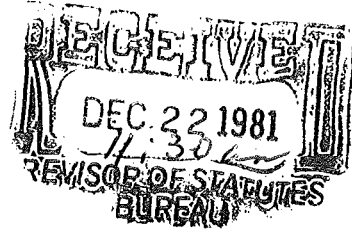


Ins 2



STATE OF WISCONSIN)
) ss
 OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Susan Mitchell, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order repealing and recreating a rule relating to replacement of life insurance or annuity contracts and disclosure requirements was issued by this office December 21, 1981.

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

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 21st day of December, 1981.

Susan Mitchell

Susan Mitchell
 Commissioner of Insurance

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STATE OF WISCONSIN
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 SECRETARY OF STATE

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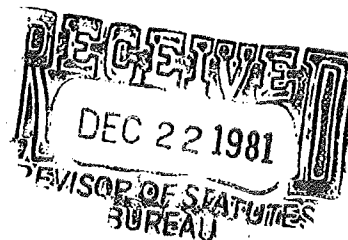
ORDER OF THE COMMISSIONER OF INSURANCE
REPEALING AND RECREATING A RULE

Relating to replacement of life insurance or annuity contracts
and disclosure requirements.

ANALYSIS PREPARED BY

THE OFFICE OF THE COMMISSIONER OF INSURANCE

The purpose of section Ins 2.07 is to interpret s. 628.34, Stats., by establishing minimum standards of conduct to be observed in replacement of life insurance or annuity policies. A subcommittee of the Life and Disability Advisory Council has reviewed the application of the present rule and has recommended that it be replaced with a simplified notification and disclosure procedure. At the core of the recommended rule are notices, in the appendixes of the rule, to be completed by the applicant and the agent or insurer prior to replacement of a life insurance policy or annuity contract which provide necessary information regarding replacement transactions. The notices are less detailed than the information which must now be furnished in life insurance and annuity replacements but their use as described and



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required by the revised provisions of Ins 2.07 will give timely notification to the insurance company whose policy is being replaced and will give information to the proposed insured so that an intelligent purchase decision can be made.

The revisions in the subsections of Ins 2.07 reflect the goal to disclose replacement in a simple straightforward manner with a minimum of administrative detail. Subsection (4) sets out the duties of an agent-to complete and furnish the notice to the applicant and to submit a copy to the insurance company representative.

Every authorized insurer must inform its agents of the requirements of this rule and be sure that it receives the notices required. Subsection (5) also requires that where replacement is involved a policyholder will be guaranteed a 20-day right to return a policy for full refund of premium.

Pursuant to the authority vested in the Commissioner of Insurance by sections 601.41 (3) and 628.34, Wis. Stats., the Commissioner of Insurance hereby repeals and recreates section Ins 2.07 of the Wisconsin Administrative Code interpreting section 628.34, Stats., as follows:

SECTION 1: Section Ins 2.07 of the Wisconsin Administrative Code is repealed and recreated to read:

Ins 2.07 REPLACEMENT OF LIFE INSURANCE OR ANNUITY CONTRACTS;
DISCLOSURE REQUIREMENTS. (1) PURPOSE. The interest of life insurance and annuity policyholders must be protected by establishing minimum

standards of conduct to be observed in the replacement or proposed replacement of such policies, by reducing the opportunity for misrepresentation in replacement or possible replacement situations, and by precluding unfair methods of competition and unfair practices in the business of insurance. This section implements and interprets s. 628.34, Stats., by establishing minimum standards for the replacement of life insurance and annuities.

(2) SCOPE. This section shall apply to the solicitation of life insurance and annuities authorized by s. Ins 6.75 (1) (a) and (b), Wis. Adm. Code, covering residents of this state, and issued by insurance corporations, fraternal benefit societies, or the State Life Insurance Fund. This section shall not apply to credit life insurance; group life insurance or group annuities; contracts issued in connection with employee benefit or welfare plans as defined by Section 3 (3) of the federal employee retirement income security act of 1974 (ERISA) as amended from time to time, except policies or contracts issued in connection with plans providing for purchase of life insurance policies or annuity contracts solely by reason of salary reduction agreements under section 403 (b) of the Internal Revenue Code; to the purchase, within the same insurer, of insurance under a guaranteed insurability option or conversion option; nor to short-term nonrenewable life insurance policies written for periods of 31 days or less.

(3) DEFINITION. (a) For the purposes of this section, "replacement" is any transaction in which new life insurance or a new annuity is to be purchased and existing individual life insurance or an annuity has been, may possibly be, or is to be lapsed, surrendered, converted into paid-up insurance, become extended insurance, or the cash or loan value (or a portion thereof) is utilized or contemplated for use in the future in connection with the purchase of new insurance or annuities.

(b) For the purpose of this section, the "Notice" means a document completed by the applicant and the agent or insurer prior to completing a new application for a life insurance or annuity contract, which provides necessary information regarding replacement transactions, in substantially the same format for all insurers, as specified by the commissioner. Appendix I to this section contains the "Notice" to be used when an agent is involved in a solicitation, and Appendix II contains the "Notice" to be used when no agent is involved. Appendix III to this section contains the definitions to be printed on the reverse side of the "Notice".

(4) DUTIES OF THE AGENT. (a) The agent shall:

1. Determine prior to completing a new application whether or not replacement is involved.

2. Obtain with or as part of each application for life insurance or an annuity a statement signed by the applicant as to whether the insurance or annuity will replace existing life insurance or an existing annuity on the same life.

3. Submit to the insurer in connection with each application for life insurance or an annuity the statement obtained under subd. 2 together with a statement as to whether, to the best of the agent's knowledge, replacement is involved in the transaction.

(b) Where replacement is involved or proposed, the agent shall:

1. Before taking an application for life insurance or an annuity furnish the notice contained in Appendix I to the applicant for review and completion of the applicant's portion of the Notice.

2. Complete the certification statement on the Notice, sign and date the Notice, and list the policy number and name of insurer of each policy which there is reason to think may be replaced.

3. Leave a completed copy of the Notice with the applicant for his or her records prior to completing the application for the new policy.

4. Submit a completed copy of the Notice with the application to the proposed insurer.

5. Maintain a copy of the Notice in the agent's file for that applicant for at least three years.

(5) DUTIES OF THE INSURER. (a) If agents are involved with the solicitation of life insurance or annuities on residents of this state, every authorized insurer shall inform its agents of the requirements of this section and:

1. Secure with or as part of each application the statements required by sub. (4) (a) as to whether the new insurance or annuity will replace existing insurance or an annuity on the same life.

2. Review the statements prior to commencing any underwriting, but in no event later than five days after receipt of the application, to determine if replacement is involved.

3. Keep a copy of the statements on file with the application for at least three years indexed so as to be readily available to the office of the commissioner of insurance.

4. Where a replacement is involved:

a. Secure with the application a completed Notice.

b. Within five days of receipt of the application, and prior to commencing any underwriting, send a written notification of the replacement or possible replacement to the home office of each replaced insurer. Notification shall include the applicant's name, the insured's name, the policy number of the policy being replaced, the generic name and face amount of the replacing policy and the legal names of all insurers.

c. Maintain copies of the Notice and notifications for at least three years indexed so as to be readily available to the office of the commissioner of insurance.

d. Guarantee to the policyholder at least a 20-day right to return the policy after delivery for a full refund of premium, and provide a written notice attached to, or as part of, the first page of the policy informing the policyholder of this right.

(b) If agents are not involved with the solicitation of life insurance or annuities on residents of this state, every authorized insurer shall:

1. Provide a copy of the Notice contained in Appendix II with any solicitation material that proposes replacement and contains an application for life insurance or an annuity.

2. Prior to approving or issuing a policy, secure with or as part of the application a statement signed by the applicant as to whether the new insurance or annuity will replace existing insurance or an existing annuity, and the name of every company and every policy number which may be replaced.

3. Review the statement prior to commencing any underwriting, in no event later than five days after receipt of the application, to determine if replacement is involved.

4. Keep a copy of the statement on file with the application for at least three years indexed so as to be readily available to the office of the commissioner of insurance.

5. Where replacement is involved:

- a. Within five days of receipt of the application, and prior to commencing any underwriting, send a written notification of the replacement or possible replacement to the home office of each replaced insurer. Notification shall include the applicant's name, the insured's name, the policy number of the policy being replaced, the generic name and face amount of the replacing policy and the legal names of all insurers.

- b. Send the applicant a copy of the Notice contained in Appendix II no later than the time the policy is issued.

c. Maintain copies of the Notice and notifications for at least three years indexed so as to be readily available to the Office of the Commissioner of Insurance.

d. Guarantee to the policyholder at least a 20-day right to return the policy after delivery for a full refund of premium, and provide a written notice attached to, or as part of, the first page of the policy informing the policyholder of this right.

(6) CONTENTS OF THE NOTICE. The Notices contained in the Appendixes to this section shall be reproduced in their entirety on one side of 8 1/2" by 11" plain paper. The definitions in Appendix III shall be printed on the reverse side of the Notice. References to Appendix I, II or III should not be printed on the Notice or Definitions form. The insurer may print its legal name in the space provided.

(7) VIOLATION. Any violation of this section shall be deemed to be a misrepresentation for the purpose of inducing a prospect to purchase insurance and any person guilty of such violation shall be subject to s. 601.64, Stats. Failure to comply with the requirements of this section shall not alter the requirements of any insurer with respect to claims.

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

(9) EFFECTIVE DATE. This rule shall apply to all solicitations which commence on or after March 1, 1982.

Appendix I
IMPORTANT NOTICE
REQUIRED BY
WISCONSIN INSURANCE LAW

DEFINITION: REPLACEMENT IS any transaction where, in connection with the purchase of New Insurance or a New Annuity, you LAPSE, SURRENDER, CONVERT to Paid-up Insurance, Place on Extended Term, or BORROW all or part of the policy loan values on an existing insurance policy or an annuity. (See reverse side for DEFINITIONS.)

IF YOU INTEND TO REPLACE COVERAGE In connection with the purchase of this insurance or annuity, if you have REPLACED or intend to REPLACE your present life insurance coverage or annuity(ies), you should be certain that you understand all the relevant factors involved.

You should BE AWARE that you may be required to provide Evidence of insurability and

- 1) If your HEALTH condition has CHANGED since the application was taken on your present policies, you may be required to pay ADDITIONAL PREMIUMS under the NEW POLICY, or be DENIED coverage.
- 2) Your present occupation or activities may not be covered or could require additional premiums.
- 3) The INCONTESTABLE and SUICIDE CLAUSE will begin anew in a new policy. This could RESULT in a CLAIM under the new policy BEING DENIED that would otherwise have been paid.
- 4) Current law DOES NOT REQUIRE your present insurer(s) to REFUND any premiums.
- 5) It may be to your advantage to OBTAIN INFORMATION regarding your existing policies from the insurer or agent from whom you purchased the policy.

(If an annuity is being purchased, Items 1, 2 and 3 above would not apply to the new contract).

THE INSURANCE OR ANNUITY(IES) I INTEND TO PURCHASE FROM

INSURANCE CO. MAY REPLACE OR ALTER EXISTING LIFE INSURANCE OR ANNUITY POLICY(IES).

The following policy(ies) may be replaced as a result of this transaction:

Insurer as it appears on the policy	Insured as it appears on the policy	Policy Number
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The proposed policy is:

_____ \$ _____
 type of policy-generic name face amount

_____ date
 signature of applicant

_____ city state
 address of applicant

I certify that this form was given to and completed by

 (applicant-please print or type)

prior to taking an application and that I am leaving a signed copy for the applicant.

_____ date
 agent's signature

_____ address

_____ city state

Appendix II
IMPORTANT NOTICE
REQUIRED BY
WISCONSIN INSURANCE LAW

DEFINITION: REPLACEMENT IS any transaction where, in connection with the purchase of New Insurance or a New Annuity, you LAPSE, SURRENDER, CONVERT to Paid-up Insurance, Place on Extended Term, or BORROW all or part of the policy loan values on an existing insurance policy or an annuity. (See reverse side for DEFINITIONS.)

IF YOU INTEND TO REPLACE COVERAGE In connection with the purchase of this insurance or annuity, if you have REPLACED or intend to REPLACE your present life insurance coverage or annuity(ies), you should be certain that you understand all the relevant factors involved.

You should BE AWARE that you may be required to provide Evidence of insurability and

- 1) If your HEALTH condition has CHANGED since the application was taken on your present policies, you may be required to pay ADDITIONAL PREMIUMS under the NEW POLICY, or be DENIED coverage.
- 2) Your present occupation or activities may not be covered or could require additional premiums.
- 3) The INCONTESTABLE and SUICIDE CLAUSE will begin anew in a new policy. This could RESULT in a CLAIM under the new policy BEING DENIED that would otherwise have been paid.
- 4) Current law DOES NOT REQUIRE your present insurer(s) to REFUND any premiums.
- 5) It may be to your advantage to OBTAIN INFORMATION regarding your existing policies from the insurer or agent from whom you purchased the policy.

(If an annuity is being purchased, Items 1, 2 and 3 above would not apply to the new contract).

CAUTION If after studying the information made available to you, you decide to replace your existing life insurance or annuity with our contract, you are urged not to take action to terminate or alter your existing coverage until after you have been issued the new policy, examined it and found it to be acceptable to you. If you should terminate or otherwise materially alter your existing coverage and fail to qualify for the life insurance for which you have applied, you may find yourself unable to purchase other life insurance or be able to purchase it only at substantially higher rates.

INSURER'S MAILING DATE: _____

Appendix III

DEFINITIONS

Premiums: Premiums are the payments you make in exchange for an insurance or annuity contract. They are unlike deposits in a savings or investment program, because if you drop the policy, you might get back less than you paid in.

Cash Surrender Value: This is the amount of money you can get in cash if you surrender your life insurance policy or annuity. If there is a policy loan, the cash surrender value is the difference between the cash value printed in the policy and the loan value. Not all policies have cash surrender values.

Lapse: A life insurance policy may lapse when you don't pay the premiums within the grace period. If you had a cash surrender value, the insurer might change your policy to as much extended term insurance or paid-up insurance as the cash surrender value will buy. Sometimes the policy lets the insurer borrow from the cash surrender value to pay the premiums.

Surrender: You surrender a life insurance policy when you either let it lapse or tell the company you want to drop it. Whenever a policy has a cash surrender value, you can get it in cash if you return the policy to the company with a written request. Most insurers will also let you exchange the cash value of the policy for paid-up or extended term insurance.

Convert to Paid-Up Insurance: This means you use your cash surrender value to change your insurance to a paid-up policy with the same insurer. The death benefit generally will be lower than under the old policy, but you won't have to pay any more premiums.

Place on Extended Term: This means you use your cash surrender value to change your insurance to term insurance with the same insurer. In this case, the net death benefit will be the same as before. However, you will only be covered for a specified period of time stated in the policy.

Borrow Policy Loan Values: If your life insurance policy has a cash surrender value, you can almost always borrow all or part of it from the insurer. Interest will be charged according to the terms of the policy, and if the loan with unpaid interest ever exceeds the cash surrender value, your policy will be surrendered. If you die, the amount of the loan and any unpaid interest due will be subtracted from the death benefits.

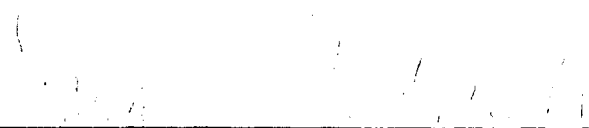
Evidence of Insurability. This means proof that you are an acceptable risk. You have to meet the insurer's standards regarding age, health, occupation, etc., to be eligible for coverage.

Incontestable Clause: This says that after one or two years (depending on the policy or insurer) the life insurer will not resist a claim because you made a false or incomplete statement when you applied for the policy. For the early years, though, if there are wrong answers on the application and the insurer finds out about them, it can deny a claim as if the policy had never existed.

Suicide Clause: This says that if you commit suicide after being insured for less than one or two years (depending on the policy and insurer), your beneficiaries will receive only a refund of the premiums that were paid.

The repeal and recreation of section Ins 2.07, Wisconsin Administrative Code contained in this order, shall take effect on March 1, 1982.

Dated at Madison, Wisconsin, this 21st day of December, 1981.



Susan Mitchell
Commissioner of Insurance

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