

Ins 2

Filed March 3, 1965
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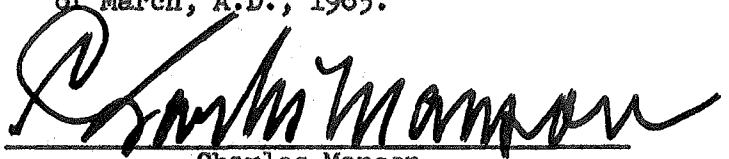
STATE OF WISCONSIN)
DEPARTMENT OF INSURANCE) ss.

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Charles Manson, Commissioner of Insurance, and custodian of the official records of said department, do hereby certify that the annexed repeal and recreation of a section of the Wisconsin Administrative Code relating to benefits included in life or endowment insurance policies was duly approved and adopted by this department on March 3, 1965.

I further certify that said copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department at the Hill Farms State Office Building in the city of Madison, this 3rd day of March, A.D., 1965.



Charles Manson
Commissioner of Insurance

STATE OF WISCONSIN ss
DEPARTMENT OF STATE
RECEIVED AND FILED

MAR 3 - 1965

ROBERT G. ZIMMERMAN
SECRETARY OF STATE

ORDER OF THE DEPARTMENT OF INSURANCE

Repealing and Adopting Rules

Pursuant to authority vested in the Commissioner of Insurance by section 200.03 (2), Wis. Stats., the Commissioner of Insurance hereby repeals and adopts a recreated rule as follows:

Section Ins 2.05 of the Wisconsin Administrative Code is repealed and recreated to read:

Ins 2.05 Separate statement of premiums for certain disability insurance benefits included in life or endowment insurance policies.

(1) PURPOSE. This rule provides guidelines to determine which disability coverages may be included in life or endowment insurance policies without a separate statement of premium charge. This rule interprets and implements the separation of premium requirements stated in Provision 2 of section 206.18 (1), Wis. Stats., as they relate to the inclusion of disability insurance by policy provision or rider in life or endowment insurance policies such as authorized by sections 201.05 (2) and (3) and 206.03, Wis. Stats.

(2) SCOPE. This rule shall apply to the kinds of disability insurance authorized by section 201.04 (3) and (4), Wis. Stats., when such insurance is provided in a life or endowment policy either by specific policy provision or by a rider attached to such policy.

(3) DEFINITIONS. (a) Life or endowment insurance--The basic life or endowment insurance coverage provided by the policy and additional disability benefits which have been determined by the standards in subsection (4) to be benefits which are life or endowment insurance or an integral part of such coverages.

(b) Disability insurance benefit--Insurance coverages written under the authority of section 201.04 (3) or (4), Wis. Stats., to indemnify persons in whole or in part for financial loss due to bodily injury, death by accident, or health of persons.

(c) Separate statement of premium--Individual statement of the exact gross premium charged for each distinct disability insurance coverage required by this rule to be stated separately from the premium charge for the basic life or endowment insurance coverage.

(4) STANDARDS AND PROCEDURES FOR DETERMINATION. The following criteria or standards in paragraphs (a) through (e) shall be used to determine whether a disability benefit, coverage, or clause may be included in the basic life or endowment policy without a separate statement of the premium charged for such disability benefit. Subject to the approval of the Department of Insurance, a disability benefit, coverage, or clause which satisfies the standards listed below may be included in the basic life or endowment coverage without a separate statement of cost. Disability coverages not meeting these standards may be included in or attached to the policy only with a separate statement of the premium if they otherwise meet the statutory requirements in respect to combination of coverages. The rule in no way requires that a disability benefit, coverage, or clause be included in the premium charge for the basic life or endowment coverage if the company desires to show the premium separately.

(a) Small or very nominal cost for the disability coverage when compared with the cost of the basic life or endowment coverage.

(b) Logical reason for including the disability benefit without a separate statement of premium.

(c) There is a demonstrated need for, and the applicant would usually desire, the inclusion of the disability benefit.

(d) Inclusion of the disability coverage could be easily understood by the applicant and is not subject to possible misinterpretation.

(e) Custom of the insurance business has classed the disability coverage as basically a life insurance benefit.

(5) **DISABILITY BENEFITS WHICH REQUIRE A SEPARATE STATEMENT.** The following list constitutes a partial listing of disability coverages considered by the Department to be additional benefits which generally require a separate statement of premium charge if they are attached to or included in life or endowment coverage in accordance with other statutory requirements. Any such benefit may be included in a life or endowment insurance policy without a separate statement of premium if it is demonstrated that it meets the requirements listed in subsection (4) of this rule.

(a) Waiver of premium benefit for death and/or disability of payor.

(b) Loss of sight and/or dismemberment benefit.

(c) Disability income benefit.

(d) Hospital insurance.

(e) Basic or primary medical insurance.

(f) Major medical benefit.

(g) Surgical benefit.

(6) **DISABILITY BENEFITS NOT LISTED.** Disability benefits which are not specifically listed above will be examined at the time of filing to determine whether a separate statement of premium is required.

(7) **RESERVE VALUES.** Reserve values, on account of included provisions, will be based upon the requirements of section 206.201, Wis. Stats., or other applicable statutes or, in the absence of specific requirements, on such additional standards as the commissioner of insurance may prescribe.

(8) **EFFECTIVE DATE.** On or after April 1, 1965, no life insurance policy shall be approved for use and no such policy heretofore approved shall be issued or delivered in this state unless it meets the requirements of this rule.

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

Note: The repeal of the previous rule and the adoption of this rule was prompted by the inconsistency which existed between the repealed rule and Provision 2 of section 206.18 (1), Wis. Stats. This inconsistency caused an erosion in the application of the old Wisconsin Administrative Code section Ins 2.05 to the point where any of the benefits listed in the new rule were acceptable for inclusion in a life policy without a separate statement--a practice which is in almost complete disagreement with the apparent intent of the statute.

Provision 2 of section 206.18 (1), Wis. Stats., requires an individual statement of the premium charged for any benefit provided in a life or endowment policy separate from the premium charged for the basic life or endowment coverage which is based on a life contingency table and provided by the policy. The Department feels that this full disclosure has strong merit even in the present insurance market. However, in the years since the enactment of this statute in 1909 several changes have taken place in the life insurance industry that necessitate a rule providing standards to determine whether certain disability benefits may be included in a life or endowment insurance policy without a separate statement of the premium charge in line with the original intent of the statute. The principal changes are:

1. The automatic inclusion of some benefits in a policy enables an insurance company to provide some additional disability benefits at a relatively small cost in relation to the charge for the basic life or endowment insurance coverage.

2. Custom of the business through the years has now classed some disability coverages as benefits which are a supplemental policy provision in most life or endowment policies and sometimes needed as an integral part of the policy.

The public interest dictates that it is expedient to recognize these two changes when the cost for the disability benefit is low or nominal, the coverage is needed, and is easily understood by the applicant or insured. This rule provides criteria to determine disability coverages which may be defined as an integral part of the basic life and endowment insurance and are, therefore, benefits which may be included without a separate and distinct statement of premium.

The new rule was developed as a result of the following main considerations:

1. The Department has a strong concern for disclosure in situations where intentional or unintentional misrepresentation may be present to mislead or confuse prospective purchasers of life insurance. The statutory basis for this authority is set forth in section 207.04, Wis. Stats.

2. The disclosure philosophy in Wisconsin in respect to life insurance coverage premiums originated in the year 1909 when the Legislature enacted section 1948m (now section 206.18 (1), Provision 2, Wis. Stats.) requiring that a policy of life insurance specify "separately the premium charged for any benefit promised in the policy other than life or endowment insurance."

The 1908 Wisconsin Insurance Report to the Governor stated:


"Notwithstanding the liberal provisions for expenses which are possible under the new laws, several devices for increasing this amount far beyond the proposed benefits have been submitted to this department for its approval. There is an increasing tendency to introduce into contracts for life insurance provisions for additional benefits such as old age, disability and sick benefits. These forms of insurance in many cases are very desirable but it is rarely that the addition of these benefits to policies spring from an honest desire on the part of the companies to furnish the insurance protection. Their addition to policies of life insurance ordinarily only serves as a cloak for the addition of a greatly increased premium. The policyholder should be informed separately of what is charged him for the life insurance and what is charged him for the old age, disability or sick benefit insurance. This information should be contained in the contract of insurance. Policyholders can then judge for themselves whether the additional benefits are worth the charges which it is proposed to exact and both the company and the policyholder can get the resulting economy in agency and medical expenses from writing the two contracts at the same time."

These observations apparently prompted the Legislature in the following year to enact section 1948m.

3. Additional insight in respect to the original intent of the disclosure statute is given in Commissioner Cleary's letter on this subject dated October 22, 1915. In this letter the Commissioner had under consideration two filings in which a waiver of premium benefit was included in a policy form previously used. The new coverage with the total and permanent ^{disability} benefit was to be sold at the same price previously used only

The above considerations provide a basis for the standards or criteria adopted in this rule.

The repeal and rule contained herein shall take effect on April 1, 1965, as provided in section 227.026 (1), Wis. Stats.

Department of Insurance

Charles Manson
Commissioner of Insurance

Dated March 3, 1965