Participants in racing meets, 15. Patrons or guests of a recreational facility or resort.

(b) A company may submit any other risk or class of risks, subject to approval by the commissioner, which it believes is properly eligible for blanket accident and health insurance.

(5) **COVERAGE REQUIREMENTS.** (a) Surgical benefit provisions or schedules shall provide that the benefit for any covered surgical procedure not specifically listed in the schedule and not excluded by the provisions of the policy shall be determined by the company on a basis consistent with the benefit provided for a comparable listed procedure.

(b) A policy which contains any provision under which the claimant may elect one benefit in lieu of another shall not limit to a specified period the time within which election may be made.

**History:** Cr. Register, March, 1958, no. 27, eff. 4-1-58; am. (4) (a), cr. (5), Register, November, 1959, No. 47, eff. 12-1-59; am. (1), (3) and (4) (a), Register, October, 1961, No. 70, eff. 11-1-61; am. (4) (a), Register, April, 1963, No. 88, eff. 5-1-63; am. (4) (a), Register, June, 1963, No. 90, eff. 7-1-63; am. (4) (a), Register, October, 1963, No. 94, eff. 11-1-63; am. (4) (a), Register, August, 1964, No. 104, eff. 9-1-64; am. (4) (a), Register, August, 1968, No. 152, eff. 9-1-68; am. (4) (a), Register, March, 1969, No. 159, eff. 4-1-69; am. (4) (a), Register, August, 1970, No. 176, eff. 9-1-70; am. (4) (a), renum. (5) to be (5) (a), and cr. (b), Register, June, 1971, No. 186, eff. 7-1-71; emerg. am. (1), (3) and (4) (a), eff. 6-22-76; am. (1), (3) and (4) (a), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.17 Reserves for accident and sickness policies.** (1) **PURPOSE.** This rule establishes minimum standards for insurance company active life reserves and claim liability reserves as authorized by chapter 623, Wis. Stats., and for fraternal benefit society reserves as authorized by section 623.15, Wis. Stats.

(2) **SCOPE.** This rule shall apply to the kinds of insurance authorized by subsection 201.04 (4) of Ins 6.70, and shall also apply to fraternal benefit contracts subject to section 632.94, Wis. Stats.

(3) **ACTIVE LIFE RESERVES, INDIVIDUAL AND FRANCHISE POLICIES.** Active life reserves are required for all in force policies issued subject to subsection 201.04 (4) of Ins 6.70, sections 600.03 (34m) (d), and 632.94, Wis. Stats.

(a) For purposes of this rule, individual policies will be classified as follows:

1. Policies which are non-cancellable or non-cancellable and guaranteed renewable for life or to a specified age.
2. Policies which are guaranteed renewable for life or to a specified age.
3. Policies, other than those in subparagraph 5 of this paragraph, in which the insurer has reserved the right to cancel or refuse renewal for one or more reasons, but has agreed implicitly or explicitly that, prior to a specified time or age, it will not cancel or decline renewal solely because of deterioration of health after issue.

4. Franchise policies, as defined in section 600.03 (34m) (d), Wis. Stats., issued under or subject to an agreement that, except for stated reasons, the insurer will not cancel or refuse to renew the coverage of individual insureds prior to a specified age unless all coverage under the same franchise group is terminated and which are based on the level premium principle.

5. All other franchise policies as defined in section 600.03 (34m) (d), Wis. Stats.

6. Commercial policies and other policies not falling within subparagraphs 1 to 5, inclusive, of this paragraph.

(b) During the period within which the renewability of the policy is guaranteed or the insurer's right to refuse renewal is limited, the minimum reserves for policies described in subparagraphs 1, 2, 3, and 4 of paragraph (a) of this subsection shall be an amount computed on the basis of two-year preliminary term tabular mean reserves employing the following assumptions:

1. Mortality (Policies issued January 1, 1955 to December 31, 1967): American Men Ultimate Mortality Table or Commissioners 1941 Standard Ordinary Mortality Table or Commissioners 1958 Standard Ordinary Mortality Table. (See Table I at the end of this rule.)

2. Mortality (Policies issued after December 31, 1967): Commissioners 1958 Standard Ordinary Mortality Table. (See Table I at the end of this rule.)

3. Maximum Interest Rate: 3 1/2% compounded annually.

4. Morbidity or Other Contingency:

a. Disability due to accident and sickness (Policies issued January 1, 1955 to December 31, 1967): The Conference Modification of Class III Disability Table for Calculation of Reserves on Non-Cancellable Accident and Health Insurance adopted by the National Association of Insurance Commissioners on June 11, 1941. Pamphlet reprints of this table are on file in the offices of the commissioner of insurance, secretary of state, and revisor of statutes. Pamphlet reprints of said Conference Modification of Class III Disability Table for Calculation of Reserves on Non-Cancellable Accident and Health Insurance are obtainable from the Health Insurance Association of America, 332 South Michigan Avenue, Chicago, Illinois 60604.

b. Disability due to accident and sickness (Policies issued after December 31, 1967): The 1964 Commissioners Disability Table adopted by the National Association of Insurance Commissioners on December 3, 1964. Copies of this table are on file in the offices of the commissioner of insurance, secretary of state, and revisor of statutes. Reprints of the 1964 Commissioners Disability Table and monetary values based on the table are available from the Health Insurance Association of America, 332 South Michigan Avenue, Chicago, Illinois 60604.

c. Hospital Expense Benefits—1956 Inter-Company Hospital Table. (See Tables II and III at the end of this rule.)

d. Surgical Expense Benefits—1956 Inter-Company Surgical Table. (See Tables IV and V at the end of this rule.)

e. Accident only, major medical expense, and other benefits not specified above—each company to establish reserves that place a sound value on the liabilities under such benefit.

(c) Mean reserves shall be diminished or offset by appropriate credit for the valuation net deferred premiums. In no event, however, shall the aggregate reserves for all policies issued on or after January 1, 1955, and valued on the mean reserve basis diminished by any credit for deferred premiums, be less than the gross pro rata unearned premiums under such policies.

(d) Negative reserves on any benefit may be offset against positive reserves for other benefits in the same individual or family policy, but if all benefits of such policy collectively develop a negative reserve, credit shall not be taken for such amount.

(e) The minimum active life reserves for policies described in subparagraphs 5 and 6 of subsection (3) (a) of this rule shall be the pro rata gross unearned premium reserve.

(f) An insurer may use any reasonable assumptions as to the interest rate, mortality rates, or the rates of morbidity or other contingency, and may introduce a rate of voluntary termination of policies provided the reserve on all policies to which such assumptions are applied is not less in the aggregate than the amount determined according to the standards specified in paragraphs (b), (c), (d), and (e) of this subsection. Also, subject to the same condition, the insurer may employ methods other than the methods stated above in determining a sound value of its liabilities under policies described in this subsection, including but not limited to the following:

1. The use of mid-terminal reserves in addition to either gross or net pro rata unearned premium reserves;
2. Optional use of either the level premium, the one-year preliminary term, or the two-year preliminary term method;
3. Prospective valuation on the basis of actual gross premiums with reasonable allowance for future expenses;
4. The use of approximations such as those involving age groupings, groupings of several years of issue, or average amounts of indemnity;
5. The computation of the reserve for one policy benefit as a percentage of, or by other relation to, the aggregate policy reserves, exclusive of the benefit or benefits so valued;
6. The use of a composite annual claim cost for all or any combination of the benefits included in the policies valued.

(g) For statement purposes the net reserve liability for active lives may be shown as:

1. The mean reserve with offsetting asset items for net unpaid and deferred premiums; or
2. The excess of the mean reserve over the amount of net unpaid and deferred premiums; or

3. It may, regardless of the underlying method of calculation, be divided between the gross pro rata unearned premium reserve and a balancing item for the "additional reserve."

(h) Each insurer issuing policies described by subparagraph 2 of paragraph (a) of this subsection shall maintain historical fund accounts for each group of similar policy forms on a basis reflecting reasonable estimates of premiums, losses, expenses, and reserves. Such estimates shall not be inconsistent with the corresponding items in the Accident and Health Exhibit, Schedule H, of the Annual Statement—Life and Accident and Health Companies, Insurance Department Form Form 22-41—or with the corresponding items of the Underwriting and Investment Exhibit of the Annual Statement—Fire and Casualty Insurance Companies, Insurance Department Form 22-11. (Wis. Adm. Code section Ins 7.01 (5) (a) and (c).)

(4) ACTIVE LIFE RESERVES, GROUP AND BLANKET POLICIES. Active life reserves are required for all in force policies issued subject to section 600.03 (34m) (b) and (c), Wis. Stats.

(a) The minimum active life reserve for such policies shall be the pro rata gross unearned premium reserve.

(b) An additional active life reserve shall be established for converted policies which may be issued under a conversion option for terminated employees. The minimum reserve shall be the excess of the morbidity costs for such policies over morbidity costs assumed in the premiums to be payable by or on behalf of terminated employees.

(5) CLAIM LIABILITY RESERVES, INDIVIDUAL AND FRANCHISE. Claim liability reserves to represent the value of amounts not yet due on claims are required for all policies issued subject to subsection 201.04 (4) of Ins 6.70, section 600.03 (34m) (d), or 632.94, Wis. Stats.

(a) The minimum reserve for claim liabilities shall be computed employing the following assumptions:

1. Maximum Interest Rate: 3 1/2% compounded annually.
2. Morbidity of Other Contingency:

a. Disability due to accident and sickness: The 1964 Commissioners Disability Table (see subsection (3) (b) 4.b of this rule), except that for unreported claims and resisted claims and claims with a duration of disablement of less than 2 years, reserves may be based on the individual insurer's experience or other assumptions designed to place a sound value on the liabilities. Reserves based on such experience or assumptions shall be verified by the development of each year's claims over a period of years, along lines of Schedule O, Life and Accident and Health Annual Statement, Insurance Department Form 22-41. (Wis. Adm. Code section Ins. 7.01 (5) (c).)

b. All other benefits: The reserve shall be based on the individual company's experience or other assumptions designed to place a sound value on the liabilities. The results shall be verified by the development of each year's claims over a period of years.

(b) Insurers may employ suitable approximations and estimates, including but not limited to groupings and averages, in computing claim liability reserves.

(c) For policies with an elimination period, the duration of disablement should be considered as dating from the time that benefits would have begun to accrue had there been no elimination period.

(d) A new disability connected directly or indirectly with a previous disability which had a duration of at least one year and terminated within 6 months of the new disability should be considered a continuation of the previous disability.

(6) CLAIM LIABILITY RESERVES, GROUP AND BLANKET POLICIES. Claim liability reserves to represent the value of amounts not yet due on claims are required for all policies issued subject to section 600.03 (34m) (b) or (c), Wis. Stats.

(a) The minimum reserve for claim liabilities shall be computed employing the following assumptions:

1. Maximum Interest Rate: 3 1/2% compounded annually.
2. Morbidity or Other Contingency:

a. Disability due to accident and sickness: The 1964 Commissioners Disability Table (see subsection (3) (b) 4.b. of this rule), except that for unreported claims and resisted claims and claims with a duration of disablement of less than 2 years, reserves may be based on the individual insurer's experience or other assumptions designed to place a sound value on the liabilities. Reserves based on such experience or assumptions shall be verified by the development of each year's claims over a period of years, along lines of Schedule O, Life and Accident and Health Annual Statement, Insurance Department Form 22-41. (Wis. Adm. Code section Ins 7.01 (5) (c).)

b. All other benefits: The reserve shall be based on the individual company's experience or other assumptions designed to place a sound value on the liabilities. The results shall be verified by the development of each year's claims over a period of years.

(b) Insurers may employ suitable approximations and estimates, including but not limited to groupings and averages, in computing claim liability reserves.

(c) For policies with an elimination period, the duration of disablement should be considered as dating from the time that benefits would have begun to accrue had there been no elimination period.

(d) A new disability connected directly or indirectly with a previous disability which had a duration of at least one year and terminated within 6 months of the new disability should be considered a continuation of the previous disability.

(7) REVALUATION OF EXISTING ACTIVE LIFE RESERVES AND CLAIM LIABILITY RESERVES. An insurer may elect to establish and maintain active life reserves or claim liability reserves for policies issued prior to January 1, 1968 in accordance with the standards prescribed herein for policies issued after December, 31, 1967. In making such election, an insurer may elect to revalue all previous issues or, at its option, may revalue only certain blocks of issues as determined by issue date or plan of coverage. Claim reserves may be revalued independent of active life reserves. Such election shall be made by filling written notice with the commissioner, stating the effective date of the election

and identifying the active life reserves or claim liability reserves or issues of policies to be revalued.

**Note: Reserve Fund.** This rule is based on the concept of the reserve as a fund which, together with future net premiums, will meet the benefit payments arising from the group of policies valued as they accrue in the future. It should be observed that the application of a formula for the calculation of such reserves to an individual policy does not produce a meaningful result since few policyholders will experience average morbidity. For the policyholder in impaired health, the necessary reserve, if it could be determined, would be very much greater than the average result for policyholders as a whole, and for a policyholder in good health such reserve would be less than the average.

**Level Premium Principle.** Policies written on the "level premium principle" are those where the premium has been designed to be level—or the same—for either the life of the insured or to the termination age in the policy such as age 60 or 65.

**Occupation.** Experience tables available for the determination of reserves are generally based upon the average results of the insured policyholders and therefore represent a cross section of the insured population, including individuals with unusual freedom from occupational and other hazards, as well as those subject to a considerable extra hazard owing to occupation or avocation. Accordingly, it is not considered necessary to make special provision in the valuation of the liabilities for policies involving special occupational hazards. It may also be observed that where tabular reserve methods are employed the incidence of any additional cost owing to occupational hazard may be such that there will be no increase in the reserve otherwise required.

**Two-Year Preliminary Term.** The preliminary term method of valuation recognizes the fact that expenses in the first year are much higher than those in renewal years and normally leave none of the first year premium available for the reserve fund. This method has been long accepted as appropriate and adequate for valuation purposes of life insurance. In contrast to life insurance, the claim cost at the early policy years under accident and health insurance may be substantial. Thus, for two policy years or even longer, the insurer may have a substantial unliquidated initial expense before setting up any additional reserve. For these reasons this rule provides for a preliminary term period of two years in the minimum reserve basis.

**Assumptions as to Rate of Termination of Policies.** The voluntary termination of policies may have a substantial effect on the level of premiums required for accident and health policies as well as on the amount of the reserve which should be maintained. In view, however, of the wide variation in termination rates among different insurers and the fluctuation of termination rates with changing business conditions, it is not recommended, at this time, that a rate of voluntary termination be employed in the calculation of minimum reserves. It is recommended, however, that an insurer be permitted to employ a lapse rate in the computation of reserves, provided that the net result is at least equal to the minimum reserves specified by the regulations.

**Accidental Death Benefits.** Any recognized table of accidental death rates, such as the 1959 Accidental Death Benefits Table, *Transactions of the Society of Actuaries*, Vol. XI, p. 754, may be used for establishing reserves for an accidental death benefit.

**Medical Expense Benefits.** With respect to benefits payable on a per diem or per visit basis, it is suggested that reserves be established according to appropriate percentages of the incidence of disability if benefits are payable during total disability only, or of the incidence of hospitalization if benefits are limited to in-hospital care. For in-hospital medical expense benefits payable on cases not involving surgery, available evidence indicates that 40% of the corresponding per diem hospital confinement cost may represent a reasonable estimate of the benefit cost for valuation purposes.

**Major Medical Expense Benefits.** As a basis for the valuation of major medical expense benefits pending the accumulation and analysis of inter-company experience data, reference may be made to the material presented by Mr. Morton D. Miller, *Transactions of the Society of Actuaries*, Vol. VII, p. 1, and by Mr. Charles N. Walker, *Transactions of the Society of Actuaries*, Vol. VII, p. 404.

**New or Experimental Benefits.** For some benefits there will be insufficient data for the development of experience tables suitable for general use in computing reserves. With respect to such benefits each insurer should, on the basis of its appraisal of the benefit costs, establish and maintain reserves which place a sound value on the liabilities thereunder.

**Net Annual Claim Costs.** For use in developing net annual claim costs in computing reserves, as well as to assist in valuing policies under these requirements, it is recommended that companies make use of the paper "Reserves for Individual Hospital and Surgical Expense Insurance" appearing in the *Transactions of the Society of Actuaries*, Vol. IX, p. 334.

**TABLE I**  
**YEARLY DEATH RATE PER 1000 (1000qx)**  
**AMERICAN MEN ULTIMATE MORTALITY TABLE (AM\*)**  
**COMMISSIONERS 1941 STANDARD ORDINARY MORTALITY TABLE**  
**(1941 CSO)**  
**COMMISSIONERS 1958 STANDARD ORDINARY MORTALITY TABLE**  
**(1958 CSO)**

Age	1000qx			Age	1000qx		
	AM (5)	1941 CSO	1958 CSO		AM (5)	1941 CSO	1958 CSO
0	112.46*	22.58	7.08	52	13.62	14.30	9.96
1	26.39	5.77	1.76	53	14.78	15.43	10.89
2	11.87	4.14	1.52	54	16.08	16.65	11.90
3	7.09	3.38	1.46	55	17.47	17.98	13.00
4	4.91	2.99	1.40	56	19.02	19.43	14.21
5	3.94	2.76	1.35	57	20.69	21.00	15.54
6	3.38	2.61	1.30	58	22.51	22.71	17.00
7	3.05	2.47	1.26	59	24.49	24.57	18.59
8	2.93	2.31	1.23	60	26.68	26.59	20.34
9	2.96	2.12	1.21	61	29.03	28.78	22.24
10	3.07	1.97	1.21	62	31.58	31.18	24.31
11	3.17	1.91	1.23	63	34.37	33.76	26.57
12	3.26	1.92	1.26	64	37.38	36.58	29.04
13	3.32	1.98	1.32	65	40.66	39.64	31.75
14	3.39	2.07	1.39	66	44.18	42.96	34.74
15	3.46	2.15	1.46	67	48.03	46.56	38.04
16	3.53	2.19	1.54	68	52.16	50.46	41.68
17	3.63	2.25	1.62	69	56.64	54.70	45.61
18	3.71	2.30	1.69	70	61.47	59.30	49.79
19	3.81	2.37	1.74	71	66.70	64.27	54.15
20	3.92	2.43	1.79	72	72.33	69.66	58.65
21	4.02	2.51	1.83	73	78.39	75.50	63.26
22	4.12	2.59	1.86	74	84.92	81.81	68.12
23	4.18	2.68	1.89	75	91.94	88.64	73.37
24	4.25	2.77	1.91	76	99.51	96.02	79.18
25	4.31	2.88	1.93	77	107.65	103.99	85.70
26	4.35	2.99	1.96	78	116.31	112.59	93.06
27	4.39	3.11	1.99	79	125.69	121.86	101.19
28	4.41	3.25	2.03	80	135.74	131.85	109.98
29	4.43	3.40	2.08	81	146.42	142.60	119.35
30	4.46	3.56	2.13	82	157.87	154.16	129.17
31	4.48	3.73	2.18	83	170.05	166.57	139.38
32	4.51	3.92	2.25	84	183.15	179.88	150.01
33	4.59	4.12	2.32	85	197.07	194.13	161.14
34	4.68	4.35	2.40	86	211.80	209.37	172.82
35	4.78	4.59	2.51	87	227.29	225.63	185.13
36	4.94	4.86	2.64	88	244.08	243.00	198.25
37	5.12	5.15	2.80	89	261.70	261.44	212.46
38	5.32	5.46	3.01	90	280.35	280.99	228.14
39	5.56	5.81	3.25	91	299.46	301.73	245.77
40	5.84	6.18	3.53	92	321.08	323.64	265.93
41	6.16	6.59	3.84	93	341.88	346.66	289.30
42	6.54	7.03	4.17	94	363.64	371.00	316.66
43	6.94	7.51	4.53	95	387.76	396.21	351.24
44	7.42	8.04	4.92	96	411.11	447.19	400.56
45	7.94	8.61	5.35	97	443.40	548.26	488.42
46	8.52	9.23	5.83	98	457.63	724.67	668.15
47	9.18	9.91	6.36	99	500.00	1000.00	1000.00
48	9.89	10.64	6.95	100	562.50		
49	10.70	11.45	7.60	101	571.43		
50	11.58	12.32	8.32	102	666.67		
51	12.54	13.27	9.11	103	1000.00		

\* Bowerman's Extension.

**TABLE II**  
**1956 INTER-COMPANY HOSPITAL TABLE**  
**NET ANNUAL CLAIM COSTS FOR USE IN COMPUTING RESERVES**

Attained Age	Room and Board Benefit* 90 Day Maximum		Maternity Expense Benefit Female For \$100 Max. Benefit
	Male	Female	
	For \$10 Daily Benefit		
20-----	5.83	6.79	32.84
21-----	5.82	7.05	30.62
22-----	5.81	7.31	28.50
23-----	5.80	7.57	26.52
24-----	5.80	7.84	24.69
25-----	5.79	8.10	22.95
26-----	5.77	8.36	21.27
27-----	5.74	8.63	19.60
28-----	5.72	8.90	17.92
29-----	5.72	9.17	16.26
30-----	5.77	9.44	14.65
31-----	5.86	9.72	13.12
32-----	5.99	10.01	11.70
33-----	6.14	10.30	10.40
34-----	6.33	10.59	9.20
35-----	6.54	10.88	8.08
36-----	6.78	11.17	7.02
37-----	7.06	11.47	6.00
38-----	7.36	11.76	4.99
39-----	7.69	12.06	4.01
40-----	8.05	12.36	3.10
41-----	8.44	12.66	2.28
42-----	8.86	12.97	1.60
43-----	9.30	13.28	1.08
44-----	9.77	13.59	0.68
45-----	10.25	13.90	0.39
46-----	10.75	14.21	0.17
47-----	11.28	14.52	
48-----	11.83	14.83	
49-----	12.38	15.15	
50-----	12.93	15.48	
51-----	13.48	15.82	
52-----	14.03	16.16	
53-----	14.59	16.50	
54-----	15.15	16.86	
55-----	15.71	17.23	
56-----	16.28	17.60	
57-----	16.84	17.98	
58-----	17.42	18.37	
59-----	18.00	18.78	
60-----	18.60	19.23	
61-----	19.20	19.70	
62-----	19.81	20.19	
63-----	20.43	20.71	
64-----	21.08	21.27	
65-----	21.77	21.89	
66-----	22.40	22.47	
67-----	22.95	22.99	
68-----	23.60	23.62	
69-----	24.48	24.49	
70-----	25.75	25.75	
71-----	27.57	27.57	
72-----	29.83	29.83	
73-----	32.31	32.31	
74-----	34.78	34.78	
75-----	37.00	37.00	
76-----	38.98	38.98	
77-----	40.87	40.87	
78-----	42.67	42.67	
79-----	44.38	44.38	
80-----	46.00	46.00	

\*Use 40% of the Net Annual Claim Cost per \$1 of Room and Board Benefit to obtain the Net Annual Claim Cost for each dollar of Daily Maximum Physician's In-Hospital Calls Benefit.

**TABLE III**  
**1956 INTER-COMPANY HOSPITAL TABLE**  
**NET ANNUAL CLAIM COSTS FOR USE IN COMPUTING RESERVES**  
**MISCELLANEOUS HOSPITAL EXPENSE BENEFIT**

Attained Age	Males					Females					Attained Age
	For an Unallocated Maximum of					For an Unallocated Maximum of					
	\$25	\$50	\$100	\$150	\$250	\$25	\$50	\$100	\$150	\$250	
20	1.96	3.13	4.90	5.96	7.44	2.34	3.74	5.85	7.12	8.88	20
21	1.96	3.14	4.95	6.02	7.53	2.41	3.88	6.10	7.43	9.29	21
22	1.95	3.15	4.98	6.07	7.60	2.48	4.01	6.34	7.74	9.69	22
23	1.94	3.15	5.01	6.13	7.68	2.55	4.14	6.58	8.05	10.08	23
24	1.94	3.16	5.04	6.18	7.75	2.62	4.27	6.82	8.35	10.48	24
25	1.93	3.16	5.07	6.22	7.81	2.68	4.39	7.05	8.65	10.87	25
26	1.91	3.15	5.08	6.25	7.86	2.74	4.51	7.27	8.94	11.24	26
27	1.90	3.14	5.08	6.26	7.89	2.79	4.62	7.49	9.22	11.61	27
28	1.88	3.12	5.09	6.27	7.91	2.84	4.73	7.70	9.50	11.97	28
29	1.86	3.11	5.09	6.29	7.94	2.89	4.83	7.90	9.76	12.32	29
30	1.86	3.12	5.13	6.35	8.02	2.94	4.94	8.11	10.04	12.69	30
31	1.86	3.14	5.18	6.42	8.12	2.99	5.05	8.33	10.33	13.06	31
32	1.87	3.17	5.25	6.52	8.25	3.04	5.15	8.54	10.60	13.42	32
33	1.88	3.21	5.34	6.64	8.42	3.09	5.26	8.75	10.88	13.79	33
34	1.90	3.25	5.44	6.77	8.59	3.13	5.36	8.97	11.17	14.17	34
35	1.93	3.31	5.56	6.93	8.80	3.18	5.47	9.18	11.45	14.53	35
36	1.96	3.38	5.70	7.11	9.04	3.22	5.56	9.38	11.72	14.89	36
37	1.99	3.46	5.86	7.33	9.32	3.27	5.67	9.60	12.00	15.27	37
38	2.04	3.55	6.03	7.56	9.62	3.31	5.77	9.81	12.28	15.64	38
39	2.08	3.65	6.23	7.81	9.96	3.35	5.86	10.01	12.56	16.00	39
40	2.13	3.74	6.42	8.06	10.28	3.39	5.96	10.22	12.83	16.37	40
41	2.18	3.85	6.62	8.32	10.62	3.43	6.06	10.42	13.10	16.73	41
42	2.22	3.95	6.82	8.58	10.97	3.46	6.15	10.62	13.37	17.09	42
43	2.28	4.06	7.04	8.87	11.34	3.50	6.24	10.82	13.65	17.45	43
44	2.33	4.17	7.26	9.16	11.73	3.54	6.33	11.02	13.92	17.81	44
45	2.39	4.29	7.50	9.48	12.14	3.57	6.43	11.22	14.19	18.17	45
46	2.45	4.42	7.75	9.81	12.57	3.61	6.52	11.43	14.46	18.54	46
47	2.51	4.55	8.01	10.15	13.02	3.64	6.61	11.62	14.73	18.89	47
48	2.58	4.70	8.29	10.52	13.51	3.67	6.69	11.82	14.99	19.25	48
49	2.65	4.85	8.59	10.90	14.01	3.70	6.78	12.02	15.26	19.61	49

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TABLE III—Continued

Attained Age	Males					Females					Attained age
	For an Unallocated Maximum of					For an Unallocated Maximum of					
	\$25	\$50	\$100	\$150	\$250	\$25	\$50	\$100	\$150	\$250	
50	2.72	5.00	8.89	11.30	14.53	3.74	6.87	12.22	15.54	19.97	50
51	2.80	5.17	9.22	11.73	15.09	3.77	6.96	12.42	15.80	20.33	51
52	2.88	5.34	9.55	12.17	15.67	3.80	7.05	12.62	16.08	20.70	52
53	2.96	5.51	9.90	12.63	16.27	3.83	7.13	12.82	16.35	21.06	53
54	3.05	5.70	10.28	13.12	16.91	3.86	7.22	13.01	16.61	21.41	54
55	3.14	5.90	10.67	13.64	17.59	3.89	7.30	13.21	16.88	21.78	55
56	3.24	6.11	11.09	14.19	18.32	3.91	7.39	13.40	17.15	22.14	56
57	3.35	6.35	11.55	14.80	19.11	3.94	7.47	13.61	17.43	22.51	57
58	3.46	6.58	12.02	15.41	19.92	3.97	7.55	13.79	17.69	22.86	58
59	3.57	6.82	12.49	16.04	20.74	4.00	7.64	13.99	17.96	23.22	59
60	3.67	7.04	12.93	16.61	21.49	4.02	7.72	14.19	18.23	23.59	60
61	3.76	7.24	13.34	17.16	22.21	4.05	7.81	14.39	18.51	23.96	61
62	3.84	7.43	13.74	17.69	22.91	4.08	7.89	14.59	18.77	24.32	62
63	3.92	7.62	14.13	18.20	23.59	4.10	7.98	14.79	19.05	24.69	63
64	3.99	7.79	14.49	18.69	24.24	4.13	8.06	14.98	19.32	25.06	64
65	4.06	7.95	14.83	19.14	24.84	4.15	8.14	15.18	19.59	25.42	65
66	4.12	8.10	15.15	19.57	25.40	4.18	8.22	15.38	19.86	25.79	66
67	4.16	8.23	15.43	19.95	25.91	4.21	8.31	15.59	20.15	26.18	67
68	4.21	8.34	15.70	20.31	26.39	4.23	8.39	15.79	20.43	26.55	68
69	4.24	8.45	15.95	20.65	26.85	4.25	8.47	15.98	20.70	26.91	69
70	4.28	8.55	16.18	20.96	27.27	4.28	8.55	16.18	20.96	27.27	70
71	4.30	8.61	16.39	21.26	27.67	4.30	8.61	16.39	21.26	27.67	71
72	4.32	8.64	16.57	21.51	28.01	4.32	8.64	16.57	21.51	28.01	72
73	4.34	8.68	16.75	21.76	28.34	4.34	8.68	16.75	21.76	28.34	73
74	4.35	8.70	16.90	21.97	28.63	4.35	8.70	16.90	21.97	28.63	74
75	4.36	8.72	17.06	22.19	28.94	4.36	8.72	17.06	22.19	28.94	75
76	4.37	8.74	17.21	22.41	29.23	4.37	8.74	17.21	22.41	29.23	76
77	4.38	8.76	17.35	22.61	29.51	4.38	8.76	17.35	22.61	29.51	77
78	4.39	8.77	17.49	22.81	29.79	4.39	8.77	17.49	22.81	29.79	78
79	4.39	8.78	17.55	22.99	30.03	4.39	8.78	17.55	22.99	30.03	79
80	4.39	8.78	17.56	23.16	30.27	4.39	8.78	17.56	23.16	30.27	80

**TABLE IV**  
**1956 INTER-COMPANY SURGICAL TABLE**  
**NET ANNUAL CLAIM COSTS FOR USE IN COMPUTING RESERVES**

Surgical Expense Benefit*			Surgical Expense Benefit*		
Male		Female	Male		Female
Attained Age	For \$200 "Standard" Schedule		Attained Age	For \$200 "Standard" Schedule	
20-----	3.60	4.40	43-----	3.92	8.25
21-----	3.56	4.68	44-----	4.03	8.24
22-----	3.52	4.95	45-----	4.14	8.20
23-----	3.48	5.21	46-----	4.26	8.12
24-----	3.46	5.46	47-----	4.40	8.01
25-----	3.44	5.70	48-----	4.54	7.88
26-----	3.43	5.93	49-----	4.69	7.74
27-----	3.42	6.16			
28-----	3.43	6.37	50-----	4.84	7.62
29-----	3.43	6.58	51-----	5.00	7.51
			52-----	5.16	7.40
30-----	3.44	6.76	53-----	5.32	7.30
31-----	3.45	6.92	54-----	5.49	7.20
32-----	3.46	7.06	55-----	5.64	7.12
33-----	3.48	7.18	56-----	5.79	7.05
34-----	3.50	7.31	57-----	5.94	7.00
35-----	3.52	7.44	58-----	6.08	6.95
36-----	3.54	7.59	59-----	6.21	6.90
37-----	3.56	7.75			
38-----	3.59	7.91	60-----	6.32	6.86
39-----	3.63	8.04	61-----	6.42	6.82
		6.50	62-----	6.50	6.77
40-----	3.68	8.14	63-----	6.56	6.73
41-----	3.75	8.20	64-----	6.62	6.70
42-----	3.83	8.24	65-----	6.66	6.66

\*In order to obtain Net Annual Claim Costs for a particular Surgical Schedule, follow the procedure outlined in Table V

**TABLE V**  
**1956 INTER-COMPANY SURGICAL TABLE**  
**EVALUATION SCHEDULE FOR SURGICAL BENEFITS**  
**PER \$100 SCHEDULE**

Procedure	Weight	Amount Payable per \$100 Maximum (Prorated if Maximum is other than \$100)	Product
	<b>Adult Male</b>		
Benign tumors and cysts, superficial removal ----	.564		
Appendectomy .....	.712		
Cholecystectomy .....	.095		
Herniotomy, single .....	.391		
Herniotomy, bilateral .....	.101		
Hemorrhoidectomy, Int. or Ext. ....	.229		
Hemorrhoidectomy, Int. and Ext. ....	.154		
Prostatectomy, perineal or suprapubic.....	.059		
Nasal septum, submucous resection.....	.130		
Tonsillectomy and/or Adenoidectomy .....	.711		
	<b>Adult Female</b>		
Thyroidectomy, subtotal .....	.087		
Appendectomy .....	.429		
Cholecystectomy .....	.160		
Dilation and curettage .....	.330		
Uterine fixation .....	.096		
Panhysterectomy .....	.157		
Hysterectomy—abd. ....	.326		
Hysterectomy—vag. ....	.065		
Other uterine operations incl. oophorectomy etc.	.110		
Tonsillectomy and adenoidectomy .....	.304		

The weights are so determined that the sum of the products evaluates a schedule as a percentage of "standard", and are derived from the frequencies for the commoner operations. Apply the above factors (percentage of "standard") to the net annual claim costs for a \$200 "standard" schedule shown in Table IV to obtain the adjusted net annual claim costs for a particular schedule (\$200 basis). Where the particular schedule is for some amount other than \$200, the factors should be adjusted accordingly (i.e. \$250 schedule multiply by 1.25.)

**History:** Cr. Register, April, 1959, No. 40, eff. 5-1-59; am. (2) (a) and (b), Register, June, 1960, No. 54, eff. 7-1-60; am. (3) (a) and Table 1, Register, October, 1960, No. 58, eff. 11-1-60; r. and recr., Register, January, 1967, No. 133, eff. 2-1-67; emerg. am. to (1) to (6), eff. 6-22-76; am. (1), (2), (3) (intro.), (3) (a), 4 and 5, (3) (e), (4) (intro.), (4) (a), (5) and (6), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.18 Total consideration for accident and sickness insurance policies.** The total consideration charged for accident and sickness insurance policies must include policy and other fees. Such total consideration charged must be stated in the policy, and shall be subject to the reserve requirements of chapter 623, Wis. Stats., and Wis. Adm. Code section Ins 3.17, and must be the basis for computing the amount to be refunded in the event of cancellation of the policy.

**History:** Cr. Register, May, 1959, No. 41, eff. 6-1-59; emerg. am. eff. 6-22-76; am. Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.19 Group accident and sickness insurance insuring debtors of a creditor.** (1) This rule implements and interprets sections 204.321 (1) (d) and 206.60 (2), 1973 Wis. Stats., with regard to issuance of a group policy of accident and sickness insurance issued to a creditor to insure debtors of a creditor.

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(2) A group accident and sickness insurance policy may be issued to a creditor to insure debtors of the creditor if the class or classes of insured debtors meet the requirements of paragraphs (a) and (c) of section 206.60 (2), 1973 Wis. Stats., and such a policy shall be subject to the requirements of such paragraphs in addition to other requirements applicable to group accident and sickness insurance policies.

**History:** Cr. Register, November, 1959, No. 47, eff. 12-1-59; am. Register, September, 1963, No. 93, eff. 10-1-63; r. (3), Register, February, 1973, No. 206, eff. 3-1-73; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.20 Substandard risk automobile physical damage insurance for financed vehicles.** (1) **PURPOSE.** In accordance with section 204.49 (4), Wis. Stats., this rule is to accomplish the purpose and enforce the provisions of chapter 625, Wis. Stats., in relations to automobile physical damage insurance for substandard risks.

(2) **SCOPE.** This rule applies to any automobile physical damage insurance policy procured or delivered by a finance company.

(3) **DEFINITIONS.** (a) *Substandard risk* means an applicant for insurance who presents a greater exposure to loss than that contemplated by commonly used rate classifications as evidenced by one or more of the following conditions:

1. Record of traffic accidents.
2. Record of traffic law violations.
3. Undesirable occupational circumstances.
4. Undesirable moral characteristics.

(b) *Substandard risk rate* means a rate or premium charge that reflects the greater than normal exposure to loss which is assumed by an insurer writing insurance for a substandard risk.

(4) **RATES FOR SUBSTANDARD RISKS.** (a) Any increased rate charged for substandard risks shall not be excessive, inadequate, or unfairly discriminatory.

(b) It shall be unfairly discriminatory to charge a rate or premium that does not reasonably measure the variation between risks and each risk's exposure to loss.

(c) Classification rates filed for substandard risks may not exceed 150% of the rate level generally in use for normal risks unless the filing also provides for the modification of classification rates in accordance with a schedule which establishes standards for measuring variation in hazards or expense provisions or both.

(5) **INSURANCE COVERAGE.** (a) The automobile physical damage insurance afforded shall be substantially that customarily in use for normal business.

(b) The applicant shall not be required to purchase more coverage than is customarily necessary to protect the interests of the mortgagee. The issuance of a policy shall not be made contingent on the acceptance by the applicant of unwanted or excessively broad coverages.

(c) Single interest coverage may be issued only when double interest coverage is not obtainable. The applicant must be given the opportunity to procure his own insurance, and if he can procure same within 25 days there shall be no charge for the single interest coverage.

(6) **POLICY FORMS.** The purchaser must be furnished with a complete policy form clearly setting forth the nature and extent of all coverages and premiums charged therefor.

(7) **RATING STATEMENT.** No policy written on the basis of a sub-standard risk rate schedule shall be issued unless it contains a statement printed in bold-faced type, preferably in a contrasting color, reading substantially as follows: This policy has been rated in accordance with a special rating schedule filed with the commissioner of insurance providing for higher premium charges than those generally applicable for average risks. If the coverage or premium is not satisfactory, you may secure your own insurance.

**History:** Cr. Register, March, 1960, No. 51, eff. 4-1-60; emerg. am. (1), eff. 6-22-76; am. (1), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.21 "In the same industry", definition of.** (1) The phrase "in the same industry", as used in section 204.321 (1) (c), 1973 Wis. Stats., may be construed so that establishments engaged in one of the following activities may be considered as being in the same industry: (a) retail trade, (b) wholesale trade, (c) service, (d) mining, (e) contract construction, (f) finance, insurance and real estate, (g) transportation, communication and other public utilities, and (h) manufacturing.

(2) The principal activity of an establishment shall control its classification.

(3) An insurer may submit other classifications of establishments, subject to the approval of the commissioner, which it believes may properly be considered as engaging in activities which are "in the same industry".

*Note:* The above rule is an outgrowth of the hearings held by the department on December 17, 1963, to consider the formulation of rules and guide lines which insurance companies could use to determine what groupings of employers might be permitted by the phrase "in the same industry" in sections 204.321 (1) (c) and 206.60 (4), Wis. Stats., to obtain group insurance coverage for their employees through the establishment of a trust. As a result of the hearing, the department has reviewed the background and history of the "in the same industry" provision which was adopted as a part of the "Group Life Insurance Definition" and "Group Life Insurance Standard Provisions", revised at New York on December 15, 1948, by the National Association of Insurance Commissioners and enacted as a part of the Wisconsin Statutes in 1949. The Department has concluded that the phrase "in the same industry" should be liberally construed. It provides a means whereby a small employer, not having a sufficient number of employees to qualify for a group plan of his own, may join with others and provide the benefits of group insurance to his employees and thereby compete in the labor market with the large employer. It has been emphasized to the department that the statutes involved are insurance statutes and that there is no underwriting reason which dictates greater detail or narrower classifications under the law. To require a more detailed breakdown only has the effect of adding to the administrative detail and expense of setting up such a plan, and such does not appear to be required nor in the public interest.

"The rule was amended May 1, 1975 so that it would apply to organizations engaged in manufacturing. This was accomplished by adding reference to manufacturing in subsection (1). This in effect removes the application of the advisory opinions of the Attorney General dated January 16, 1958 and December 30, 1958 on this subject."

For a general guide as to the types of organizations which fall within each of the groupings listed in subsection (1) of this rule, the department suggests that insurers refer to the division headings found in the "Standard Industrial Classification Manual" prepared by the Register, September, 1976, No. 249

United States Bureau of the Budget, Technical Committee on Industrial Classification, Office of Statistical Standards, 1957, and to other similar material such as the industrial classification starting on page XI of the "U.S. Census of Population 1960—Classified Index of Occupations and Industries," published by the United States Department of Commerce, Bureau of the Census, 1960; and Volume V, No. 1, "Wisconsin Commerce Reports," Bureau of Business Research and Service, Madison, Wisconsin, April 1, 1957. All present tense statutory references herein are to 1973 Wis. Stats.

**History:** Cr. Register, February, 1964, No. 98, eff. 3-1-64; am. (1), Register, April, 1975, No. 232, eff. 5-1-75; emerg. am. (1), eff. 6-22-76; am. (1), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.22 Bail bond insurance.** (1) **PURPOSE.** This rule is intended to implement and interpret applicable statutes including but not limited to subsection 201.04 (7) of Ins 6.70, sections 204.06, 204.11, 627.15, 632.14 and 632.17 and chapter 628, Wis. Stats., for the purpose of establishing minimum requirements for the transaction of bail bond insurance.

(2) **DEFINITIONS.** (a) *Commissioner* means the commissioner of insurance.

(b) *Insurer* means any domestic, foreign, or alien insurance company which has qualified to transact fidelity business under subsection 201.04 (7) of Ins 6.70.

(c) *Bail bondsman* means an individual who shall be appointed by an insurer by power of attorney as its licensed agent under chapter 628, Wis. Stats., to execute or countersign bail bonds in connection with judicial proceedings and who receives or is promised money or other things of value therefor.

(4) **POWER OF ATTORNEY.** Every insurer engaged in the writing of bail bonds shall submit to and have approved by the commissioner a sample power of attorney which shall be the only form of power of attorney the insurer shall issue in this state.

(5) **BAIL BOND RATES.** (a) Bail bond rates and premiums are subject to the provisions of chapter 628, Wis. Stats. It is unlawful for any bail bondsman to execute a bail bond without charging the filed rate and premium therefor. No bail bondsman shall make any charge or collect or receive any fee, service fee, or consideration other than the premium based on rates and premiums as approved by the commissioner. Nothing in this rule shall prohibit collateral security or coindemnity agreements.

(b) The premium shall be a term charge for the term of the bond. No additional premium shall be charged in the event of a bind over except that if the amount of the bond has been increased a premium based on the approved rate for the amount of the increase may be charged.

(c) If the penal sum of the bond is reduced within 7 days after time of commitment by the original committing jurisdiction, the defendant shall be entitled to a refund of the premium in proportion to the amount of the reduction except that the minimum premium shall not be affected.

(d) The original premium charged and any additional or return premium required hereunder shall be shown or endorsed on the bond.

(6) **ISSUANCE OF BAIL BONDS.** No person shall execute or countersign bail bonds for a fee, or act in the capacity of a bail bondsman, or

perform any of the functions, duties or powers prescribed for bail bondsmen, or collect any premium or fee under the provisions of this rule unless he is licensed as a bail bondsman under chapter 628, Wis. Stats.

**History:** Cr. Register, April, 1964, No. 100, eff. 6-1-64; r. (3) Register, December, 1967, No. 144, eff. 1-1-68; emerg. am. (1), (2) (b) and (c), (5) and (6), eff. 6-22-76; am. (1) (2) (b) and (c), (5) and (6), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.23 Franchise accident and sickness insurance.** (1) **FRANCHISE GROUP HEADQUARTERS.** A franchise group described in section 600.03 (34m) (d), Wis. Stats., need not have its headquarters or other executive offices domiciled in Wisconsin.

(2) **ACCOUNTING.** All premiums paid in connection with franchise accident and sickness insurance on Wisconsin residents shall be reported for annual statement purposes as Wisconsin business and shall be subject to the applicable Wisconsin premium tax.

**History:** Cr. Register, May, 1964, No. 101, eff. 6-1-64; emerg. am. (1) eff. 6-22-76; am. (1), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.25 Credit life insurance and credit accident and sickness insurance.** (1) **PURPOSE.** The purpose of this rule is to assist in the maintenance of a fair and equitable credit insurance market and to protect the interest of debtors and the public in this state by providing a system of rate, policy form, and operating standards for the transaction of credit life insurance and credit accident and sickness insurance. This rule interprets and implements, including but not limited to the following Wisconsin Statutes: sections 206.20, 206.201, 601.01 (3) (b) and (c), 601.42, 625.11, 625.12, 625.34, 631.20, 632.44 (3) and 632.60.

(2) **SCOPE.** (a) This rule shall apply to the transaction of credit life insurance defined in subsection 201.04 (3c) of Ins 6.70 and 632.44, Wis. Stats., and to the transaction of credit accident and sickness insurance as defined in subsection 201.04 (4a) of Ins 6.70.

(b) This rule shall be the basis for review of all policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders and the schedules of premium rates pertaining thereto submitted for filing after the effective date of this rule.

(c) This rule shall not apply to an individual or group life insurance policy or an individual or group accident and sickness insurance policy which insures only debtors whose indebtedness to a creditor is for a term in excess of 5 years.

(3) **FORMS OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE.** Credit life insurance and credit accident and sickness insurance shall be issued only in the following forms:

(a) Individual policies of life insurance issued to debtors on the nonrenewable, nonconvertible term plan;

(b) Individual policies of accident and sickness insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

(c) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;

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(d) Group policies of accident and sickness insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

(4) (a) The amount of credit life insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable in installments to the creditor, or \$10,000, whichever is less. Except for a consumer credit transaction primarily for an agricultural purpose (section 421.301 (4), Wis. Stats.), where the indebtedness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months except that such insurance may be continued for an additional period not exceeding 6 months in the case of default, extension or recasting of the loan. The amount of insurance on the life of any debtor shall at no time exceed the amount of unpaid indebtedness, or \$10,000, whichever is less.

(b) The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic schedule of unpaid installments of indebtedness, or \$10,000, whichever is less, and the amount of each periodic indemnity shall not exceed the original total amount of periodic indemnity divided by the number of periodic installments.

(5) **TERM OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE.** The term of any credit life insurance or credit accident and sickness insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than 30 days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than 15 days beyond the scheduled maturity date of indebtedness except when extended without additional cost to the debtor or as an incident to a deferral, refinancing or consolidation agreement. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In any renewal or refinancing of the indebtedness the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced, but this does not apply to an amount of indebtedness, exclusive of refinancing charges, in excess of the original indebtedness outstanding at the time of refinancing. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in subsection (8).

(6) **PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE; DISCLOSURE TO DEBTORS.** (a) All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or

in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(b) Each individual policy or group certificate of credit life insurance and/or credit accident and sickness insurance shall, in addition to other requirements of law set forth:

1. The name and home office address of the insurer,
2. The name or names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor,
3. The premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and sickness insurance,
4. A description of the coverage including the amount and term thereof, and any exceptions, limitations and restrictions,
5. A provision that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate, and
6. A provision that the insurance on any debtor will be cancelled and refund made if his indebtedness is terminated through prepayment or otherwise.

(c) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

(d) If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance shall;

1. Be delivered to the debtor at the time such indebtedness is incurred,
2. Be signed by the debtor,
3. Set forth the name and home office address of the insurer,
4. Set forth the name or names of the debtor,
5. Set forth the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and sickness insurance, and
6. Set forth the amount, term and a brief description of the coverage provided including all exclusions and exceptions.

(dm) The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within 30 days of the date upon

which the indebtedness is incurred, the insurer shall cause the individual policy or group certificates of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in subsection (5).

(e) If the named insurer does not accept the risk, then and in such event the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer, if any, and the information required by subsection (6) (b), and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

(f) If a contract of insurance provides for a limitation of the amount of coverage related to insurance provided by other contracts in force on the debtor, such limitation shall be explained to the debtor at the time the indebtedness is incurred and shall be acknowledged in writing by him in an instrument separate from the individual policy or group certificate. Alternatively, the individual policy or group certificate shall include a brief description or separate statement referring to the limitation of amount of coverage. The brief description or separate statement, if used to meet the foregoing requirement, shall be printed on the first page of the individual policy or group certificate in type more prominent than that used in the text of the policy or certificate and shall clearly indicate the limitation.

(g) If a contract of insurance provides for a limitation of coverage related to the age of the debtor, such limitation shall be explained to the debtor at the time the indebtedness is incurred and shall be acknowledged in writing by him in an instrument separate from the individual policy or group certificate. Alternatively, the individual policy or group certificate shall include a brief description or separate statement referring to the age limitation. The brief description or separate statement, if used to meet the foregoing requirement, shall be printed on the first page of the individual policy or group certificate in type more prominent than that used in the text of the policy or certificate and shall clearly indicate the limitation.

(h) Conspicuous notice of the debtor's right to return the policy, certificate of insurance or notice of proposed insurance within 10 days of incurring the indebtedness and to receive a refund of any premium paid if he is not satisfied with the insurance for any reason, as required by section 424.203 (4), Wis. Stats., shall be furnished with or in the policy, certificate or notice of proposed insurance.

(i) Charges or premiums for credit life insurance or credit accident and sickness insurance may only be collected from debtors if the disclosure and authorization requirements of section 422.202 (1) (b), Wis Stats., are met. If 2 debtors are to be insured for credit life insurance each must receive the disclosure information and each must request credit life insurance coverage.

(7) FILING OF POLICY FORMS. (a) All policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders to be delivered or issued for delivery in this state and the schedules of premium rates pertaining thereto shall be filed with the commissioner. In the case of credit transactions covered under a group policy issued in another state or jurisdiction, the insurer shall file for approval only the group certificate and notice of

proposed insurance to be used in this state, and the premium rates to be used in connection with such certificate and notice.

(b) The commissioner shall within 30 days after the filing of any such policy, certificate of insurance, notice of proposed insurance, application for insurance, endorsement or rider, disapprove any such form if the benefits provided therein are not reasonable in relation to the premium charge, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage, or are contrary to any law or of any administrative rule.

(c) If the commissioner notifies the insurer that the form is disapproved, it may not issue or use such form. Such notice shall specify the reason for the disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until the expiration of 30 days after it has been so filed, unless the commissioner shall give his prior written approval thereto.

(d) The commissioner may, at any time after a hearing held not less than 20 days after written notice to the insurer, withdraw his approval of any such form on any ground set forth in paragraph (b) above. The written notice of such hearing shall state the reason for the proposed withdrawal.

(e) The insurer may not issue such forms or use them after the effective date of such withdrawal.

(8) PREMIUMS AND REFUNDS. (a) Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the commissioner. No insurer shall issue any credit life insurance policy or credit accident and sickness insurance policy for which the premium rate differs from that determined by the schedules of such insurer as then on file.

(b) The amount charged to a debtor for any credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(c) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

(d) A creditor may not remit and an insurer may not collect on a monthly outstanding balance basis if the insurance charge or premium is included as part of the outstanding indebtedness. This means that where the creditor adds identifiable insurance charges or premiums for credit insurance to the total amount of indebtedness, and any direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with such insurance charge, the creditor must remit and the insurer shall collect on a single premium basis only.

(e) Dividends on participating individual policies of credit insurance shall be payable to the individual insureds. Payment of such dividends may be deferred until such time as the policy is terminated.

(f) Each individual policy, or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that the premium schedule may prescribe a minimum refund of \$1 and no refund of a lesser amount need be made. The sum of the refunds due on all credit life insurance or credit accident and sickness insurance policies being terminated in connection with the indebtedness and all other credits due to the customer under chapters 421 to 428, Wis. Stats., shall be used to determine if a refund is due.

(g) Schedules for computing refunds in event of cancellation of credit insurance prior to the scheduled maturity date of the indebtedness must meet the following minimum requirements:

1. The refund of premium, in the case of credit insurance for which premiums are payable other than by a single premium, and in the case of level term credit life insurance, shall be equal to the pro-rata unearned gross premium. In the case of credit insurance paid by a single premium the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

2. The refund of the amount charged the debtor for insurance, in the case of credit insurance for which said amount is charged other than in single sum, and in the case of level term credit life insurance, shall be equal to the pro-rata unearned gross amount charged or to be charged. In the case of credit insurance for which the whole amount is charged in a single sum the refund shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78".

3. Refunds shall be based upon the number of full months prepaid from the maturity date of the policy, counting a fractional month of 16 days or more as a full month.

4. Upon termination of indebtedness repayable in a single sum prior to the scheduled maturity date, the refund shall be computed from the date of termination to the maturity date. If less than 15 days of a loan month has been earned, no charge may be made for that loan month, but if 15 days or more, a full month may be charged.

(h) If an insured indebtedness is transferred to another creditor any group credit life insurance or group credit accident and sickness insurance issued on that indebtedness may be continued, but the creditor policyholder must advise the insurer of each transfer within 30 days of its effective date.

(9) CLAIMS AND AUDIT PROCEDURES. (a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom

payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer. However, nothing herein shall be construed to relieve the insurer of the responsibility for proper settlement, adjustment and payment of all claims in accordance with the terms of the insurance contract and this ruling.

(d) The insurer must make a good faith examination of each credit insurance account in the first year of the account and annually thereafter. The examination shall be made to assure that the creditor is conducting the insurance program in compliance with the credit insurance policy provisions, the insurer's administrative instructions furnished the creditor to implement the insurance program, and with the applicable credit insurance law and regulation of Wisconsin. The examination must include verification of the accuracy of the computation of premium payments, insurance charges made to debtors, and claim payments reported to the insurer by the creditor. The insurer will maintain records of examinations for 2 years, and such records will be subject to call and review by the commissioner.

(10) CHOICE OF INSURER. When credit life insurance or credit accident and sickness insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

(11) CREDIT INSURANCE PREMIUM RATE FILINGS. (a) Every credit insurer shall file with the commissioner every premium rate schedule applicable to credit insurance in this state, together with the premium, loss, and expense experience on which the insurer bases the proposed premium rate, at least 30 days before the proposed effective date.

(b) In the absence of credible mortality or morbidity experience, the benefits provided under a credit insurance form shall be deemed not to be unreasonable in relation to the premium rate charged if the premium rates filed do not exceed the prima facie premium rate standards set forth in subsections (12) and (13) and if the forms provide benefits which are no more restrictive than the coverage standards enumerated.

(c) Nothing herein shall preclude an insurer from requesting approval of the commissioner for premium rates higher or lower than the prima facie rate standards on the basis of the mortality or morbidity rate actually experienced or anticipated.

(d) If an insurer proposes to provide coverage which is more restrictive than coverage described in subsections (12) and (13), the insurer must demonstrate to the commissioner's satisfaction that the

premium rate schedule applicable for the coverage will produce loss ratios at least as great as those contemplated in the premium rate standards set forth or can reasonably be expected to produce such loss ratios.

(e) Where no debtor is paying an identifiable charge for any part of the premium for credit insurance the rates shall be such reasonable rates as are approved by the commissioner.

(12) PRIMA FACIE CREDIT LIFE INSURANCE PREMIUM RATE STANDARDS.

(a) The basic permissible loss ratio for credit life insurance shall be not less than 50%.

(b) The rate standard for premiums payable on the basis of monthly outstanding balance is \$0.923 per \$1,000 of insurance. The rates applicable to other methods of payment shall be actuarially equivalent.

(c) The rate standard for premiums payable on single premium decreasing term credit life insurance shall be computed according to the following formula:

$$P_n = \frac{[n] 0.60}{12}$$

Where  $P_n$  = Single premium rate per \$100 of initial insured indebtedness repayable in n equal monthly instalments

n = Original repayment period, in months

(d) The rate standard for premiums payable on single premium level term credit life insurance shall be computed according to the following formula:

$$P_n = \frac{[n] 0.923}{10}$$

Where  $P_n$  = Single premium rate per \$100 of level insured indebtedness repayable in n months

n = Original term of level indebtedness in months

(e) The rate standards for credit life insurance providing coverage on 2 lives with respect to a single indebtedness shall be 167% of the rate standard provided in paragraphs (b), (c), and (d), above.

(f) As an alternative to paragraphs (b), (c), or (d) above, where age data applicable to the insured debtors is available, rate standards may be based on such data, under a plan approved by the commissioner.

(g) The rate standards set forth herein shall be applicable for a plan of death benefits with or without requirements for evidence of insurability which contains:

1. No exclusions other than suicide within one year of the incurral of the indebtedness, and
2. No age restrictions, or only age restrictions making ineligible for coverage:

- a. Debtors less than age 18 at the time the indebtedness is incurred,  
or
- b. Debtors age 65 or over at the time the indebtedness is incurred,  
or
- c. Debtors who will have attained age 66 or over on the maturity  
date of the indebtedness.

(13) PRIMA FACIE MAXIMUM CREDIT ACCIDENT AND SICKNESS INSURANCE PREMIUM RATE STANDARDS. (a) If premiums are payable in one sum (single premium) for coverage for the entire duration of indebtedness, the premium rate standards for \$100 of initial amount of insured indebtedness repayable in equal monthly instalments are shown below. Premium rate standards for other benefit plans and for indebtedness repayable in instalments other than as shown shall be actuarially consistent with the indicated rate standards, but no individual policy of credit accident and sickness insurance or group policy of credit accident and sickness insurance shall be delivered or issued for delivery if the benefits are payable after a waiting period of less than 14 days, regardless of whether the payment of benefits are retroactive to the first day of disability.

Original Number of Equal Monthly Instalments	Non-Retroactive Elimination Period	
	14 days	30 Days
6	\$1.39	\$ .69
12	1.95	1.18
18	2.27	1.50
24	2.52	1.69
30	2.74	1.82
36	2.93	1.93
42	3.10	2.03
48	3.26	2.12
54	3.41	2.21
60	3.55	2.29
Basic permissible loss ratio	59%	52%

Original Number of Equal Monthly Instalments	Retroactive Waiting Period	
	14 Days	30 Days
6	\$1.74	\$1.19
12	2.23	1.68
18	2.56	1.89
24	2.81	2.04
30	3.02	2.17
36	3.21	2.29
42	3.39	2.39
48	3.55	2.48
54	3.70	2.57
60	3.84	2.65
Basic permissible loss ratio	60%	57%

(b) The rate standards applicable for premiums payable on the basis of monthly outstanding balances shall be computed under the formula described in subdivision 1 below except as provided in subdivision 2:

1. For credit accident and sickness insurance benefit plans issued on an individual or a group basis the premiums payable shall be computed as follows:

$$p_n = \frac{20 P_n}{n + 1}$$

Where  $n$  = *Original* repayment period, in months

$p_n$  = The Monthly Outstanding Balance Premium Rate per \$1,000 for an indebtedness repayable in equal monthly instalments with an *original* repayment period of  $n$  months

$P_n$  = The Single Premium Rate per \$100 initial insured indebtedness with an *original* repayment period of  $n$  months, from paragraph (a) above.

The outstanding balance premium rate for an indebtedness with a given original repayment period is applicable to the outstanding balance of this indebtedness at each month during the period, regardless of the remaining repayment period.

2. For credit accident and sickness insurance benefit plans issued on a group basis, a composite monthly outstanding balance premium rate schedule may be used in lieu of the rate procedure described in subdivision 1 above for each benefit plan, to apply to all outstanding balances each month under such plan, irrespective of the type or duration of loan making up such outstanding balances. Such composite monthly outstanding balance premium rate schedule will be approved for use only if the actuarial consistency of such composite rate with the prima facie maximum credit accident and sickness insurance premium rate standards and basic permissible loss ratios in paragraph (a) above is established, and the reasons for this use in lieu of the rate standard in subdivision 1 above are documented.

3. The rate deviation procedure outlined in subsection (14) shall be applied separately to any business written under subdivision 2 above, and the insurer shall maintain all pertinent data on such business separately.

(c) The rate standards set forth herein shall be applicable for a plan of benefits which contains:

1. No provision excluding or denying a claim for disability resulting from pre-existing conditions except for those conditions which manifested themselves to the insured debtor by requiring medical diagnosis or treatment or would have caused a reasonably prudent person to have sought the medical diagnosis or treatment, within 6 months preceding the effective date of the debtor's coverage and which caused loss within the 6 months following the effective date of coverage; provided, however, that disability commencing thereafter resulting from such condition shall be covered.

2. No other provision which excludes or restricts liability in the event of disability caused in a certain specified manner except that it may contain provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in non-scheduled aircraft, war or military service.

3. No age restrictions, or only age restrictions making ineligible for coverage:

a. Debtors less than age 18 at the time the indebtedness is incurred,  
or

b. Debtors age 65 or over at the time the indebtedness is incurred,  
or

c. Debtors who will have attained age 66 or over on the maturity date of the indebtedness.

4. Provision for a daily benefit equal in amount to the initial indebtedness divided by the number of days in the period during which the indebtedness is scheduled to be repaid in equal monthly instalments.

5. Provides for benefits to be payable in the event of disability resulting from bodily injury or sickness, which disability commences while the debtor is insured hereunder and prevents the insured debtor from engaging in any gainful occupation for which he is reasonably qualified by reason of education, training or experience, except that during the initial 12 months of disability the inability of the insured to engage in his own occupation shall be the only test.

**Note:** This is not intended to preclude calculation of the daily benefit based on a 30 day month.

(14) **DEVIATION PROCEDURE AND CASE RATE DETERMINATION.** (a) For cases of less than \$50,000 earned premiums (prima facie basis) the case rates shall be the prima facie rates. For cases of \$50,000 or greater earned premiums (prima facie basis) the actual case ratio shall be calculated as (actual ratio of claims incurred to premiums earned) divided by the basic permissible loss ratio shown in subsection (12) or (13). If the actual case ratio is within the acceptance range shown in the following credibility table, the case rates will be the prima facie rates. If the actual case ratio is outside the acceptance range, the adjusted case ratio will be calculated by adjusting the actual case ratio toward 100% by addition or subtraction of the "adjustment constant", also shown in the credibility table.

**CREDIBILITY TABLE**  
Earned Premium (Prima Facie Basis)

Size Group	Small Loans or Credit Unions	Banks or Sales Finance	Acceptance Range	Adjustment Constant
<b>CREDIT LIFE</b>				
I	50,000-125,000	50,000- 200,000	0.80-1.20	0.15
II	125,000-300,000	200,000- 500,000	0.85-1.15	0.10
III	300,000-650,000	500,000-1,000,000	0.85-1.15	0.05
IV	650,000 or over	1,000,000 or over	0.90-1.10	0.00
<b>CREDIT ACCIDENT AND SICKNESS</b>				
I	50,000- 75,000	50,000- 100,000	0.80-1.20	0.15
II	75,000-125,000	100,000- 175,000	0.85-1.15	0.10
III	125,000-250,000	175,000- 350,000	0.85-1.15	0.05
IV	250,000 or over	350,000 or over	0.90-1.10	0.00

(b) If the adjusted case ratio exceeds 1.00, the case rate is the product of deviation factor  $f$ , and the prima facie rate shown in subsection (12) or (13), where

$$f = \frac{[(\text{Adjusted case ratio} - 1) \times 1.25 \times \text{Basic Permissible Loss Ratio}] + 1}{1}$$

(c) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, but greater than the limits specified in the following table, the case rates are the product of the deviation factor g, and the prima facie rates in subsection (13), where

$$g = [1 - \text{adjusted case ratio} \times 1.25 \times \text{Basic Permissible Loss Ratio}]$$

<i>Plan of Benefit</i>	<i>Limit</i>
14 days Retroactive Elimination Period -----	.55
14 days Non-Retroactive Elimination Period -----	.59
30 days Retroactive Elimination Period -----	.67
30 days Non-Retroactive Elimination Period -----	.89

$$\text{Limit} = \frac{.5 (1 - 1.25 \times \text{Basic Permissible Loss Ratio})}{\text{Basic Permissible Loss Ratio} (1 - .5 \times 1.25)}$$

(Rounded down)

(d) If the adjusted case ratio for credit accident and sickness insurance is less than 1.00, and less than or equal to the limit specified in the above table, the case rates are the product of the deviation factor h, and the prima facie rate in subsection (13) where

$$h = (\text{Adjusted Case Ratio} \times \text{Basic Permissible Loss Ratio} \times 2)$$

(e) If the adjusted case ratio for credit life insurance is less than 1.00, the case rate is the product of the deviation factor h and the prima facie rate in subsection (12) where

$$h = (\text{Adjusted Case Ratio})$$

(f) If the case rate determined by the above procedures is within 5¢ of the existing single premium rate per \$100 per year, the existing rate will be the case rate.

(g) The case rate as determined shall continue for a period equal to the experience period on which it was based. Where the case rate applies to a group of accounts, the rate will continue to apply to every account which was grouped for determination of the rate and to only those accounts. The insurer shall annually determine and submit for filing under subsection (8) (a) the applicable case rate calculated as prescribed herein.

(h) As used in this rule the following words mean:

1. Account—The aggregate credit life or credit accident and sickness coverage for a single plan of benefits and class of business written through a single creditor by the insurer, whether coverage is written on a group or individual policy basis.

2. Class of business—Means any of the following:

- a. Credit unions
- b. Commercial and savings banks
- c. Other cash loans (small loans, industrial bank loans, etc.)
- d. Other sales finance (discount transactions, etc.)

3. Experience year—A 12-month period ending on the policy anniversary or renewal date or on a calendar year-end. Experience for a given account or permitted combinations of accounts shall be reported consistently from year to year.

4. Case—a. An account, if the earned premium for the account based upon the prima facie premium rates promulgated in subsections (12) or (13) during the most recent 3 experience years has been \$50,000 or more. If the rates applicable to the account are not at the prima facie level or at a uniform percentage of the prima facie rates, the amount of premium which would have been earned at the prima facie rates shall be approximated by a reasonable method filed with the experience report.

b. A combination of all the insurer's accounts of the same plan of benefits and class of business, excluding all accounts which meet the criterion for inclusion under a. immediately preceding.

5. Experience period—The last 3 experience years unless a lower number of full years produces an earned premium in size group IV as shown in the credibility table.

(j) In determining the case ratios in this subsection for application of the deviation formula, the following rules shall be applied:

1. If the coverage for a single creditor which qualifies for separate consideration under case definition a. above has been in force with the insurer for less than the experience period, the claim experience of the creditor while covered by any prior insurer shall be included to the extent necessary in determining the appropriate case ratios.

2. The case ratios shall be based wholly or partially on the experience of the insurer on the case within the state, or a group of states or on the total United States experience, so long as the insurer reports and files consistently for that case thereafter. An account which qualifies for separate treatment as a case but which provides coverage on a multi-state basis, may be considered in its entirety if the insurer so chooses excluding experience used for deviation purposes in any state, states or group of states.

(15) ACCOUNTING AND UNDERWRITING EXPERIENCE. Each insurer shall maintain records of premiums, losses and expenses of Wisconsin business separately for credit life insurance and credit accident and sickness insurance on a calendar year basis or on a policy year basis. Such underwriting experience shall be maintained for each form of policy, creditor, and class of creditor. This information shall be subject to call annually by the commissioner.

(16) FINANCIAL STATEMENT MINIMUM RESERVES. (a) Each insurer shall show, as a liability in any financial statement or report required under section 601.42, Wis. Stats., its policy or unearned premium reserve in an amount not less than as computed in paragraphs (b), (c) and (d). If a credit insurance policy provides any combination of life insurance benefits, disability benefits and accident and sickness insurance benefits, a reserve must be established separately for the life insurance benefits, for the disability benefits and for the accident and sickness insurance benefits.

(b) The reserve for individual credit life insurance policies shall be not less than 130% of the Commissioner's 1958 Standard Ordinary Mortality Table at 3½% annual interest.

(c) The reserve for group credit life insurance policies shall be not less than 130% of the Commissioner's 1960 Standard Group Mortality Table at 3½% annual interest.

(d) The reserve for credit accident and sickness insurance policies and for disability benefits in credit life insurance policies shall be not less than the greater of 130% of the Commissioner's 1964 Disability Table at 3½% annual interest or the pro rata unearned premium reserve.

(17) **SUBMISSION OF POLICY FORMS AND RATE SCHEDULES IN USE.** (b) Each insurer subject to this rule shall file with the commissioner on or before October 1, 1972, a listing of all policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders and the schedules of premium rates pertaining thereto which have been heretofore approved and which the insurer intends to issue or use in Wisconsin after the effective date of this rule.

(18) **PENALTY.** Violations of this rule shall subject the insurer or agent to section 601.64, Wis. Stats.

(19) **SEPARABILITY.** If any provision or clause of this ruling or the application thereof to any person or circumstance is, for any reason held invalid, the remainder of this ruling and the application of such provision to other persons or circumstances shall not be affected thereby.

**Note:** It is the intent of this rule that it shall apply prospectively to the review for approval of policy and other forms of credit life and credit accident and sickness insurance and to the rates applicable to such forms that are submitted for filing after the effective date. Individual hearings will be held to consider whether credit life and credit accident and sickness insurance contract forms and rate levels presently in use provide benefits that are reasonable in relation to premium charges.

**History:** Cr. Register, August, 1972, No. 200, eff. 9-1-72; cr. (2) (c), (6) (h) and (8) (h); am. (4) (b), (5), (8) (f), (12), (13) (a), (14) (e), and r. (17) (a), Register, February, 1973, No. 206, eff. 3-1-73; am. (4), (5), (6) (a) 6, (6) (h), (8) (f), (12) (g) 2, (13) (c) 3, (14) (c) and (d) and cr. (6) (i) and (13) (c) 5, Register, April, 1975, No. 232, eff. 5-1-75; am. (13) (b), Register, June, 1975, No. 234, eff. 7-1-75; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.26 Unfair trade practices in credit life and credit accident and sickness insurance.** (1) **PURPOSE.** The purpose of this rule is to assist in the maintenance of a fair and equitable credit life insurance and credit accident and sickness insurance market. This rule interprets, including but not limited to, the following Wisconsin statutes: 201.045; 601.01 (3) (a), (b), (c), (g) and (h); 601.41 (1), (2) and (3) and chapter 628.

(2) **SCOPE.** This rule shall apply to the transaction of credit life insurance as defined in subsection 201.04 (3c) of Ins 6.70 and 632.44 (3), Wis. Stats., and the transaction of credit accident and sickness insurance as defined in subsection 201.04 (4a) of Ins 6.70.

(3) **UNFAIR TRADE PRACTICES DEFINED.** The following acts, whether done directly or indirectly, in consideration of or in connection with a policy issued or proposed to be issued are defined to be prohibited

unfair trade practices in the transaction of insurance described in subsection (2) above:

(a) The offer or grant by an insurer of any special favor or advantage, or any valuable consideration or inducement not set out in the insurance contract. The payment of agents' commissions, reported annually in Schedule 24S, shall not be a violation of this paragraph but the acts cited in paragraphs (b), (c), (d), (e) and (f) may not in any way be construed as agents' commissions.

(b) The offer to deposit or the deposit with a bank or other financial institution, money or securities of the insurer or of any affiliate of the insurer with the design or intent that the deposit offset or take the place of a deposit of money or securities which otherwise would be required of the creditor by such bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement.

(c) The deposit with a bank or other financial institution of money or securities without interest or at a lesser rate of interest than is currently being paid other depositors on similar deposits with such bank or other financial institution. This shall not be construed to prohibit the maintenance by an insurer of such demand deposits as are reasonable necessary for use in the ordinary course of business of the insurer.

(d) The offer to sell or the sale of any capital stock or other security or certificate of indebtedness of the insurer or affiliated person.

(e) The offer to pay or the payment of any part of the premium for any insurance on the life, health or property of any creditor or any employe or other person affiliated with the creditor.

(f) The extension to the creditor of credit for the remittance of premium beyond the grace period of a group policy or for more than 45 days from the effective date of an individual policy.

(4) **PENALTY.** Violations of this rule shall subject the insurer or agent to section 601.64, Wis. Stats.

**History:** Cr. Register, October, 1972, No. 202, eff. 11-1-72; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.27 Advertisements of and deceptive practices in accident and sickness insurance.** (1) **PURPOSE.** The interest of prospective purchasers of accident and sickness insurance must be safeguarded by providing such persons with clear and unambiguous statements, explanations, advertisements and written proposals concerning the policies offered to them. This purpose can best be achieved by the establishment of and adherence to certain minimum standards of and guidelines for conduct in the advertising and sale of such insurance which prevent unfair competition among insurers and are conducive to the accurate presentation and description to the insurance buying public of policies of such insurance. This rule interprets and implements, including but not limited to, the following Wisconsin Statutes: sections 628.34 and 601.01 (3).

(2) **SCOPE.** This rule shall apply to any solicitation, representation or advertisement in this state of any insurance specified in subsection

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201.04 (4) of Ins 6.70, made directly or indirectly by or on behalf of any insurer, fraternal benefit society, nonprofit service plan subject to chapter 613, Wis. Stats., voluntary nonprofit sickness care plan organized under section 185.981, Wis. Stats., interscholastic benefit plan organized under section 185.991, Wis. Stats., or agent as defined in chapter 628, Wis. Stats.

(3) INTERPRETATION OF REQUIREMENTS APPLICABLE TO ADVERTISEMENTS. (a) The proper promotion, sale and expansion of accident and sickness insurance are in the public interest. This rule is to be construed in a manner which does not unduly restrict, inhibit or retard such promotion, sale and expansion.

(b) In applying this rule, it shall be recognized that advertising is essential in promoting a broader distribution of accident and sickness insurance. Advertising necessarily seeks to serve this purpose in various ways. Some advertisements are the direct or principal sales inducement and are designed to invite offers to contract. In other advertisements the function is to describe coverage broadly for the purpose of inviting inquiry for further information. Other advertisements are for the purpose of summarizing or explaining coverage after the sale has been made. Still other advertisements are solely for the purpose of promoting the interest of the reader in the concept of accident and sickness insurance or of promoting the insurer sponsoring the advertisement. These differences shall be considered in interpreting this rule.

(c) When applying this rule to a specific advertisement, the type of policy to which the advertisement refers and the detail, character, purpose, use and entire content of the advertisement shall be taken into consideration.

(d) This rule applies to individual, franchise, group and blanket accident and sickness insurance. Because these types of coverage differ in some respects, one interpretation will not always suffice; a specific interpretation for individual, franchise, group or blanket coverage may be indicated.

(e) The extent to which policy provisions need be disclosed in an advertisement will depend on the content, detail, character, purpose and use of the advertisement and the nature of the exceptions, reductions, limitations and other qualifications involved. The principal criterion is whether the advertisement has the capacity and tendency to mislead or deceive if such a provision is not disclosed.

(f) Whether an advertisement has the capacity and tendency to mislead or deceive shall be determined by the commissioner from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence within the segment of the public to which it is directed.

(4) COVERAGE TYPES. (a) An advertisement which is an invitation to inquire or an invitation to apply shall clearly and prominently designate and at least briefly describe the type or types of coverage provided by the policy advertised. The level and extent of benefits provided by or available under the coverage shall also be clearly indicated.

(b) The following are the standard types of coverage designations and the minimum adequate form of description that must be used. Any type of coverage authorized by Wisconsin Statutes which is not reasonably included within one or more of the standard coverage types listed shall be similarly and appropriately named and described so as to clearly disclose the benefits provided.

1. Basic hospital expense benefits. This coverage provides benefits for hospital room and board and miscellaneous hospital charges, based upon actual expenses incurred, up to stated maximum amounts.

2. Basic medical expense benefits. This coverage provides benefits for medical benefits based upon actual expenses incurred, up to stated maximum amounts.

3. Basic surgical expense benefits. This coverage provides benefits for surgical benefits based upon actual expenses incurred up to stated maximum amounts.

4. Major medical or comprehensive expense benefits. These coverages provide high maximum benefit amounts covering almost all types of medical care and contain deductible and co-insurance features.

5. Disability income benefits. This coverage provides periodic benefit payments to help replace income when the insured is unable to work as a result of illness or injury.

6. Hospital confinement indemnity benefits. This coverage provides benefits in a stated amount for confinement in a hospital, regardless of the hospital expenses actually incurred by the insured, due to such confinement.

7. Accident only benefits. This coverage provides benefits for losses for accidental bodily injury.

8. Specified disease or treatment benefits. This coverage provides benefits for treatment of a specific disease or diseases named in the policy or for specified treatment.

(5) GENERAL DEFINITIONS. (a) An *advertisement* relating to accident and sickness insurance for the purpose of this rule includes the following:

1. Printed and published material, audio visual material and descriptive literature of an insurer used in newspapers, magazines, other periodicals, radio and TV scripts, billboards and similar displays, excluding advertisements prepared for the sole purpose of obtaining employees, agents or agencies.

2. Descriptive literature and sales aids of all kinds issued by an insurer or agent for presentation to members of the public, including but not limited to circulars, leaflets, booklets, depictions, illustrations and form letters.

a. Including material used in the solicitation of renewals and reinstatements except for communications or notices which mention the cost of the insurance but do not describe benefits,

b. Excluding material in house organs of insurers, communications within an insurer's own organization not intended for dissemination to the public, individual communications of a personal nature, and

correspondence between a prospective group or blanket policyholder and an insurer in the course of negotiating a group or blanket policy,

c. Including group and blanket booklets, summaries of coverage and other explanatory material issued to insured persons, and

d. Excluding general announcements from group or blanket policyholders to eligible individuals that a contract has been written.

3. Prepared sales talks, presentations of material for use by agents and representations made by agents in accordance therewith, excluding materials to be used solely by an insurer for the training and education of its employees or agents, and

4. Envelopes used in connection with the above.

(b) A *policy* for the purpose of this rule includes any policy, plan, certificate, contract, agreement, statement of coverage, rider or endorsement which provides accident or sickness benefits whether on a cash indemnity, reimbursement or service basis,

1. Except such benefits contained in a policy providing another kind of insurance other than life, and

2. Except disability and double indemnity benefits included in life insurance, endowment or annuity contracts or contracts supplemental thereto which contain only such provisions relating to accident and sickness insurance as

a. Provide additional benefits in case of death or dismemberment or loss of sight by accident or

b. Operate to safeguard such contracts against lapse, or to give a special surrender value or special benefit or an annuity if the insured or annuitant becomes totally and permanently disabled, as defined by the contract or supplemental contract.

(c) An *insurer* for the purpose of this rule includes any person, individual, corporation, association, partnership, reciprocal exchange, inter-insurer, Lloyds, fraternal benefit society, nonprofit service plan subject to chapter 613, Wis. Stats., voluntary nonprofit sickness care plan organized under section 185.981, Wis. Stats., interscholastic benefit plan organized under section 185.991, Wis. Stats., and any other legal entity engaged in advertising a policy as herein defined.

(d) An *exception* for the purpose of this rule means any provision in a policy whereby coverage for a specified hazard is entirely eliminated. It is a statement of a risk not assumed under the policy.

(e) A *reduction* for the purpose of this rule means any provision in a policy which reduces the amount of the benefits. A risk of loss is assumed but payment upon the occurrence of such loss is limited to some amount or period less than would be otherwise payable had such reduction clause not been used.

(f) A *limitation* for the purpose of this rule means any provision in a policy which restricts coverage under the policy other than an exception or a reduction.

(g) An *invitation to apply* means an advertisement which is the direct or principal sales inducement and is designed to invite an offer

to contract. Such an advertisement, which usually describes benefits in considerable detail, attempts to persuade the reader or listener to make application for the policy advertised. Such an advertisement would indicate what coverage the purchaser would receive and what such coverage would cost.

(h) An *invitation to inquire* means an advertisement which is designed to attract the reader's or listener's interest in the policy so that he will inquire for further information or details. Such an advertisement describes the policy broadly and withholds some information regarding the policy without which the reader or listener would not reasonably decide to apply for the policy.

(i) An *institutional advertisement* means one which is prepared solely to promote the reader's or listener's interest in the concept of accident and sickness insurance or of promoting the insurer sponsoring the advertisement.

(j) A *testimonial* means any statement made by a policyholder, certificateholder or other person covered by the insurer which promotes the insurer and its policy by describing such person's benefits, favorable treatment or other experience under the policy.

(k) An *endorsement* for the purposes of subsection (13) of this rule means any statement promoting the insurer and its policy made by an individual, group of individuals, society, association or other organization which makes no reference to the endorser's experience under the policy.

(l) An *outline of coverage* means an appropriately and prominently captioned portion of a printed advertisement which is clearly set off from the rest of the advertisement by means such as placing it within a prominent border or box or printing it in contrasting color, or a separate appropriately captioned or titled printed statement, which advertisement portion or printed statement contains only a summary of the benefits provided, a designation of the applicable type or types of coverage as defined in subsection (4) and, under appropriate captions, the information required by subsections (10) and (11).

(m) An individual policy issued on a *group basis* means an individual policy or contract issued where:

1. Coverage is provided to employees or members or classes thereof defined in terms of conditions pertaining to employment or membership in an association or other group which is eligible for franchise or group insurance as provided in sections 600.03 (34m) (a) and (b), Wis. Stats.,

2. The coverage is not available to the general public and can be obtained and maintained only because of the covered person's membership in or connection with the group.

3. Premiums or subscription charges are paid to the insurer by the employer, association or some designated person acting on behalf of the employer, association or covered persons, and

4. The insurance plan is sponsored by the employer or association.

(6) ADVERTISEMENTS AND REPRESENTATIONS IN GENERAL. (a) Advertisements and representations shall be truthful and not misleading in

fact or in implication and shall accurately describe the policy to which they apply. Words or phrases the meaning of which is clear only by implication or by familiarity with insurance terminology shall not be used.

(b) Oral representations shall conform to the requirements of this rule.

(7) **SUITABILITY OF POLICIES.** No agent or insurer shall recommend to a prospective buyer the purchase of any individual policy without reasonable grounds to believe that the recommendation is not unsuitable to the applicant. The agent or insurer shall make such inquiry as may be necessary under the circumstances to determine that the purchase of such insurance is not unsuitable for the prospective buyer. This requirement shall not apply to an individual policy issued on a group basis.

(8) **OUTLINE OF COVERAGE.** (a) Every advertisement of a specific individual policy or policies which constitutes an invitation to apply shall include an outline of coverage as defined in subsection (5) (l).

(b) Every agent at the time of taking an application for an individual policy shall furnish the applicant an outline of coverage as defined in subsection (5) (l).

(c) The requirement for an outline of coverage shall not apply to an advertisement or the taking of an application for an individual policy issued on a group basis or an individual conversion policy issued under a group or franchise insurance plan.

(9) **DECEPTIVE WORDS, PHRASES OR ILLUSTRATIONS.** (a) An advertisement shall not exaggerate a benefit or minimize cost by overstatement, understatement or incompleteness. Information shall not be omitted or words, phrases, statements, references or illustrations shall not be used if such omission or use has the capacity and tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any policy benefit payable, loss covered or premium payable. An advertisement referring to any policy benefit payable, loss covered or premium payable shall be sufficiently complete and clear as to avoid deception or the capacity and tendency to mislead or deceive.

(b) The words and phrases "all", "full", "complete", "comprehensive", "unlimited", "up to", "as high as", "this policy will pay your hospital and surgical bills", "this policy will fill the gaps under Medicare and your present insurance" or "this policy will replace your income", or similar words and phrases shall not be used so as to exaggerate any benefit beyond the terms of the policy, but may be used only in such manner as fairly to describe such benefit.

(c) A policy covering only one disease or a list of specified diseases shall not be advertised so as to imply coverage beyond the terms of the policy. A particular disease shall not be referred to by more than one term so as to imply broader coverage than is the fact.

(d) The benefits of a policy which pays varying amounts for the same loss occurring under different conditions, or which pays benefits only when a loss occurs under certain conditions, shall not be advertised without disclosing the limited conditions under which the benefits referred to are provided by the policy.

(e) The maximum benefit available under a policy shall not be emphasized in a manner which exaggerates its relationship to any internal limits or other conditions of the policy.

(f) The aggregate amounts or the monthly or weekly benefits payable under coverages such as hospital or similar facility confinement indemnity or private duty nursing shall not be emphasized unless the actual amounts payable per day are disclosed with substantially equal prominence and in close conjunction with such statement. Any limit in the policy on the number of days of coverage provided shall be disclosed.

(g) Phrases such as "this policy pays \$1800 for hospital room and board expenses" are incomplete without indicating the maximum daily benefit and the maximum time limit for hospital room and board expenses.

(h) An advertisement shall not state or imply that each member under a family policy is covered as to the maximum benefits advertised when such is not the fact.

(i) The importance of diseases rarely or never found in the class of persons to whom the policy is offered shall not be exaggerated in an advertisement.

(j) Examples of what benefits may be paid under a policy shall be shown only for losses from common illnesses or injuries rather than exceptional or rare illnesses or injuries.

(k) When a range of hospital room expense benefits is set forth in an advertisement, it shall be made clear that the insured will receive only the benefit indicated in the policy purchased. It shall not be implied that the insured may select his room expense benefit at the time of hospitalization.

(l) An advertisement shall not imply that the amount of benefits payable under a loss of time policy may be increased at time of disability according to the needs of the insured.

(m) The term "confining sickness" is an abbreviated expression and shall be explained if used in an advertisement.

(n) An advertisement shall not state that the insurer "pays hospital, surgical, medical bills", "pays dollars to offset the cost of medical care", "safeguards your standard of living", "pays full coverage", "pays complete coverage", "pays for financial needs", "provides for replacement of your lost paycheck", "guarantees your paycheck", "guarantees your income", "continues your income", "provides a guaranteed paycheck", "provides a guaranteed income" or "fills the gaps in Medicare" or use similar words or phrases unless the statement is literally true. Where appropriate, such or similar words or phrases may properly be used if preceded by the words "help", "aid", "assist" or similar words.

(o) An advertisement shall not state that the premiums will not be changed in the future unless such is the fact.

(p) An advertisement shall clearly indicate the provisions of any deductible under a policy.

(q) An advertisement shall not refer to a policy as a doctors policy or use words of similar import unless:

1. The advertisement includes a statement that the plan of benefits is not endorsed by or associated with any national, state or local medical society, or

2. The policy has been so endorsed by such a society and the advertisement meets the requirements of subsection (13) of this rule.

(r) If a policy contains any of the following or similar provisions, an advertisement referring to such policy shall not state that benefits are payable in addition to other insurance unless the statement contains an appropriate reference to the coverage excepted:

1. An other insurance exception, reduction, limitation or deductible

2. A coordination of benefits or non-duplication provision

3. An other insurance in this company provision

4. An insurance in other insurers provision

5. A relation of earnings to insurance provision

6. A workmen's compensation or employers' liability or occupational disease law exception, reduction, or limitation

7. A reduction based on social security benefits or other disability benefits, or

8. A Medicare exception, reduction, or limitation.

(s) An advertisement shall not state a policy's benefits are tax free unless an explanation of the rules applicable to the taxation of such types of accident and sickness benefits is clearly shown with equal prominence and in close conjunction with such statement. An advertisement of a benefit for which payment is conditioned upon confinement in a hospital or similar facility shall not state that such benefit is tax free.

(t) An advertisement shall not use the expressions "extra cash", "cash income", "income", "cash" or similar words or phrases in such a way as to imply that the insured will receive benefits in excess of his expenses incurred while being sick, injured or hospitalized.

(u) The description in advertisements of government insurance programs, including Medicare, and of changes in such program shall be accurate and not give an incorrect impression as to the need for supplementary coverage. If gaps in such programs are referred to, they shall be described fairly so that the reader or listener can determine how the policy being advertised covers such gaps.

(v) An advertisement which refers to a policy as being a Medicare supplement shall:

1. Contain a prominent statement indicating which Medicare benefits the policy is intended to supplement (for example, hospital benefits) and which Medicare benefits the policy will not supplement (for example, medical-surgical benefits) and shall clearly disclose any gaps in Medicare coverage for which the policy does not provide benefits and

2. Clearly indicate the extent of the benefits if the policy bases benefits on expenses incurred beyond what Medicare covers and thus provides somewhat limited benefits for short term hospital confinements.

(w) An advertisement may refer to immediate coverage or guaranteed issuance of a policy only if suitable administrative procedures exist so that the policy is issued within a reasonable time after the application is received.

(x) If an advertisement indicates an initial premium which differs from the renewal premium on the same mode, the renewal premium shall be disclosed with equal prominence and in close conjunction with any statement of the initial premium. Any increase in premium or reduction in coverage because of age shall be clearly disclosed.

(y) An advertisement shall not state that the policy contains no waiting period unless pre-existing conditions are covered immediately or unless the status of pre-existing conditions is disclosed with equal prominence and in close conjunction with such statement.

(z) An advertisement shall not state that no age limit applies to a policy unless applications from applicants of any age are considered in good faith and such statement clearly indicates the date or age to which the policy may be renewed or that the company may refuse renewal.

(za) An advertisement shall not state that no medical, doctor's or physical examination is required or that no health, medical or doctor's statements or questions are required or that such examination, statements or questions are waived or otherwise state or imply that the applicant's physical condition or medical history will not affect the policy unless:

1. The statement indicates with equal prominence that it applies only to the issuance of the policy or to both the issuance of the policy and the payment of claims, and

2. Pre-existing conditions are covered immediately under the policy or the period of time following the effective date of the policy during which pre-existing conditions are not covered is disclosed with equal prominence and in close conjunction with such statement.

(zb) An advertisement of a limited policy as defined in Wisconsin Administrative Code section Ins 3.13 (2) (h) shall prominently indicate that the policy provided limited coverage with an appropriate statement such as "THIS IS A CANCER ONLY POLICY" or "THIS IS AN AUTOMOBILE ACCIDENT ONLY POLICY," and shall clearly disclose what injuries or sicknesses and what losses are covered.

(zc) An advertisement of a policy which provides benefits for injuries only or for sickness only shall prominently indicate that the policy covers injuries only or sickness only.

(zd) An advertisement shall not refer to a policy or coverage as being "special" unless it can be shown that there is a reasonable basis for the use of such a term.

(ze) An advertisement shall not set out exceptions, reductions or limitations from a policy worded in a positive manner to imply that they are beneficial features such as describing a waiting period as a benefit builder. Words and phrases used to disclose exceptions, reductions or limitations shall fairly and accurately describe their negative features. The words "only" or "minimum" or similar words or phrases shall not be used to refer to exceptions, reductions or limitations.

(zf) An advertisement shall not state or imply, or use similar words or phrases to the effect, that because no insurance agent will call and no commissions will be paid to agents the policy is a low cost plan.

(zg) Devices such as a safe drivers' award and other such awards shall not be used in connection with an advertisement.

(10) EXCEPTIONS, REDUCTIONS AND LIMITATIONS. (a) When an advertisement refers to any dollar amount of benefits payable, period of time for which any benefit is payable, cost of policy, specific policy benefit or the loss for which such benefit is payable, it shall also disclose those exceptions, reductions and limitations (including waiting, elimination, probationary or similar periods and pre-existing condition exceptions) affecting the basic provisions of the policy without which the advertisement would have the capacity and tendency to mislead or deceive subject to the following.

(b) An invitation to apply shall be subject to the disclosure requirements of this subsection.

(c) An invitation to inquire shall not be subject to the disclosure requirements of this subsection unless:

1. Such an advertisement mentions benefits, benefit periods or premiums for the purpose of doing more than identifying the policy or

2. Such an advertisement makes any reference to the policy's exceptions, reductions and limitations.

(d) A booklet, summary or explanation of coverage issued to insured persons shall be subject to the disclosure requirements of this subsection.

(e) An institutional advertisement shall not be subject to the disclosure requirements of this subsection.

(f) If the policy advertised does not provide immediate coverage for pre-existing conditions, an application or enrollment form contained in or included with an advertisement to be completed by the applicant and returned to the insurer shall contain a question or statement immediately preceding the applicant's signature line which summarizes the pre-existing condition provisions of the policy. The following are a suggested question and statement; however, an insurer shall use wording which is appropriate to the actual pre-existing condition provisions of the policy advertised: "Do you understand that the policy applied for will not pay benefits during the first - - - - - year(s) after the issue date for a disease or physical condition which you now have or have had in the past? Yes - - - - -" or "I understand that the policy applied for will not pay benefits during the first - - - - - year(s) after the issue date for a disease or physical condition which I now have or have had in the past."

(g) An advertisement which is subject to the disclosure requirements of this subsection shall in negative terms disclose the extent to which any loss is not covered if the cause of the loss is a condition which exists prior to the effective date of the policy. The expression "pre-existing conditions" shall not be used unless appropriately defined.

(h) If a medical examination is required for a policy, an advertisement of such policy shall disclose such requirement.

(i) The exceptions, reductions and limitations referred to in this subsection shall include:

1. Those which are set out in the policy under captions referring to exceptions, reductions, limitations or exclusions or are otherwise designated as such, and

2. Those which are not so captioned or designated contained in other portions of the policy such as a benefit provision, definition or uniform provision.

(j) The following are examples of exceptions, reductions and limitations which generally *do* affect the basic policy provisions to such an extent that their absence would cause the advertisement to have the capacity and tendency to mislead or deceive.

1. War or act of war.
2. While in armed services.
3. Territorial restriction or coverage within United States and Canada.
4. Complete aviation exclusion.
5. Self-inflicted injury.
6. Injury inflicted by another person.
7. Time limitation on death, dismemberment or commencement of disability or medical treatment following an accident.
8. Pre-existing sickness or disease or other bodily infirmity.
9. Exclusion or reduction for loss due to specific diseases, classes of diseases or types of injuries.
10. Confinement restrictions in disability policies such as house confinement, bed confinement and confinement to the premises.
11. Waiting, elimination, probationary or similar periods.
12. Reduction in benefits because of age.
13. Any reduction in benefit during a period of disability.
14. Workmen's compensation or employers' liability law exclusion.
15. Occupational exclusion.
16. Violation of law.
17. Automatic benefit in lieu of another benefit.

18. Confinement in government hospital.
19. Pregnancy.
20. Miscarriage in sickness or accident and sickness policy.
21. Restrictions relating to organs not common to both sexes.
22. Restrictions on number of hospital hours before benefit accrues.
23. Insanity, mental diseases or disorders or nervous disorder.
24. Dental treatment, surgery or procedures.
25. Cosmetic surgery.
26. While intoxicated or under the influence of narcotics, or other language not substantially the same as the uniform individual policy provision regarding the use of intoxicants and narcotics.
27. Unemployed persons.
28. Retired persons.
29. While handling explosives or chemical compounds.
30. While or as a result of participating in speed contests.
31. While or as a result of riding a motorcycle or motorcycle attachment.
32. While or as a result of participating in professional athletics.
33. While or as a result of participating in certain specified sports.
34. While or as a result of serving as a volunteer fireman or in other hazardous occupations.
35. Riot or while participating in a riot.
36. Ptomaine poisoning.
37. Gas or poisonous vapor.
38. Sunstroke or heat prostration.
39. Freezing.
40. Poison ivy or fungus infection.
41. Requirement of permanent disability.
42. Reduction because of other insurance.

(k) The following are examples of exceptions, reductions and limitations which generally *do not* affect the basic policy provisions to such an extent that their absence would cause the advertisement to have the capacity and tendency to mislead or deceive.

1. Suicide or attempted suicide, while sane or insane.
2. Intentional self-inflicted injury.
3. Territorial restriction with no limitation of coverage while in United States and Canada.

4. Aviation exclusion under which passage on commercial airlines is covered.

5. Felony or illegal occupation.

6. All uniform individual policy provisions, both required and optional, other than those relating to other insurance.

7. Requirement for regular care by a physician.

8. Definition of total disability.

9. Definition of partial disability.

10. Definition of hospital.

11. Definition of specific total loss.

12. Definition of injury.

13. Definition of physician or surgeon.

14. Definition of nurse.

15. Definition of recurrent disability.

16. Definition of commercial air travel.

17. Provision that hernia will be considered a sickness.

18. Rest Cure.

19. Diagnosis.

20. Prosthetics.

21. Cosmetic surgery exclusion under which such surgery which results from injury is covered.

22. Dental treatment, surgery or procedures exclusion under which such treatment which results from injury to sound natural teeth is covered.

23. Bacterial infection exclusion under which pyogenic infection which results from injury is covered.

24. Eye examination for fitting of glasses.

25. Hearing aid.

26. Exclusion of sickness or disease in a policy providing only accident coverage.

27. Exclusion for miscarriage in policy providing only accident coverage.

(11) RENEWABILITY, CANCELLABILITY AND TERMINATION. An advertisement shall disclose, as required below, the provisions relating to renewability, cancellability and termination and any modification of benefits, losses covered or premiums because of age or for other reasons, in a manner which shall not minimize or render obscure the qualifying conditions.

(a) Any advertisement which refers to renewability, cancellability or termination of a policy shall be subject to the disclosure requirements of this subsection.

(b) An advertisement which refers to a policy benefit and which is an invitation to apply shall be subject to the disclosure requirements of this subsection.

(c) An advertisement which refers to a policy benefit and which is an invitation to inquire shall not be subject to the disclosure requirements of this subsection unless:

1. Paragraph (a) or (f) applies or

2. Such an advertisement mentions benefits, benefit periods or premiums for the purpose of doing more than identifying the policy.

(d) A booklet, summary or explanation of coverage issued to insured persons shall be subject to the disclosure requirements of this subsection.

(e) An advertisement which refers to a policy benefit and which is an institutional advertisement shall not be subject to the disclosure requirements of this subsection unless paragraph (a) or (f) applies.

(f) An advertisement which states or illustrates time or age in connection with eligibility of applicants or continuation of the policy and which implies permanency shall be subject to the disclosure requirements of this subsection.

(g) The actual policy language concerning renewability, cancellability or termination need not be used in an advertisement subject to the disclosure requirements of this subsection. However, all pertinent information shall be disclosed.

(h) The qualifying conditions applicable to a non-cancellable policy and to a guaranteed renewable policy shall include age limits, aggregate benefit limits and modifications of benefits because of age, other than such modifications occurring at or about the time the policy terminates. A qualifying condition applicable to a guaranteed renewable policy shall be the insurer's reservation of the right to change premiums.

(i) The qualifying conditions shall be set forth with the language describing renewability.

(j) An advertisement of a group or blanket policy which would otherwise be subject to the disclosure requirements of this subsection need not disclose the policy's provisions relating to renewability, cancellability and termination. Such advertisement shall provide, however, as a minimum, that an insured person's coverage is contingent upon his continued membership in the group and the continuation of the plan.

(k) An advertisement of a non-cancellable policy or of a guaranteed renewable policy shall also be subject to subsection (25).

(1) An advertisement of a franchise, wholesale, collectively renewable, or non-renewable for stated reasons only policy, or any other policy under which the insurer has by policy provision limited its right to terminate to one or more reasons, shall accurately set forth the

policy's renewal provisions if disclosure of such renewal provisions is required by paragraphs (a), (b), (c), (d) or (e) above. Such advertisement shall not state or imply renewal terms which are more favorable than those actually contained in the policy. Such advertisement shall not state or imply that the policy is guaranteed renewable or warranted renewable or that renewal is guaranteed or warranted or use other variations of such expressions.

(12) **IDENTITY OF INSURER.** (a) The identity of the insurer shall be made clear in all of its advertisements.

(b) An advertisement shall not use a trade name, an insurance group designation, the name of the parent company of the insurer, the name of a government agency or program, the name of a department or division of an insurer, the name of an agency, the name of any other organization, a service mark, a slogan, a symbol or any other device which has the capacity and tendency to mislead or deceive as to the identity of the insurer.

(c) An advertisement shall not use any combination of words, symbols or materials which, by its content, phraseology, shape, color, nature or other characteristics, is so similar to combinations of words, symbols or materials used by federal, state or local government agencies that it tends to confuse or mislead prospective buyers into believing that the solicitation is in some manner connected with such a government agency.

(d) An advertisement shall not refer to an affiliate of the insurer without disclosing that the 2 organizations are separate legal entities.

(e) An advertisement shall not indicate an address for an insurer in such a way as to mislead or deceive as to its identity or licensing status. An advertisement which indicates an address for an insurer other than that of its home office shall clearly identify such address and clearly disclose the actual city and state of domicile of the insurer.

(13) **TESTIMONIALS, ENDORSEMENTS OR COMMENDATIONS BY THIRD PARTIES.** (a) An advertisement shall not contain a testimonial, endorsement or other commendatory statement concerning the insurer, its policies or activities by any person who receives any pay or remuneration, directly or indirectly, from the insurer in connection with such testimonial, endorsement or statement. Any advertisement containing a testimonial, endorsement or statement not prohibited by the foregoing, shall include a full and prominent disclosure therein of the relationship, direct or indirect, including but not limited to financial interest and remuneration, between the insurer and the person making such testimonial, endorsement or statement. The provisions of this paragraph do not apply to any person holding a Wisconsin insurance agent's license nor to any radio or television announcer or other person employed or compensated on a salaried or union wage scale basis.

(b) A testimonial or endorsement used in an advertisement shall be genuine, represent the current opinion of the author, be applicable to the policy advertised and be accurately reproduced.

(c) An insurer shall not use a testimonial or endorsement:

1. Which is fictional,

2. Where the insurer has information indicating a substantial change of view on the part of the author,

3. Where it is reasonable to conclude that the views expressed do not correctly reflect the current opinion of the author,

4. For more than 2 years after the date on which it was originally given or 2 years after the date of a prior confirmation without obtaining a confirmation that the statement represents the author's current opinion,

5. Which does not accurately reflect the present practices of the insurer,

6. To advertise a policy other than the one for which such statement was given, unless the statement clearly has some reasonable application to the second policy,

7. In which a change or omission has been effected which alters or distorts its meaning or intent as originally written, or

8. If it contains a description of benefit payments which does not disclose the true nature of the insurance coverage under which the benefits were paid.

(d) An advertisement shall not state or imply that an insurer or a policy has been approved or endorsed by an individual, group of individuals, society, association or other organization, unless such is the fact. Any proprietary relationship between such society, association or other organization and the insurer shall be disclosed. If such society, association or other organization has been formed by the insurer or is owned or controlled by the insurer or the person or persons who own or control the insurer, the advertisement shall clearly disclose such a fact.

(e) When a testimonial refers to benefits received under a policy, a summary of the pertinent claim information including claim number and date of loss shall be retained by the insurer with the advertisement in the advertising file required by subsection (28).

(f) An advertisement shall not state or imply that a government publication has commended or recommended the insurer or its policy.

(14) JURISDICTIONAL LICENSING; APPROVAL BY GOVERNMENTAL AGENCY.

(a) An advertisement which may be seen or heard beyond the limits of the jurisdiction in which the insurer is licensed shall not imply licensing beyond those limits.

(b) An advertisement shall not state or imply, or otherwise create the impression directly or indirectly, that the insurer, its financial condition or status, the payment of its claims, its policy forms or the merits or desirability of its policy forms or kinds or plans of insurance are approved, endorsed or accredited by any agency of this state or the federal government.

(c) In any advertisement any reference to licensing shall contain an appropriate disclaimer that such reference is not to be construed as an endorsement or implied endorsement of the insurer or its products by any agency of this state or the commissioner of insurance.

(d) An advertisement shall not contain a reproduction of a portion of a state insurance department report of examination.

(15) **INTRODUCTORY, INITIAL OR SPECIAL OFFERS AND LIMITED ENROLLMENT PERIODS.** (a) An advertisement shall not state or imply that a policy or combination of policies is an introductory, initial or special offer and that the applicant will receive advantages not available at a later date by accepting the offer, that only a limited number of policies will be sold, that a time is fixed for the discontinuance of the sale of the policy advertised because of special advantages available in the policy, or that an individual will receive special advantages by enrolling within an open enrollment period or by a deadline date, unless such is the fact.

(b) An advertisement shall not state or imply that enrollment under a policy is limited to a specific period unless the period of time permitted to enroll, which shall be not less than 10 days and not more than 40 days from the date of the advertisement, is disclosed.

(c) If the insurer making an introductory, initial or special offer has previously offered the same or similar policy on the same basis or intends to repeat the current offer for the same or similar policy, the advertisement shall so indicate.

(d) An insurer shall not establish for residents of this state a limited enrollment period within which an individual policy may be purchased less than 6 months after the close of an earlier limited enrollment period for the same or similar policy. Such restriction shall apply to all advertisements in newspapers, magazines and other periodicals circulated in this state, all mail advertisements sent to residents of this state and all radio and TV advertisements broadcast in this state. Such restriction shall not apply to the solicitation of enrollments under individual policies issued on a group basis.

(e) Where an insurer is an affiliate of a group of insurers under common management and control, the word "insurer" for the purposes of this subsection means the insurance group. The requirements and restrictions applicable to an insurer shall apply to the insurance group.

(f) Similar policies for the purposes of this subsection include policies which provide similar benefits even though there may be differences in benefit amounts, elimination periods, renewal terms or ancillary benefits.

(16) **MAIL ORDER REFUSAL FORM.** An insurer shall not use a mail order advertisement which requires the recipient, in order to refuse a policy, to sign a refusal form and return it to the insurer.

(17) **GROUP, QUASI-GROUP OR SPECIAL CLASS IMPLICATIONS.** An advertisement shall not state or imply that prospective policyholders or members of a particular class of individuals become group or quasi-group members or are uniquely eligible for a special policy or coverage and as such will be subject to special rates or underwriting privileges or that a particular coverage or policy is exclusively for preferred risks, a particular segment of people, or a particular age group or groups, unless such is the fact.

(18) **INSPECTION OF POLICY** (a) An offer in an advertisement of free inspection of a policy or an offer of a premium refund shall not be a

cure for misleading or deceptive statements contained in such advertisement.

(b) An advertisement which refers to the provision in the policy advertised regarding the right to return the policy shall disclose the time limitation applicable to such right.

(19) IDENTIFICATION OF PLAN OR NUMBER OF POLICIES. (a) When an advertisement refers to a choice regarding benefit amounts, it shall disclose that the benefit amounts provided will depend upon the plan selected and that the premium will vary with the amount of the benefits.

(b) When an advertisement refers to various benefits which may be contained in 2 or more policies, other than group policies, it shall disclose that such benefits are provided only through a combination of such policies.

(20) USE OF STATISTICS. (a) An advertisement which sets out the dollar amounts of claims paid, the number of persons insured or other statistical information shall identify the source of such statistical information and shall not be used unless it accurately reflects all of the relevant facts. Irrelevant statistical data shall not be used.

(b) An advertisement shall not imply that the statistical information given is derived from the insurer's experience under the policy advertised unless such is the fact. The advertisement shall specifically so state if such information applies to other policies or plans.

(c) If a loss ratio is to be shown in an advertisement, it shall be derived from either premiums received and benefits paid or premiums earned and losses incurred.

(d) If loss ratios are to be compared between insurers in an advertisement, comparison shall be limited to policies or plans of the same type issued to similar classes of risks.

(e) An advertisement which sets out the dollar amounts of claims paid shall also indicate the period during which such claims have been paid.

(21) SERVICE FACILITIES. An advertisement shall not:

(a) Contain untrue statements with respect to the time within which claims are paid.

(b) State or imply that claim settlements will be liberal or generous or use words of similar import.

(c) State or imply that claim settlements will be beyond the actual terms of the policy, or

(d) Contain a description of a claim which involves unique or highly unusual circumstances.

(22) STATEMENTS ABOUT AN INSURER. An advertisement shall not contain statements which are untrue in fact or are by implication misleading with respect to the insurer's assets, corporate structure, financial standing, age, experience or relative position in the insurance business.

(23) **DISPARAGING COMPARISONS AND STATEMENTS.** An advertisement shall not directly or indirectly make unfair or incomplete comparisons of policies or benefits and shall not falsely or unfairly disparage, discredit or criticize competitors, their policies, services or business methods or competing marketing methods.

(24) **METHOD OF DISCLOSURE OF REQUIRED INFORMATION.** (a) All information required to be disclosed by this rule shall be set out clearly, conspicuously and in close conjunction with the statements to which such information relates or under appropriate captions of such prominence that it shall be readily noticed and not minimized, rendered obscure or presented in an ambiguous fashion or intermingled with the context of the advertisements so as to be confusing or misleading.

(b) An advertisement or representation of a specific individual policy or policies which constitutes an invitation to apply shall include an outline of coverage as required by subsection (8).

(c) Information required by this rule shall not be set out under inappropriate captions or headings or under inappropriate questions where a question and answer format is used.

(d) An advertisement of a hospital confinement indemnity policy shall disclose in close conjunction with any description of the benefits the existence in the policy of a provision which eliminates benefits for sickness and/or injury conditions for a stated number of days at the beginning of a hospital confinement.

(e) An advertisement of a non-cancellable policy or of a guaranteed renewable policy shall also be subject to subsection (25).

(25) **NON-CANCELLABLE AND GUARANTEED RENEWABLE POLICIES.** (a) No person, in the presentation, solicitation, effectuation, or sale of a policy, and no advertisement, relating to or used in connection with a policy, shall use the terms "non-cancellable" or "non-cancellable and guaranteed renewable" or "guaranteed renewable", except in connection with policies conforming to Wis. Adm. Code section Ins 3.13 (2) (e).

(b) An advertisement describing a non-cancellable and guaranteed renewable or guaranteed renewable policy form shall be subject to subsection (11).

(c) A printed advertisement describing a non-cancellable or non-cancellable and guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any prominent use of the terms "non-cancellable" or "non-cancellable and guaranteed renewable":

1. The age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable, if other than lifetime,

2. The age or time at which the form's benefits are reduced, if applicable, (the age or time at which a form's benefits are reduced need not be so disclosed if such reduction is not effected prior to the age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable or if regular benefits are payable at least to the age to or term for which the form is non-cancellable or non-cancellable and guaranteed renewable), and

3. That benefit payments are subject to an aggregate limit, if applicable.

(d) A printed advertisement describing a guaranteed renewable policy form shall disclose, as prominently as and in close conjunction with any prominent use of the term "guaranteed renewable":

1. The age to or term for which the form is guaranteed renewable, if other than lifetime,

2. The age or time at which the form's benefits are reduced, if applicable, (the age or time at which a form's benefits are reduced need not be so disclosed if such reduction is not effected prior to the age to or term for which the form is guaranteed renewable or if regular benefits are payable at least to the age to or term for which the form is guaranteed renewable).

3. That benefit payments are subject to an aggregate limit, if applicable, and

4. That the applicable premium rates may be changed.

(e) The foregoing limitations on the use of the term "non-cancelable" shall also apply to any synonymous term such as "not cancelable"; and the foregoing limitations on use of the term "guaranteed renewable" shall apply to any synonymous term such as "guaranteed continuable".

(26) **FORM NUMBER.** An advertisement which is an invitation to apply or an invitation to inquire and which is mass-produced shall be identified by a form number. The form number shall be sufficient to distinguish it from any other advertising form or any policy, application or other form used by the insurer.

(27) **INSURER'S RESPONSIBILITY FOR ADVERTISEMENTS.** (a) The content, form and method of dissemination of all advertisements, regardless of by whom designed, created, written, printed or used, shall be the responsibility of the insurer whose policy is advertised.

(b) An insurer shall require its agents and any other person or agency acting on its behalf in preparing advertisements to submit proposed advertisements to it for approval prior to use.

(28) **INSURER'S ADVERTISING FILE.** Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its policies hereafter disseminated in this or any other state, whether or not licensed in such other state. With respect to group, blanket and franchise policies, all proposals prepared on the same printed form need not be included in the file; only typical examples of such proposals need be included. A notation shall be attached to each such advertisement in the file indicating the manner and extent of distribution and the form number of any policy, amendment, rider, or endorsement form advertised. A copy of the policy advertised, together with any amendment, rider or endorsement applicable thereto, shall be included in the file with each such advertisement. Such file shall be subject to regular and periodic inspection by the office of the commissioner of insurance. All such advertisements shall be maintained in such file for a period of 4 years or until the filing of the next regular examination report on the insurer, whichever is the longer period.

(29) **INSURER'S CERTIFICATE OF COMPLIANCE.** Each insurer which is required to file an annual statement and which is subject to the provisions of this rule shall file with the office of the commissioner of insurance, together with its annual statement, a certificate executed by an authorized officer of the insurer wherein it is stated that to the best of his knowledge, information and belief, the advertising file required by subsection (28) was properly maintained and the advertisements of the insurer's policies which were disseminated during the statement year complied or were made to comply in all respects with the provisions of the insurance laws of this state as implemented.

(30) **PENALTY.** Violations of this rule shall subject the violator to section 601.64, Wis. Stats.

(31) **SEVERABILITY.** The provisions of this rule are severable. If any provision of this rule is invalid, or if the application of the rule to any person or circumstance is invalid, such invalidity shall not affect other provisions or applications which can be given effect without the invalid provision or application.

(32) **EFFECTIVE DATE.** This rule shall apply to all advertisements used in this state after June 1, 1973.

**History:** Cr. Register, April, 1973, No. 208, eff. 6-1-73; am. (zb), (11) (c) 1, and (11) (e), Register, August, 1973, No. 212, eff. 9-1-73; am. (5) (b) 1, Register, April, 1975, No. 232, eff. 5-1-75; emerg. am. (1), (2), (5) (c) and (m) 1, eff. 6-22-76; am. (1), (2), (5) (c) and (m) 1, Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.28 Solicitation, underwriting and claims practices in individual and franchise accident and sickness insurance.** (1) **PURPOSE.** The purpose of this rule is to promote the fair and equitable treatment of Wisconsin residents in the solicitation, underwriting and administration of accident and sickness insurance and of contracts issued by a plan subject to chapter 613, Wis. Stats. Sections of Wis. Stats. interpreted or implemented by this rule include but are not limited to sections 201.045 (3), 601.01 (3) (b), 611.20, and 618.12 (1), Wis. Stats.

(2) **SCOPE.** This rule applies to the solicitation, underwriting and administration of any insurance issued by any insurer or fraternal benefit society under subsection 201.04 of Ins 6.70 and sections 600.03 (34m) (d) and 632.94, Wis. Stats., except credit accident and sickness insurance under subsection 201.04 (4a) of Ins 6.70, and to any contract, other than one issued on a group or group type basis as defined in Wis. Adm. Code section Ins 6.51 (3), issued by a plan subject to chapter 613, Wis. Stats. For the purpose of this rule, references to insurer, policy, and insurance agent or representative, also apply to organizations or associations operating non-profit plans, contracts, and persons within the scope of the rule, respectively.

(3) **APPLICATION FORM.** An application form which becomes part of the insurance contract shall provide to the effect that statements made by the applicant in the application form regarding the general medical history or general health of a proposed insured person which require an opinion or the exercise of judgment are representations or are to the best of the applicant's knowledge and/or belief. Such form need not so provide with respect to statements regarding specifically named diseases, physical conditions, or types of medical consultation or treatment. Such form shall not require the applicant to state that he has not withheld any information or concealed any facts in

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completing the application; however, the applicant may be required to state that his answers are true and complete to the best of his knowledge and/or belief.

(4) **SOLICITATION.** An insurance agent or representative shall review carefully with the applicant all questions contained in each application which he prepares and shall set down in each such form all material information disclosed to him by the applicant in response to the questions in such form.

(5) **UNDERWRITING (a)** An insurer shall make provision for adequate underwriting personnel and procedures so as to process without undue delay each application for insurance received by it.

(b) An insurer shall give due consideration to all statements in each application for insurance submitted to it and shall duly evaluate the proposed insured person before issuing coverage for such person.

(c) An insurer which issues coverage for a person without having resolved patently conflicting or incomplete statements in the application for the coverage, or fails to consider information furnished to it in connection with the processing of such application, or in connection with individual coverage on such person previously issued by it and currently in force, shall not use such statements or information to void the coverage or to deny a claim.

(d) An insurer shall, within 10 days after the issuance or amendment of a policy, contract or certificate, furnish to the policyholder, subscriber or certificate holder, where the application for the coverage or the amended coverage contains questions relating to the medical history or other matters concerning the insurability of the person or persons being insured and is part of the insurance contract, a notice, in the form of a sticker to be attached to the first page of the policy, a letter, or other form containing substantially the following:

**IMPORTANT NOTICE  
CONCERNING STATEMENTS IN THE APPLICATION  
FOR YOUR INSURANCE**

Please read the copy of the application attached to this notice or to your policy. Omissions or misstatements in the application could cause an otherwise valid claim to be denied. Carefully check the application and write to the insurer within 10 days if any information shown on the application is not correct and complete or if any medical history has not been included. The application is part of the insurance contract. The insurance contract was issued on the basis that the answers to all questions and any other material information shown on the application are correct and complete.

(e) An insurer shall file with the commissioner a description of the procedure it will follow and the form or forms it will use to meet the requirements of paragraph (d).

(f) An insurer which, after coverage for a person has been issued, receives information regarding such person which would reasonably be considered a sufficient basis to void or reform such person's coverage shall effect such voiding or reformation within a reasonable time, or the insurer shall be held to have waived its rights to such action.

(6) **CLAIMS ADMINISTRATION.** (a) If the existence of a disease or physical condition is duly disclosed in the application for coverage in

response to the questions therein, the insurer shall not use the pre-existence defense, under coverage providing such a defense, to deny benefits for such disease or condition unless such disease or condition is excluded from coverage by name or specific description effective on the date of loss.

(b) If an application contains no question concerning the proposed insured person's health history or medical treatment history and regardless of whether it contains a question concerning the proposed insured person's general health at the time of the application, the insurer may use the pre-existence defense, under coverage providing such a defense, only with respect to losses incurred within twelve months from the effective date of coverage, unless the disease or physical condition causing the loss is excluded from coverage by name or specific description effective on the date of loss.

(c) An insurer shall not void coverage or deny a claim on the ground that the application for such coverage did not disclose certain information considered material to the risk if the application did not clearly require the disclosure of such information.

(d) A claim shall not be reduced or denied on the grounds that the disease or physical condition resulting in the loss had existed prior to the effective date of coverage, under coverage providing such a defense, unless the insurer has evidence that such disease or physical condition, as distinguished from the *cause* of such disease or physical condition, had manifested itself prior to such date. Such manifestation may be established by evidence of 1. medical diagnosis or treatment of such disease or physical condition prior to the effective date, or 2. the existence of symptoms of such disease or physical condition prior to the effective date which would cause an ordinarily prudent person to seek diagnosis, care, or treatment.

(e) Coverage which contains wording which requires the cause of the disease or physical condition, as distinguished from the disease or physical condition itself, to originate after the effective date of coverage shall be administered in accordance with paragraph (d) of this subsection.

(f) An insurer shall not exclude or limit benefits, using the pre-existence defense, a waiting period, a benefit maximum or other policy limitation, where the claimant's medical records indicate a reasonable basis for distinguishing between the condition or conditions which necessitated the hospital confinement or the medical or surgical treatment for which claim is made or which resulted in the disability for which claim is made and a concurrently existing condition or conditions which did not contribute to the need for the confinement or treatment or did not contribute to the disability.

(7) EFFECTIVE DATE. (a) Subsections (4), (5) (a), (b), (c), and (f) and (6) shall apply to all solicitation, underwriting, and claims activities, except under franchise insurance, relating to Wisconsin residents after March 1, 1974, except that paragraphs (6) (a) and (b) shall apply to policies issued after that date.

(b) Subsections (3) and (5) (d) and (e) shall apply to all solicitation, underwriting, and claims activities, except under franchise insurance, relating to Wisconsin residents after May 1, 1974.

(c) This rule shall apply to all solicitation, underwriting and claims activities under franchise insurance relating to Wisconsin residents after December 1, 1974, except that paragraphs (6) (a) and (b) shall apply to policies issued after that date and paragraphs (5) (d) and (e) shall apply to such activities after February 1, 1975.

**History:** Cr. Register, February, 1974, No. 218, eff. 3-1-74; am. (5) (d) (intro. par.), Register, July, 1974, No. 223, eff. 8-1-74; am. (2) and (7), Register, November, 1974, No. 227, eff. 12-1-74; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76.

**Note:** See subsection (7) for various effective dates for certain subsections.

**Ins 3.29 Replacement of accident and sickness insurance. (1) PURPOSE.** The purpose of this rule is to safeguard the interests of persons covered under accident and sickness insurance who consider the replacement of their insurance by making available to them information regarding replacement and thereby reducing the opportunity for misrepresentation and other unfair practices and methods of competition in the business of insurance. This rule implements and interprets sections 601.01 (3) (b) and 628.34, Wis. Stats.

(2) **SCOPE.** This rule shall apply to the solicitation of accident and sickness insurance covering residents of this state and issued by insurance corporations, fraternal benefit societies or nonprofit service plans in accordance with subsection 201.04 (4) of Ins 6.70, section 614.01 and chapter 613, Wis. Stats.

(3) **EXEMPT INSURANCE.** This rule shall not apply to the solicitation of the following accident and sickness insurance:

- (a) Group, blanket or group type,
- (b) Accident only,
- (c) Single premium nonrenewable,
- (d) Nonprofit dental care,
- (e) Nonprofit prepaid optometric service,
- (f) A limited policy conforming to Wisconsin Administrative Code section Ins 3.13 (2) (h),
- (g) Under which dental expenses only, prescription expenses only, vision care expenses only or blood service expenses only are covered,
- (h) Conversion to another individual or family policy in the same insurer with continuous coverage,
- (i) Conversion to an individual or family policy to replace group, blanket or group type coverage in the same insurer,
- (j) Change to a Medicare supplement policy which covers pre-existing conditions, without any limitation, to replace a basic hospital expense, basic medical expense, basic surgical expense, or major-medical expense policy.

(4) **DEFINITIONS.** For the purposes of this rule:

- (a) *Replacement* is any transaction wherein new accident and sickness insurance is to be purchased, and it is known to the agent or company at the time of application that as part of the transaction,

existing accident and sickness insurance has been or is to be lapsed or the benefits thereof substantially reduced.

(b) *Continuous coverage* means that the benefits are not less than the benefits under the previous policy, and the policy also covers loss resulting from injury sustained or sickness contracted while coverage was in force under the previous policy to the extent such loss is not covered under any extended benefit or similar provision of the previous policy.

(c) *Group type coverage* is as defined in Wis. Adm. Code section Ins 6.51 (3).

(d) *Direct response insurance* is insurance issued to an applicant who has himself completed the application and forwarded it directly to the insurer in response to a solicitation coming into his possession by any means of mass communication.

(5) **REPLACEMENT QUESTION IN APPLICATION FORMS.** An application form for insurance subject to this rule shall contain a question to elicit information as to whether the insurance to be issued is to replace any insurance presently in force. A supplementary application or other form to be signed by the applicant containing such a question may be used.

(6) **NOTICE TO BE FURNISHED.** (a) An agent soliciting the sale of insurance shall, upon determining that the sale would involve replacement, furnish to the applicant, at the time of taking the application, the notice described in subsection (7) to be signed by the applicant.

(b) An insurer soliciting direct response insurance shall, upon determining that the sale would involve replacement, furnish to the applicant, before the policy is issued, the notice described in subsection (7) to be signed by the applicant.

(c) A copy of such notice shall be left with or retained by the applicant and a signed copy shall be retained by the insurer.

(7) **NOTICE TO APPLICANT.** The notice required by subsection (6) shall provide, in substantially the following form:

**NOTICE TO APPLICANT  
REGARDING REPLACEMENT OF ACCIDENT AND  
SICKNESS INSURANCE**

According to (your application) (the information furnished by you), you intend to lapse or otherwise terminate your present policy and replace it with a policy to be issued by - - - - - Insurance Company. For your own information and protection, certain facts should be pointed out to you which should be considered before you make this change.

1. Health conditions which you may presently have may not be covered under the new policy. This could result in a claim for benefits being denied which may have been payable under your present policy.

2. Even though some of your present health conditions may be covered under the new policy, these conditions may be subject to certain waiting periods under the new policy before coverage is effective.

3. Questions in the application for the new policy must be answered truthfully and completely; otherwise, the validity of the policy and the payment of any benefits thereunder may be voided.

4. The new policy will be issued at a higher age than that used for issuance of your present policy; therefore, the cost of the new policy, depending upon the benefits, may be higher than you are paying for your present policy.

5. The renewal provisions of the new policy should be reviewed so as to make sure of your rights to periodically renew the policy.

6. It may be to your advantage to secure the advice of your present insurer or its agent regarding the proposed replacement of your present policy. You should be certain that you understand all the relevant factors involved in replacing your present coverage.

The above "Notice to Applicant" was delivered to me on - - - - -

(date)

- - - - -  
Applicant

(8) VIOLATION. A violation of this rule shall be considered to be a misrepresentation for the purpose of inducing a person to purchase insurance. A person guilty of such violation shall be subject to section 601.64, Wis. Stats.

(9) SEPARABILITY. If any provision of this rule shall be held invalid, the remainder of the rule shall not be affected by such invalidity.

(10) EFFECTIVE DATE. This rule shall become effective September 1, 1974.

**History:** Cr. Register, June, 1974, No. 222, eff. 9-1-74; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.30 Change of beneficiary and related provisions in accident and sickness insurance policies.** (1) PURPOSE. The purpose of this rule is to establish guidelines for wording change of beneficiary provisions and related provisions in accident and sickness insurance policies.

(2) SCOPE. This rule shall apply to policy forms subject to subsection 201.04 (4) of Ins 6.70, and section 600.03 (34m) (b) (c) and (d), Wis. Stats.

(3) GUIDELINES. A change of beneficiary provisions and any related provision:

(a) Shall comply with section 632.71, Wis. Stats., except as provided in sections 631.81, 632.71 and 632.77 (4), Wis. Stats. where applicable, and

(b) May include requirements or limitations which would be consistent with an orderly method of handling beneficiary designations and changes such as

1. A requirement that a beneficiary designation or change be recorded by the insurer,

2. A provision that a claim payment made before a change in beneficiary designation is recorded is not subject to such change,

3. A requirement that a beneficiary designation or change be written as opposed to oral, or

4. A requirement that a beneficiary designation or change be given to a particular agent, representative or office.

**History:** Cr. Register, May, 1974, No. 221, eff. 6-1-74; emerg. am. (2) and (3) (a), eff. 6-22-76; am. (2) and (3) (a), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.31 Eligibility for and solicitation, underwriting and claims practices in group, blanket and group type accident and sickness insurance.** (1) **PURPOSE.** The purpose of this rule is to promote the fair and equitable treatment of Wisconsin residents in the solicitation, underwriting and administration of accident and sickness insurance and coverage issued by a plan subject to sections 185.981 or chapter 613, Wis. Stats. Sections of Wis. Stats. interpreted or implemented by this rule include but are not limited to sections 201.045 (3), 601.01 (3) (b), 611.20 and 618.12 (1).

(2) **SCOPE.** This rule applies to the solicitation, underwriting and administration of insurance issued by an insurer under sections 600.03 (34m) (b) or (c), Wis. Stats., except credit accident and sickness insurance under subsection 201.04 (4a) of Ins 6.70, and coverage issued on a group basis or group type basis as defined in Wis. Adm. Code section Ins 6.51 (3) by a plan subject to section 185.981, or chapter 613, Wis. Stats. For the purposes of this rule, references to insurer, certificate, insurance agent or representative, enrollment form and enrollee also apply to organizations or associations operating non-profit plans, contracts, summaries of coverage, persons within the scope of the rule, individual applications and applicants, respectively.

(3) **GROUP AND GROUP TYPE INSURANCE.** An insurer issuing insurance under section 600.03 (34m) (b), Wis. Stats., or group or group type coverage under section 185.981 or chapter 613, Wis. Stats., shall,

(a) Where the enrollment form contains questions relating to the medical history of the person or persons to be covered, be subject to the following:

1. **Enrollment Form.** An enrollment form shall provide to the effect that statements made by the enrollee in the enrollment form regarding the general medical history or general health of the proposed insured person which require an opinion or the exercise of judgment are representations or are to the best of the enrollee's knowledge and/or belief. Such form need not so provide with respect to statements regarding specifically named diseases, physical conditions, or types of medical consultation or treatment. Such forms shall not require the enrollee to state that he has not withheld any information or concealed any facts in completing the enrollment form; however, the enrollee may be required to state that his answers are true and complete.

2. **Solicitation.** An insurance agent or representative shall review carefully with the enrollee all questions contained in each enrollment form which he prepares and shall set down in each such form all material information disclosed to him by the enrollee in response to the questions in such form. This does not require that an insurance

agent or representative prepare or assist in the preparation of each enrollment form.

3. Underwriting. a. An insurer shall make provision for adequate underwriting personnel and procedures so as to process without undue delay each enrollment form for insurance received by it.

b. An insurer shall give due consideration to all statements in each enrollment form for insurance submitted to it and shall duly evaluate the proposed insured person before issuing evidence of coverage for such person.

c. An insurer which issues evidence of coverage for a person without having resolved patently conflicting or incomplete statements in the enrollment form for the coverage, or fails to consider information furnished to it, in connection with the processing of such enrollment form shall not use such statements or information to void the coverage or to deny a claim.

d. An insurer shall furnish to the certificate holder or subscriber a notice in the form of a sticker or other form to be attached to the first page of the certificate or amendment, or furnish to the group policyholder or other such entity within 10 days after the issuance or amendment of coverage for delivery to the certificate holder or subscriber a notice in the form of a letter or other form, such notice to contain substantially the following:

**IMPORTANT NOTICE  
CONCERNING STATEMENTS IN THE ENROLLMENT  
FORM FOR YOUR INSURANCE**

Please read the copy of the enrollment form attached to this notice or to your certificate or which has been otherwise previously delivered to you by the insurer or group policyholder. Omissions or misstatements in the enrollment form could cause an otherwise valid claim to be denied. Carefully check the enrollment form and write to the insurer within 10 days if any information shown on the form is not correct and complete or if any requested medical history has not been included. The insurance coverage was issued on the basis that the answers to all questions and any other material information shown on the enrollment form are correct and complete.

e. An insurer shall file with the commissioner a description of the procedure it will follow and the form or forms it will use to meet the requirements of subdivision 3.d. of this paragraph (a).

f. An insurer which, after evidence of coverage for a person has been issued, receives information regarding such person which would reasonably be considered a sufficient basis to void or reform such person's coverage, shall effect such voiding or reformation within a reasonable time, or the insurer shall be held to have waived its rights to such action.

g. An insurer may use statements in an enrollment form as a defense to the claim or to void or reform coverage only if it has complied with the requirements of subdivision 3. d. of this paragraph (a).

4. Claims Administration. a. If the existence of a disease or physical condition was duly disclosed in the enrollment form for coverage in

response to the questions therein insurer shall not use the pre-existence defense, under coverage providing such a defense, to deny benefits for such disease or condition unless such disease or condition is excluded from coverage by name or specific description effective on the date of loss.

b. If an enrollment form contains no question concerning the proposed insured person's health history or medical treatment history and regardless of whether it contains a question concerning the proposed insured person's general health at the time of enrollment the insurer may use the pre-existence defense, under coverage providing such a defense, only with respect to losses incurred within 12 months from the effective date of the person's coverage, unless the disease or physical condition causing the loss is excluded from coverage by name or specific description effective on the date of loss.

c. An insurer shall not void coverage or deny a claim on the ground that the enrollment form for such coverage did not disclose certain information considered material to the risk if the form did not clearly require the disclosure of such information.

(b) Be subject to the following:

1. A claim shall not be reduced or denied on the grounds that the disease or physical condition resulting in the loss had existed prior to the effective date of coverage, under coverage providing such a defense, unless the insurer has evidence that such disease or physical condition, as distinguished from the cause of such disease or physical condition, had manifested itself prior to such date. Such manifestation may be established by evidence of medical diagnosis or treatment of such disease or physical condition prior to the effective date, or the existence of symptoms of such disease or physical condition prior to the effective date which would cause an ordinarily prudent person to seek diagnosis, care, or treatment.

2. Coverage which contains wording which requires the cause of the disease or physical condition, as distinguished from the disease or physical condition itself, to originate after the effective date of coverage shall be administered in accordance with subparagraph 1 of this paragraph (b).

3. An insurer shall not exclude or limit benefits, using the pre-existence defense, a waiting period, a benefit maximum or other policy limitation, where the claimant's medical records indicate a reasonable basis for distinguishing between a condition or conditions which necessitated the hospital confinement or the medical or surgical treatment for which claim is made or which resulted in the disability for which the claim is made and a concurrently existing condition or conditions which did not contribute to the need for the confinement or treatment or did not contribute to the disability.

(c) Where the group or group type plan is issued to trustees of a fund as described by section 204.321 (1) (c), 1973 Wis. Stats., use the plan's provisions regarding individual eligibility for coverage and individual termination of coverage to deny liability for or to defend against a claim only if the certificate issued pursuant to the plan, under an appropriate caption or captions, includes the applicable requirements regarding an individual's eligibility for coverage and the

conditions under which an individual's coverage terminates under the plan.

(4) **BLANKET INSURANCE.** An insurer issuing insurance under section 600.03 (34m) (c) Wis. Stats., shall

(a) Include in an enrollment form used in connection with such insurance no question relating to the medical history or other matter concerning the insurability of the person or persons to be insured and

(b) Be subject to the following: 1. A claim shall not be reduced or denied on the grounds that the disease or physical condition resulting in the loss had existed prior to the effective date of coverage, under coverage providing such a defense, unless the insurer has evidence that such disease or physical condition, as distinguished from the cause of such disease or physical condition and manifested itself prior to such date. Such manifestation may be established by evidence of medical diagnosis or treatment of such disease or physical condition prior to the effective date or the existence of symptoms of such disease or physical condition prior to the effective date which would cause an ordinarily prudent person to seek diagnosis, care, or treatment.

2. Coverage which contains wording which requires the cause of the disease or physical condition, as distinguished from the disease or physical condition itself, to originate after the effective date of coverage shall be administered in accordance with subparagraph 1. of this paragraph (b).

3. An insurer shall not exclude or limit benefits, using the pre-existence defense, a waiting period, a benefit maximum, or other policy limitation, where the claimant's medical records indicate a reasonable basis for distinguishing between the condition or conditions which necessitated the hospital confinement or the medical or surgical treatment for which claim is made or which resulted in the disability for which claim is made and a concurrently existing condition or conditions which did not contribute to the need for the confinement or treatment or did not contribute to the disability.

(5) **EFFECTIVE DATE.** This rule shall apply to all solicitation, underwriting, and claims activities relating to Wisconsin residents after December 1, 1974, except that subdivisions (3) (a) 4. a. and b. shall apply to coverage issued after said date and subdivisions (3) (a) 3. d., e. and g. shall apply to such activities after February 1, 1975.

**History:** Cr. Register, November, 1974, No. 227, eff. 12-1-74; emerg. am. (1), (2), (3) (intro.) and (c) and (4), eff. 6-22-76; am. (1), (2), (3) (intro.) and (c) and (4), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.32 Title insurance; prohibited practices.** (1) **PURPOSE.** This rule implements and interprets section 601.01 (3) and chapter 628, Wis. Stats., for the purpose of prohibiting unfair practices in the transaction of the business of title insurance.

(2) **SCOPE.** This rule shall apply to all operations of title insurers which write the type of insurance authorized by subsection 201.04 (8) of Ins 6.70.

(3) **DEFINITIONS.** (a) *Title insurer* as used in this rule means all insurance companies authorized to write title insurance as defined by subsection 201.04 (8) of Ins 6.70, and includes all officers and

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employees of such insurance companies, all agents or representatives of such insurance companies, and all affiliated entities including the officers and employees of such affiliated entities.

(b) *Affiliated entity* as used in this rule means any person or business entity who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with, a title insurance company.

(c) *Such person* as used in this rule means any of the following, other than a title insurer or affiliated entity as defined herein, who order or influence, directly or indirectly, the ordering of title insurance and related services:

1. Any owner or prospective owner of real or personal property or any interest therein;

2. Any lender or prospective lender in a transaction involving an obligation secured or to be secured either in whole or in part by real or personal property or any interest therein; and

3. Any agent, representative, attorney or employe of any owner or prospective owner or of any lender or prospective lender.

(d) *Title insurance rates* as used in this rule means all charges made by a title insurer in connection with the issuance of a title insurance policy or a commitment to issue a title insurance policy and specifically includes search and examination charges and all other charges.

(e) *Supplementary rate information* as used in this rule has the meaning as defined in section 625.02 (1), Wis. Stats.

(4) PROHIBITED PRACTICES. No title insurer shall engage in any of the following practices. (a) Charging an amount for a title insurance policy or commitment for a title insurance policy other than the amount developed by application of the appropriate title insurance rate developed from the rates and supplementary rate information on file with the commissioner for use by the title insurer.

(b) Waiving, or offering to waive, all or any part of the applicable title insurance rate or premium developed by proper application of the appropriate title insurance rate developed from the rates and supplementary rate information on file with the commissioner.

(c) Charging a reduced title insurance rate under a so-called "take-off" or subdivision policy when the property involved is ineligible for such reduced rate.

(d) Charging a reduced title insurance rate under a so-called "take-off" or subdivision policy when such rate is not applicable in the particular transaction because the volume required to qualify for such reduced rate includes ineligible property.

(e) Paying, or offering to pay, the cancellation fee, the fee for a preliminary title report or other fee on behalf of any such person after inducing such person to cancel an order with another title insurer.

(f) Making or guaranteeing, or offering to make or guarantee, either directly or indirectly, any loan to any such person, regardless of the terms of the note or guarantee. This prohibition is not applicable to

customary business collection procedures, claims settlement and salvage activities and other business activities totally unrelated to the solicitation of business for which a charge is made.

(g) Providing, or offering to provide, either directly or indirectly, a "compensating balance" or deposit in a lending institution either for the express or implied purpose of influencing the extension of credit by such lending institution to any such person, or for the express or implied purpose of influencing the placement or channeling of title insurance business by such lending institution. This shall not be construed to prohibit the maintenance by a title insurer of such demand deposits or escrow deposits as are reasonably necessary for use in the ordinary course of business of such title insurer.

(h) Paying, or offering to pay, the fees or charges of an outside professional (e.g., an attorney, engineer, appraiser, or surveyor) whose services are required by any such person to structure or complete a particular transaction.

(i) Paying, or offering to pay, all or any part of the salary of any employe of any such person.

(j) Paying, or offering to pay, any fee to any such person for any services unless such fee bears a reasonable relation to the services performed.

(k) Paying for, or offering to pay for, services by any such person which services are required to be performed by such person in his capacity as a real estate or mortgage broker or salesperson or agent.

(l) Furnishing or offering to furnish, or paying or offering to pay for, furniture, office supplies, telephones, equipment or automobiles to any such person, or paying for, or offering to pay for, any portion of the cost of renting, leasing, operating or maintaining any of the aforementioned items. Marketing and title insurance promotional items clearly of an advertising nature of token or nominal value, or supplies such as title insurance application blanks and related forms are not within the purview of this prohibition provided they are made available to all such persons on the same terms and conditions.

(m) Paying for, furnishing, or waiving, or offering to pay for, furnish, or waive, all or any part of the rent for space occupied by any such person.

(n) Renting, or offering to rent, space from any such person, regardless of the purpose, at a rent which is excessive when compared with rents for comparable space in the geographic area, or paying, or offering to pay, rent based in whole or in part on the volume of business generated by any such person except for a bona fide percentage lease based on the total volume of receipts of the title entity when the services of that title entity are offered from that location to the public generally.

(o) Paying for, or offering to pay for, gifts, vacations, business trips, convention expenses, travel expenses, membership fees, registration fees, lodging or meals on behalf of any such person, directly or indirectly, or supplying letters of credit, credit cards or any such benefits to any such person for any purpose whatsoever. This prohibition is directed at prohibiting special favors to certain customers. It is

not intended to preclude reasonable and customary business entertainment and trade association activities and expense incurred by the title insurer in the course of marketing its products and services. Moderate expenditures for food, meals, beverages and entertainment may be made, if correctly claimed and properly substantiated as a legitimate business expense.

(p) Paying for, or offering to pay for, money, prizes or other things of value for any such person in any kind of a contest or promotional endeavor. This prohibition applies whether or not the offer or payment of a benefit relates to the number of title orders placed or escrows opened with a title insurer or group of such insurers. It does not apply to offers or payments to trade associations, charitable or other functions where the thing of value is in the nature of a contribution or donation rather than a business solicitation.

(q) Paying for, or offering to pay for, any advertising concerning the title insurer which is to appear in a pamphlet, magazine, brochure, or any other advertising material promoted or distributed, with or without cost by any such person. Examples of this kind of advertising material are advertisements appearing in newsletters distributed by real estate brokers, tract brochures issued by land developers or builders, or jointly sponsored promotional magazines. This prohibition does not apply to brochures or other promotional items of the title insurer used in the marketing of its own products, to advertising in trade media or other media not promoted or solicited by such persons, nor to other forms of advertising provided the expected benefit to be derived from customers generally is fairly equivalent to the expense incurred.

(r) Paying for or furnishing, or offering to pay for or furnish any brochures, billboards, or advertisements of such persons, products or services appearing in newspapers, on the radio, or on television, or other advertising or promotional material published or distributed by, or on behalf of, any such person.

(5) PENALTY. Any violation of this rule shall subject the title insurer to the penalties and forfeitures provided by section 601.64, Wis. Stats.

**History:** Cr. Register, December, 1975, No. 240, eff. 1-1-76; emerg. am. (1), (2) and (3) (a), eff. 6-22-76; am. (1) (2), (3) (a) and (4) (c), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.35 Wisconsin health care liability insurance plan. (1) FINDINGS.** (a) Legislation has been enacted authorizing the commissioner of insurance to promulgate a plan to provide health care liability insurance and liability coverage normally incidental to health care liability insurance for risks in this state which are equitably entitled to but otherwise unable to obtain such coverage, or to call upon the insurance industry to prepare plans for his approval.

(b) Health care liability insurance for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., and nurse anesthetists licensed under chapter 441, Wis. Stats., who practice in this state and for operating cooperative sickness care plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services in their own facilities with salaried employees and for properly accredited teaching facilities conducting approved training programs for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., or nurses licensed under chapter 441, Wis. Stats., is not readily available

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in the voluntary market. Health care liability insurance and liability coverages normally incidental to health care liability insurance for hospitals as defined by section 140.24 (1) (a) and (c), Wis. Stats., but excluding, except as otherwise provided herein, those facilities exempted by section 140.29 (3), Wis. Stats., which operate in this state are not readily available in the voluntary market. Health care liability insurance and liability coverage normally incidental to health care liability insurance for those nursing homes as defined in section 146.30 (1) (a), Wis. Stats., which operate in this state and whose functional operations are combined with a hospital as herein defined as a single entity, whether or not the nursing home operations are physically separate from the hospital operations, are not readily available in the voluntary market.

(c) A facility for providing such health care liability insurance should be enacted pursuant to chapter 619, Wis. Stats.

(2) **PURPOSE.** This rule is intended to implement and interpret chapter 619, Wis. Stats., for the purpose of establishing procedures and requirements for a mandatory risk sharing plan to provide health care liability insurance coverage on a self-supporting basis for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., and nurse anesthetists licensed under chapter 441, Wis. Stats., who practice in this state; for operating cooperative sickness care plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services in their own facilities with salaried employees; and for properly accredited teaching facilities conducting approved training programs for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., or nurses licensed under chapter 441, Wis. Stats., and to provide health care liability insurance coverage and liability coverages normally incidental to health care liability insurance on a self-supporting basis for all hospitals as defined by sections 140.24 (1) (a) and (c), Wis. Stats., but excluding those facilities exempted by section 140.29 (3), Wis. Stats., except as otherwise provided herein, which operate in this state. Health care liability insurance coverage and liability coverages normally incidental to health care liability insurance on a self-supporting basis for those nursing homes as defined in section 146.30 (1) (a), Wis. Stats., which operate in this state and whose functional operations are combined with a hospital as herein defined as a single entity, whether or not the nursing home operations are physically separate from the hospital operations is also provided. This rule is also intended to encourage the improvement in reasonable loss prevention measures and to encourage the maximum use of the existing voluntary market.

(3) **SCOPE.** This rule shall apply to all insurers authorized to transact in this state on a direct basis insurance against liability resulting from personal injuries, except for town mutuals authorized to transact insurance under chapter 612, Wis. Stats.

(4) **DEFINITIONS.** (a) *The Wisconsin health care liability insurance plan*, hereinafter referred to as the Plan, means the statutory, non-profit, unincorporated association established by this rule to provide for the issuance of health care liability insurance and liability coverages normally incidental to health care liability insurance at adequate rate levels for risk sharing subject to the right of recoupment and to assist qualified applicants in securing health care liability insurance

and liability coverage normally incidental to health care liability insurance.

(b) Insurance against liability resulting from personal injuries means all insurance coverages against loss by the personal injury or death of any person for which loss the insured is liable. It includes the personal injury liability component of multi-peril policies, but it does not include steam boiler insurance authorized under subsection 201.04 (6), of Ins 6.70, workmen's compensation insurance authorized under subsection 201.04 (16), of Ins 6.70, or coverage authorized under subsection 201.04 (18) of Ins 6.70.

(c) Health care liability insurance means insurance against loss, expense and liability resulting from errors, omissions or neglect in the performance of any professional service by any medical or osteopathic physician licensed under chapter 448, Wis. Stats., and nurse anesthetists licensed under chapter 441, Wis. Stats., who practice in this state; by operating cooperative sickness care plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services in their own facilities with salaried employees; and for properly accredited teaching facilities conducting approved training programs for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., or nurses licensed under chapter 441, Wis. Stats., and by all hospitals as defined by section 140.24 (1) (a) and (c), Wis. Stats., but excluding those facilities exempted by section 140.29 (3), Wis. Stats., except as otherwise provided; and by those nursing homes as defined in section 146.30 (1) (a), Wis. Stats., whose functional operations are combined with a hospital as herein defined as a single entity, whether or not nursing home operations are physically separate from the hospital operations, which operate in this state.

(d) Liability coverage normally incidental to health care liability insurance shall include owners, landlords and tenants liability insurance; owners and contractors protective liability insurance; completed operations and products liability insurance; contractual liability insurance and personal injury liability insurance.

(e) Premiums written means gross direct premiums less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits, with respect to insurance against liability resulting from personal injuries covering insureds or risks resident or located in this state excluding premiums on risks insured under the Plan.

(f) Servicing company means an insurer which services policies issued on behalf of the Plan.

(g) Confidential claims information means any information relating to the Plan in the possession of the commissioner, the board of governors or an agent thereof which reveals, directly or indirectly, the identity of a health care provider, as defined in section 655.001 (8), Wis. Stats.

(5) INSURANCE COVERAGE. (a) All medical or osteopathic physicians licensed under chapter 448, Wis. Stats., and nurse anesthetists licensed under chapter 441, Wis. Stats., who practice in this state; operating cooperative sickness care plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services in their own facilities with salaried employees; and for properly accredited

teaching facilities conducting approved training programs for medical or osteopathic physicians licensed under chapter 448, Wis. Stats., or nurses licensed under chapter 441, Wis. Stats., and all hospitals as defined by section 140.24 (1) (a) and (c), Wis. Stats., but excluding those facilities exempted by section 140.29 (3), Wis. Stats., except as otherwise provided herein; and those nursing homes as defined in section 148.30 (1) (a), Wis. Stats., whose functional operations are combined with a hospital as herein defined as a single entity, whether or not the nursing home operations are physically separate from the hospital operations which operate in this state that are equitably entitled to but otherwise unable to obtain suitable health care liability insurance in the voluntary market shall be eligible to apply for insurance under this Plan.

(b) The maximum limits of coverage for the type of health care liability insurance defined in subsection (4) (c) which may be placed under this Plan are \$200,000 per claim and \$600,000 aggregate for all claims in any one policy year.

(c) The maximum limits of coverage for liability coverages normally incidental to health care liability insurance as defined in subsection (4) (d) which may be placed under this Plan are \$1,000,000 per claim and \$1,000,000 aggregate for all claims in any one policy year.

(d) Health care liability coverage shall be provided in a standard policy form on an occurrence basis, i.e., coverage for any liability based on a treatment, omission or operation which occurs during the term of the policy and which is brought within the time the applicable statute of limitations continues the liability. The board of governors may authorize the issuance of policies on other bases as an option under the Plan subject to such restrictions and rules as it may deem necessary and appropriate in the circumstances.

(e) Any policyholder holding coverage under the Wisconsin Health Care Liability Insurance Plan shall continue to be subject to the rules governing the Plan which were in force when the coverage was obtained. The renewal of any such coverage shall be subject to the provisions of the rule in effect at the time of the renewal. All obligations and liabilities created under such prior rule shall continue in force under the Plan until they are extinguished.

(f) Coverage for all hospitals as defined by section 140.24 (1) (a) and (c), Wis. Stats., but excluding those facilities exempted by section 140.29 (3), Wis. Stats., may include liability coverages normally incidental to health care liability insurance as defined in subsection (4) (d).

(6) **MEMBERSHIP.** (a) Every insurer, subject to subsection (3) shall be a member of this Plan.

(b) An insurer's membership terminates when the insurer is no longer authorized to write personal injury liability insurance in Wisconsin, but the effective date of termination shall be the last day of the fiscal year of the Plan in which termination occurs. Any insurer so terminated shall continue to be governed by the provisions of this rule until it completes all of its obligations under the Plan.

(c) Subject to the approval of the commissioner, the board of governors may charge a reasonable membership fee, not to exceed \$50.00.

(7) ADMINISTRATION. (a) The Plan shall be administered by a board of governors.

(b) The board of governors shall consist of the commissioner or his designated representative, and 10 other board members. Each shall have one vote.

1. The commissioner shall appoint 5 board members from insurers who are members of the Plan.

a. The following associations shall at the direction of the commissioner nominate board members:

American Insurance Association  
American Mutual Insurance Alliance  
National Association of Independent Insurers  
Wisconsin Insurance Alliance

b. The commissioner shall appoint one board member from other insurers not members of the associations in subdivision a.

2. The state bar association shall appoint one board member who shall be an attorney.

3. The Wisconsin medical society shall appoint one board member who shall be a physician.

4. The Wisconsin Hospital Association shall appoint one board member.

5. The Governor shall appoint 2 public board members for staggered three-year terms who are not attorneys or physicians and who are not professionally affiliated with any hospital or insurance company.

(c) The commissioner or his representative shall be chairman of the board of governors.

(d) Board members other than the commissioner or his representative shall be compensated at the rate of \$50 per diem plus actual necessary travel expenses.

(8) DUTIES OF THE BOARD OF GOVERNORS. (a) The board of governors shall meet as often as may be required to perform the general duties of the administration of the Plan or on the call of the commissioner. Six members of the board shall constitute a quorum.

(b) The board of governors shall be empowered to invest, borrow and disburse funds, budget expenses, levy assessments, cede and assume reinsurance, and perform all other duties provided herein as necessary or incidental to the proper administration of the Plan. The board of governors may appoint a manager or one or more agents to perform such duties as may be designated by the board.

(c) The board of governors shall develop rates, rating plans, rating and underwriting rules, rate classifications, rate territories, and policy forms in accordance with sections 619.01 (1) (c) 2., 619.04 (5), 625.11, and 625.12, Wis. Stats., and subsection (12) of this rule.

(d) The board of governors shall cause all policies written pursuant to this Plan to be separately coded so that appropriate records may be compiled for purposes of calculating the adequate premium level for each classification of risk, and performing loss prevention and other studies of the operation of the Plan.

(e) The board of governors shall determine, subject to the approval of the commissioner, the eligibility of an insurer to act as a servicing company. If no qualified insurer elects to be a servicing company, the board of governors shall assume such duties on behalf of member companies.

(f) The board of governors shall enter into agreements and contracts as may be necessary for the execution of this rule consistent with its provisions.

(g) The board of governors may appoint advisory committees of interested persons, not limited to members of the Plan, to advise the board in the fulfillment of its duties and functions.

(h) The board of governors shall be empowered to develop, at its option, an assessment credit plan subject to the approval of the commissioner, wherein a member of the Plan receives a credit against an assessment levied, based upon Wisconsin voluntarily written health care liability insurance premiums.

(i) The board of governors of the Plan shall be authorized to take such actions as are consistent with law to provide the appropriate examining boards or the department of health and social services with such claims information as may be appropriate.

(j) The board of governors shall assume all duties and obligations formerly vested in the governing committee whenever it becomes necessary to administer any of the provisions governing the Wisconsin Health Care Liability Insurance Plan, which provisions preceded the adoption of the provisions contained in this rule.

(9) ANNUAL REPORTS AND RECORDS. (a) By May 1 of each year the board of governors shall make a report to the members of the Plan and to the standing committees on health insurance in each house of the legislature summarizing the activities of the Plan in the preceding calendar year.

(b) All books, records, documents or audits relating to the Plan or its operation shall be open to public inspection, with the exception of confidential claims information.

(10) APPLICATION FOR INSURANCE. (a) Any medical or osteopathic physician licensed under chapter 448, Wis. Stats., and nurse anesthetists licensed under chapter 441, Wis. Stats., who practice in this state; operating cooperative sickness care plans organized under section 185.981 to 185.985, Wis. Stats., which directly provide services in their own facilities with salaried employes; and all hospitals as defined by section 140.24 (1) (a) and (c), Wis. Stats., but excluding those facilities exempted by section 140.29 (3), Wis. Stats., which operate in this state may submit an application for insurance by the Plan either directly or through any licensed agent.

(b) The Plan may bind coverage.

(c) The Plan shall, within eight business days from receipt of an application, notify the applicant of the acceptance, rejection or the holding in abeyance of the application pending further investigation. Any individuals rejected by the Plan shall have the right to appeal that judgment within 30 days to the board of governors in accordance with subsection (16).

(d) If the risk is accepted by the Plan, a policy shall be delivered to the applicant upon payment of the premium. The Plan shall remit any commission to the licensed agent designated by the applicant; if no licensed agent is so designated, such commission shall be retained by the Plan.

(11) ASSESSMENTS AND PARTICIPATION. (a) In the event that sufficient funds are not available for the sound financial operation of the Plan, and pending recoupment pursuant to section 619.01 (1) (c) 2., Wis. Stats., all members shall, on a temporary basis, contribute to the financial needs of the Plan in the manner prescribed in paragraph (b). When such assessment contribution is recouped, it shall be reimbursed to members as their total share of the assessment contribution bears to the aggregate outstanding contributions.

(b) All members of the Plan shall participate in all premiums, other income, losses, expenses, and costs of the Plan in the proportion that the premiums written of each such member [excluding that portion of premiums attributable to the operation of the Plan and giving effect to any assessment credit plan under subsection (8) (h)] during the preceding calendar year bears to the aggregate premiums written in this state by all members of the Plan. Each member's participation in the Plan shall be determined annually on the basis of such premiums written during the preceding calendar year, as reported in the annual statements and other reports filed by the member with the commissioner of insurance.

(12) RATES, RATE CLASSIFICATIONS, AND FILINGS. Rates, rate classifications, and filings for coverages issued by the Plan shall be generally subject to chapter 625, Wis. Stats., and specifically shall meet the requirements of sections 619.01 (1) (c) 2., 619.04 (5), 625.11, and 625.12, Wis. Stats. Rates and rate classifications shall not discriminate on the basis of the insured's sex, marital status, race, color, creed or national origin. Information supporting the rates and rate classifications filed with the commissioner shall be made a part of such filing. Rates, rate classifications and filings shall be developed in accordance with the following standards or rules:

(a) Rates. 1. Rates shall not be excessive, inadequate or unfairly discriminatory.

2. Rates shall be calculated in accordance with generally accepted actuarial principles, using the best available data and shall be reviewed by the board of governors at least once each year.

3. Rates shall be calculated on a basis which will make the Plan self-supporting and shall be presumed excessive if they produce a long run profit or surplus for the Plan over losses and expenses, and loss reserves (including contingency reserves).

4. Any deficit incurred by the Plan in any one year shall be recouped by rate increases applicable prospectively, or any surplus

over the loss reserves of the Plan in any one year shall be distributed by rate decreases applicable prospectively.

5. Rates shall reflect past and prospective loss and expense experience in different areas of practice.

6. Wisconsin loss and expense experience shall be used in establishing and reviewing rates to the extent it is statistically credible supplemented by relevant data from outside the state; relevant data shall include, but not be limited to, data provided by other insurance companies, rate service organizations or governmental agencies.

7. Loss and expense experience used in determining initial or revised rates shall be adjusted to indicate as nearly as possible the loss and expense experience which will emerge on policies issued by the Plan during the period for which the rates were being established; for this purpose loss experience shall include paid and unpaid losses, a provision for incurred but not reported losses, and both allocated and unallocated loss adjustment expenses and consideration shall be given to changes in estimated costs of unpaid claims and to indications of trends in claim frequency, claim severity, and level of loss expense.

8. Review of rates for the Plan shall begin with the experience of the Plan, supplemented first by Wisconsin experience of coverage provided by other insurers, and then, to the extent necessary for statistical credibility, by relevant data from outside the state.

9. Information supporting the rate filing shall indicate the existence, extent and nature of any subjective factors in the rates based on judgment of technical personnel, such as consideration of the reasonableness of the rates compared to the cost of comparable coverage where it is available.

10. Expense provisions included in the rate to be used by the Plan shall reflect reasonable prospective operating expense levels of the Plan.

11. All accumulated net income, including investment income under the Plan, shall be used to modify the indicated rates promulgated in accordance with the foregoing criteria.

12. Provision may be made for modification of rates for individual risks in accordance with rating plans or surcharge schedules which establish reasonable standards for measuring probable variation in hazards, expenses, or both.

(b) Classifications. 1. Classifications shall reflect past and prospective loss and expense experience in different areas of practice.

2. Classifications shall be established which measure to the extent possible variations in exposure to loss and in expenses based upon the best data available.

3. Classifications shall include recognition of any difference in the exposure to loss of semi-retired or part-time professionals.

4. Classifications shall to the extent possible reflect past and prospective loss and expense experience of risks insured in the Plan and other relevant experience from within and outside this state.

5. Classification schedules may provide for modification of rates for individual risks in accordance with rating plans or surcharge schedules which establish reasonable standards for measuring probable variations in hazards, expenses, or both.

6. Classifications shall be reviewed by the board of governors at least once each year.

(c) Filings. 1. All filings of rates, classifications and supporting information of the Plan and all changes and amendments thereof shall be filed with the commissioner within 30 days after they become effective.

2. These filings shall be open to public inspection during the usual business hours of the office of the commissioner of insurance.

(13) VOLUNTARY BUSINESS - CANCELLATION AND NONRENEWAL. Any member cancelling or not renewing voluntarily written health care liability insurance covering any risk eligible under this Plan shall inform the policyholder of the availability of insurance under the Plan. Any such notice of cancellation or nonrenewal shall allow ample time for application to the Plan and for the issuance of coverage. A copy of such cancellation or nonrenewal notice shall be filed with the office of the commissioner of insurance.

(14) PLAN BUSINESS - CANCELLATION AND NONRENEWAL. (a) The Plan shall not cancel or refuse to renew a policy issued under the Plan except for:

1. Nonpayment of premium; or
2. Revocation of the license of the insured by the appropriate licensing board.

(b) Notice of cancellation or nonrenewal under paragraph (a), containing a statement of the reasons therefor, shall be sent to the insured with a copy to the Plan. Any cancellation or nonrenewal notice to the insured shall be accompanied by a conspicuous statement that the insured has a right of appeal as provided in subsection (16).

(15) COMMISSION. Commission to the licensed agent designated by the applicant shall be \$125.00 for each new or renewal policy issued to medical or osteopathic physicians; \$15.00 for each new or renewal policy issued to nurse anesthetists; and 5% of the annual premium for each new or renewal policy issued to hospitals, not to exceed \$2,500 per policy. The agent need not be licensed by the servicing company.

(16) RIGHT OF APPEAL. Any affected person may appeal to the board of governors within 30 days after notice of any final ruling, action or decision of the Plan. Decisions of the board of governors may be further appealed in accordance with chapter 227, Wis. Stats.

(17) REVIEW BY COMMISSIONER. The board of governors shall report to the commissioner the name of any member or agent which fails to comply with the provisions of the Plan or with any rules prescribed thereunder by the board of governors or to pay within 30 days any assessment levied.

(18) INDEMNIFICATION. Each person serving on the board of governors or any subcommittee thereof, each member of the Plan, and the

manager and each officer and employe of the Plan shall be indemnified by the Plan against all cost, settlement, judgment, and expense actually and necessarily incurred by him or it in connection with the defense of any action, suit, or proceeding in which he or it is made a party by reason of his or its being or having been a member of the board of governors, or a member or manager or officer or employe of the Plan except in relation to matters as to which he or it has been judged in such action, suit, or proceeding to be liable by reason of willful or criminal misconduct in the performance of his or its duties as a member of such board of governors, or a member or manager or officer or employe of the Plan. This indemnification shall not apply to any loss, cost, or expense on insurance policy claims under the Plan. Indemnification hereunder shall not be exclusive of other rights to which the member, manager, officer, or employe may be entitled as a matter of law.

**History:** Emerg. cr. eff. 3-20-75; cr. Register, June, 1975, No. 234, eff. 7-1-75; emerg. am. eff. 7-28-75; emerg. r. and recr. eff. 11-1-75; r. and recr. Register, January, 1976, No. 241, eff. 2-1-76; am. (1) (b), (2), (4) (c), and (5) (a), Register, May, 1976, No. 245, eff. 6-1-76; emerg. am. (4) (b), eff. 6-22-76; am. (1) (b), (2), (4) (b) and (c) and (5) (a), Register, September, 1976, No. 249, eff. 10-1-76.

**Ins 3.36 Statistical reports—health professional liability insurance.** (1) **PURPOSE.** This rule is intended to interpret and implement section 625.34, Wis. Stats., and respond to the mandate of section 625.35, Wis. Stats., for the purpose of obtaining statistical data on health professional liability insurance in Wisconsin.

(2) **SCOPE.** This rule applies only to insurance issued to health care providers whose principal place of practice or operation is in Wisconsin.

(3) **DEFINITIONS.** As used in this rule, which interprets the mandate of section 625.35, Wis. Stats.: (a) Health professional liability insurance means insurance for liability arising out of the acts or omissions of any of the following health care providers whose principal place of practice or operation is in Wisconsin:

1. medical or osteopathic physicians, 2. blood banks, 3. chiroprodists,
4. chiropractors, 5. dental hygienists, 6. hearing aid service establishments, 7. medical laboratory technicians, 8. medical or x-ray laboratories, 9. nurses (registered or trained practical nurses), 10. opticians,
11. optometrists, 12. pharmacists, 13. physiotherapists, 14. x-ray laboratories, 15. x-ray technicians, 16. osteopathic hospitals, 17. drugless healing institutions, 18. clinics, dispensaries or infirmaries—out-patient treatment only, 19. convalescent or nursing homes, 20. hospitals, 21. mental-psychopathic institutions, 22. sanitariums or health institutions—not hospitals or mental-psychopathic institutions, 23. dentists, 24. surgeons, 25. radium, laboratory, pathological or x-ray therapy technicians, 26. operational cooperative sickness plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services through salaried employes in their own facilities, 27. partnerships comprized of physicians or nurse anesthetists, 28. corporations owned by physicians or nurse anesthetists and operated for the purpose of providing medical services.

(b) Rating class means any of the classifications listed on pages 7 through 14, part III of the Uniform Statistical Plan for Medical Professional Liability Insurance published by the Insurance Services

Office effective January 1, 1976, as revised January 19, 1976, plus additional classifications for osteopathic hospitals, nurse anesthetists partnership liability, nurse anesthetists corporate liability, and operational cooperative sickness plans organized under sections 185.981 to 185.985, Wis. Stats., which directly provide services through salaried employes in their own facilities. The Uniform Statistical Plan for Medical Professional Liability Insurance published by the Insurance Services Office is distributed by Insurance Services Office, 160 Water Street, New York, New York 10038. A copy of this plan is on file at the office of the commissioner of insurance, the secretary of state and the revisor of statutes.

(c) Claim means every occurrence in which a claim for damages is made or a suit is brought against the health care provider defined in paragraph (a) whether or not such claim is false, groundless or fraudulent. Incidents not resulting in a suit or claim for damages shall not constitute a claim. Claims against more than one health care provider joined in a suit shall be treated as separate claims against each health care provider.

(d) Premiums paid means premiums received by the insurer on direct business only, less returned premiums, and shall not include premiums received on account of reinsurance assumed nor shall any deductions be made for premiums ceded on account of reinsurance ceded. Insurers shall also report for each classification the direct earned premiums in Wisconsin for the calendar year of report which shall consist of the direct premiums written less the premiums unearned at the end of the calendar year plus the premiums unearned at the beginning of the calendar year.

(e) Amount of claims means claims paid during the calendar year plus the claims unpaid at the end of the calendar year and less the claims unpaid at the beginning of the calendar year, and shall be further segregated to show:

1. damages paid to claimants;
2. reserves for outstanding losses;
3. incurred but not reported losses;
4. allocated loss adjustment expenses (i.e., investigative costs, defense costs, court costs, processing costs, etc. attributable to a specific claim);
5. unallocated loss adjustment expenses (i.e., investigative costs, defense costs, processing costs, etc. not attributable to any specific claim, but rather to all professional liability claims in general).

**Note:** Insurers who do not compile "incurred but not reported losses" and/or "unallocated loss adjustment expenses" on a state-by-state basis may satisfy this requirement on the basis of estimates which reflect the ratio of Wisconsin losses and expenses to comparable countrywide data.

(f) Health professional liability insurance policy means a policy for which at least 50% of the total premium for the policy is for the insurance of health professional liability.

(g) Principal place of practice or operation means the place where more than 50% of the time of a health professional is spent in practice.

(4) **FILING REQUIRED.** Each insurer doing business in this state in health professional liability insurance shall report the following information to the commissioner on or before March 1 of each year for the previous calendar year:

(a) The total number of insureds in Wisconsin within each rating class;

(b) The total amount of premium paid by the insureds in each rating class in Wisconsin;

(c) The total number of claims filed against insureds in each rating class in Wisconsin, the year in which the incident giving rise to each claim occurred, and the total number of such claims outstanding as of December 31;

(d) The total number and amount of claims paid by the insurer for insureds in each rating class in Wisconsin and the year in which the incident giving rise to each claim occurred;

(e) The number of lawsuits filed in Wisconsin against the insurer's insureds.

**Note:** In compiling this information, the instructions and procedures included in the Uniform Statistical Plan for Medical Professional Liability Insurance published by the Insurance Services Office shall be used to the extent applicable.

(5) **EXCEPTIONS.** Since the statistical information required by subsection (4) may not be readily available for calendar year 1975 in the detail specified: (a) All insurers shall submit on or before March 1, 1976, the basic Wisconsin information required by line 50 of Supplement "A" to Schedule T, Exhibit of Medical Malpractice Premiums Written During Current Year Allocated by States and Territories, a part of the Annual Statement for Fire and Casualty Companies listed in Wisconsin Administrative Code section Ins 7.01 (5) (a).

(b) An insurer who cannot file for calendar year 1975 the information required by subsection (4) based on the rating classes as defined in subsection (3) (b), shall file comparable information, based on the classifications used by that insurer for rating purposes during 1975, with sufficient explanation of the make-up of each rating class so that a proper combination of insurers doing business in Wisconsin may be made.

(c) Where detailed statistical information for calendar year 1975 is not available to an insurer by March 1, 1976, that insurer may, on or before March 1, 1976, file information based on estimated data, provided that detailed information is filed by June 1, 1976.

**History:** Emerg. cr. eff. 1-20-76; cr. Register, March, 1976, No. 243, eff. 4-1-76.