

FEB 04 2000

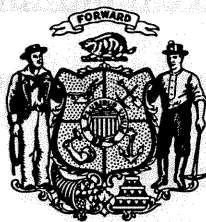
LCRC
FORM 2

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



Laura D. Rose, Interim Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 00-007

AN ORDER to amend Ins 23.30 (1) (b); to repeal and recreate Ins 23.35; and to create Ins 23.10 (6m) and 23.30 (1) (i), relating to adjusting minimum benefit requirements for prearranged funeral plans.

Submitted by **OFFICE OF THE COMMISSIONER OF INSURANCE**

01-10-00 RECEIVED BY LEGISLATIVE COUNCIL.

02-04-00 REPORT SENT TO AGENCY.

RS:GAA:jal;ksm

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

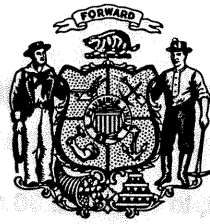
Comment Attached YES NO

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

Richard Sweet
Assistant Director
(608) 266-2982



Laura D. Rose,
Interim Director
Legislative Council Staff
(608) 266-1304

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE RULE 00-007

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

5. Clarity, Grammar, Punctuation and Use of Plain Language

- a. In s. Ins 23.30 (1) (i), the word "section" should be replaced by the notation "s."
- b. Section Ins 23.35 (4) should make clear the maximum premium payment period if a policy is issued on a person's 80th birthday. Is the premium period five years or 10 years? The problem can be avoided by replacing the phrase "80 years and higher" with the phrase "over 80 years." [See ss. 227.27 (1) and 990.001 (14), Stats.]

**PROPOSED ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE AMENDING,
REPEALING AND RECREATING A RULE**

To amend Ins 23.30 (1) (b), to create 23.30 (1) (i), to create Ins 23.10 (6m) and repeal and recreate Ins 23.35, Wis. Adm. Code, relating to adjusting minimum benefit requirements for prearranged funeral plans.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory authority: ss. 601.41(3) and 632.41 (2) (b) 2., Stats.

Statutes interpreted: s. 632.41 (2) (b) 2., Stats.

This proposed rule change sets out specific minimum benefit requirements for insurance marketed to fund prearranged funeral plans where the premium for that insurance is payable in installments over time. Under current rules governing funeral policies the multi-premium policy marketplace is nearly non-existent. This change is intended to make it more likely that insurers will issue policies with flexible funding arrangements. Consumer safeguards are added by correlating death benefits to the amount of the prearranged funeral plan with an "interest" factor added. In addition, limits on the payment period are tied to age at issue and policies that pay a death benefit less than face value are allowed only under certain conditions.

This rule also requires disclosure where the policy death benefit may be less than the policy face value and the total premium to be paid over the life of the policy.

This rule change includes a provision that requires a premium rate filing for all funeral policies.

SECTION 1. Ins 23.30 (1) (b) is amended to read:

Ins 23.30 (1) (b) The premium amount for a single premium funeral policy ~~which is issued on a single pay basis~~ does not exceed the current costs of the prearranged funeral plan

and the policy's death benefit is at least equal to the amount of the premium plus interest at the rate of not less than 3 percent per year compounded annually.

SECTION 2. Ins 23.30 (1) (i) is created to read:

Ins 23.30 (1) (i) Premium rates for all funeral policies shall be filed at the time the policy form is filed with the commissioner under section 631.20, Stats. and within 30 days after they are revised. Premiums shall be based upon sound actuarial principles.

SECTION 3. Ins 23.10 (6m) is created to read:

Ins 23.10 (6m) "Multi-premium funeral policy" means a funeral policy where the premium to fund the policy is paid over time.

SECTION 4. Section Ins 23.35 is repealed and recreated to read:

INS 23.35 Minimum benefit requirements for multi-premium funeral policies.

- (1)** An insurer may issue a multi-premium funeral policy only if, at the time of issue, the face amount of the policy is not less than the amount of the prearranged funeral plan.
- (2)** The death benefit of a multi-premium funeral policy may not be less than its face amount unless all of the following conditions are met:
 - (a)** The policy is guaranteed issue and does not require the applicant to meet medical underwriting criteria.
 - (b)** The front of the policy contains a full disclosure of the lower death benefit with a detailed explanation contained within the policy.
 - (c)** The policy may only be sold to those applicants who do not qualify for the insurer's underwritten multi-premium funeral policy.
 - (d)** The lower death benefit in each guaranteed issue multi-premium funeral policy form filed with the commissioner shall be one of the following:
 - 1.** Twenty-five percent of the face amount during the first year, 50 percent of the face amount during the second year, and the full face amount after the beginning of the third year.However, in no event shall the benefit be less than the premium paid.

2. During the first 2 years of the policy an amount equal to the premiums paid plus interest at the rate of not less than 5 percent per year compounded annually and the full face amount after the beginning of the third year.

(3) Multi-premium funeral policies shall disclose to applicants, at the time of application for coverage, the premiums to be paid over the life of the policy in a manner approved by the commissioner.

(4) The premium payment period for a multi-premium funeral policy shall be no more than 20 years for issue ages under 60 years, no more than 10 years for issue ages 60 to 80 years, and no more than 5 years for issue ages 80 years and higher.

SECTION 5. These changes will take effect on the first day of the first month after publication, as provided in s. 227.22 (2) (intro.), Stats.

Dated at Madison, Wisconsin, this _____ day of _____, 2000.

Connie L. O'Connell
Commissioner of Insurance