

the person who will be responsible for keeping them; and that these payroll records will not be removed from there without prior notification to the municipality and that they will be retained and made available for a period of at least 3 years following the completion of the entire project of public works."

History: Cr. Register, January, 1976, No. 241, eff. 2-1-76.

Ind 90.15 Adjusting minimum project cost of completion. Minimum threshold estimated project cost of completion figures for s. 66.293 (3) (c), Stats., for projects of public works where a single trade is involved and projects of public works where more than one trade is involved shall be adjusted as soon as possible after January 1, 1976 and every 2 years thereafter on the basis of changes in the U.S. department of commerce's composite cost index, or other similar index.*

History: Cr. Register, January, 1976, No. 241, eff. 2-1-76.

Ind 90.155 Minimum project costs. Effective February 1, 1980, s. 66.293 (3), Stats. shall not apply to any public works project for which the estimated project cost of completion is below \$6,000 where a single trade is involved, and \$60,000, where more than one trade is involved on such project.

History: Cr. Register, November, 1976, No. 251, eff. 12-1-76; r. and recr. Register, January, 1980, No. 289, eff. 2-1-80.

Ind 90.16 Cost of inspection. The request of any person for an inspection under s. 66.293 (3) (m), Stats., shall be made in writing to the department. The letter or written statement should identify the project and, if possible, employers and trades or occupations involved, and should give as much evidence of underpayment and noncompliance as possible, and state that the person is willing to pay for the complete cost of the inspection. The department shall maintain records on the cost (s) it incurs in making the inspection (s) and will charge this amount to the person who made the request.

History: Cr. Register, January, 1976, No. 241, eff. 2-1-76.

Ind 90.17 Date of notification. The date of notification by mail shall be the date entered on the document unless established otherwise by proof.

History: Cr. Register, January, 1976, No. 241, eff. 2-1-76.

EXPLANATORY FOOTNOTES FOR CHAPTER IND 90

* Specific economic and fringe benefits. (Interpretation)

(a) The term "other economic benefit" as used in s. 103.49, Stats., is the so-called "open end" provision. This was included so that new fringe benefits may be recognized by the department as they become prevailing. A particular fringe benefit need not be recognized beyond a particular area in order for the department to find that it is prevailing in that area.

(b) To insure against considering and giving credit to any and all economic and fringe benefits some of which might be illusory or not genuine, the qualification required by the department is that such economic and fringe benefits must be bona fide. No difficulty is anticipated in determining whether a particular economic or fringe benefit is bona fide in the ordinary case where benefits are those common in the construction industry and which are established under a usual fund, plan or program. The following are typical conventional economic and fringe benefits: medical or hospital care, pensions on retirement or death, compensation for injuries or illness resulting from occupational activity, or insurance to provide any of the foregoing, unemployment benefits, life insurance, disability and sickness insurance, or accident insurance, vacation and holiday pay, defrayment of costs of appren-

Register, January, 1980, No. 289

ticeship or other similar programs, or other bona fide economic and fringe benefits, but only where the employer is not required by other federal, state, or local law to provide any of such benefits. Employers may take credit for contributions made under such conventional plans without requesting the approval of the department.

(c) Economic and fringe benefits which an employer is obligated to provide under other federal, state, or local law are excluded. No credit may be taken under s. 66.293, Stats., for the payments made for such benefits. For example, payments for workmen's compensation insurance under either a compulsory or elective state statute are not payments for economic or fringe benefits under s. 66.293, Stats. The omission in s. 103.49, Stats., of any expressed reference to these payments, which are common in the construction industry, suggests that these payments should not normally be regarded as bona fide economic and fringe benefits under s. 103.49, Stats.

* Although contributions made to a trustee or third person pursuant to a benefit plan must be irrevocably made, this does not prevent return to the employer of sums which he had paid in excess of the contributions actually called for by the plan, as where such excess payments result from error or from the necessity of making payments to cover the estimated cost of contributions at a time when the exact amount of the necessary contributions under the plan is not yet ascertained. For example, a benefit plan may provide for definite insurance benefits for employes in the event of the happening of a specified contingency such as death, sickness, accident, etc., and may provide that the cost of such definite benefits, either in full or any balance in excess of specified employe contributions, will be borne by the employer. In such case the return by the insurance company to the employer of sums paid by him in excess of the amount required to provide the benefits which, under the plan, are to be provided through contributions by the employer, will not be deemed a recapture or diversion by the employer of contribution made pursuant to the plan.

* The phrase "fund, plan or program" is intended merely to recognize the various types of arrangements commonly used to provide economic and fringe benefits through employer contributions. In interpreting this phrase, the department will be guided by the experience of the United States department of labor and United States treasury department in administering the employe retirement income security act of 1974, of the U.S. department of labor in administering other related programs, and of the Wisconsin state insurance commissioner in administering employe welfare funds under ch. 211, Stats.

* These provisions are intended to permit the consideration of economic and fringe benefits meeting the requirements and which are provided from the general assets of an employer.

* As in the case of other economic and fringe benefits payable under s. 66.293, Stats., an unfunded plan or program must be "bona fide" and not a mere simulation or sham for avoiding compliance with s. 66.293, Stats.

* (a) Types of wage determinations:

1. When economic and fringe benefits are prevailing for various classes of laborers, workmen and mechanics in the area, such benefits are includable in any department determination. Illustrations contained in footnote 10, Ind 90.04 set forth some of the different types of wage determinations which may be made in such cases.

2. When economic and fringe benefits for various classes of laborers, workmen and mechanics do not prevail in the area, the wage determination will contain only the hourly basic rates of pay, that is, only the cash wages which are prevailing for the various classes of laborers, workmen and mechanics. An illustration of this situation is contained in footnote 10, Ind 90.04.

(b) Subsequent certifications:

1. Subsequent certifications by the department modifying, superseding, correcting or otherwise changing the provisions of the original decision or certification for a given wage determination request, must be made within 30 days after the department receives the request for the wage determination.

2. If bids are not solicited or contract is not awarded by direct negotiation or if the project is rebid or renegotiated after 120 days after the date of the original certification, then the municipality must request a new determination prior to soliciting bids or prior to entering into a contract through direct negotiation.

3. Requests for prevailing wage rates for trades or occupations which are required in the work contemplated, but which are not included in the original certification, should be requested before bids are solicited.

* The state of Wisconsin secretary of transportation must apply for a determination under s. 66.293 (3), Stats., if he or she is an agent for a municipal sponsor of a project of public works and stands in the place of the municipality.

2. The imposition of any disciplinary sanction (including suspension or expulsion from membership, suspension or revocation of or denial of registration) imposed upon him by any national securities exchange, or national securities association, or any federal, state, or territorial agency with jurisdiction over securities or contracts on a variable basis,

3. Any judgment or injunction entered against him on the basis of conduct deemed to have involved fraud, deceit, misrepresentation, or violation of any insurance or securities law or regulation.

(k) The commissioner may reject any application or suspend or revoke or refuse to renew any individual intermediary variable contract agent's license upon any ground that would bar such applicant or such agent from being licensed to sell life insurance contracts in this state. The rules governing any proceeding relating to the suspension or revocation of a life insurance agent's license shall also govern any proceeding for suspension or revocation of a variable contract agent's license.

Note: Copies of the Securities Act of 1933, May 27, 1933, 48 Stat. 74, Pub. L. 22, ch. 33, Title 15, U.S.C., as amended; Section 15 (b) (8) Securities Exchange Act of 1934, as amended August 20, 1964, Pub. L. 88-467, sec. 6, 78 Stat. 570, 15 U.S.C., sec. 780 (8); and the Investment Company Act of 1940, August 22, 1940, Pub. L. 768, ch. 686, Title 15, U.S.C., as amended, are available for inspection at the Office of the Commissioner of Insurance, or the enactments may be procured for personal use from the U. S. Government Printing Office, Washington, D. C.

Copies of the Annuity Mortality Table for 1949, Ultimate are available for inspection at the office of the commissioner of insurance, the secretary of state and the revisor of statutes, and may be procured for personal use from the Society of Actuaries, 208 South La Salle Street, Chicago, Illinois 60604.

The examination given to meet the requirements of subsection (9) (c) will be based upon the examination recommended for testing of variable contract agents by the National Association of Insurance Commissioners in its present form or as it may be amended.

History: Cr. Register, October, 1968, No. 164, eff. 11-1-68; emerg. am. (1), (2) (a), (4) (a) and (g), eff. 6-22-76; am. (1), (2) (a), (4) (a) and (g), Register, September, 1976, No. 249, eff. 10-1-76; am. (6) (e), Register, March, 1979, No. 278, eff. 4-1-79; r. (2) (d) 5., (9) (g), to (m) and (p), am. (2) (b) to (d) (intro.), (6) (a), (9) (a) to (f), cr. (9) (g) to (i), renum. (9) (n) and (o) to be (9) (j) and (k), Register, May, 1979, No. 281, eff. 6-1-79.

Ins 2.14 Life insurance solicitation. (1) **PURPOSE.** The purpose of this rule is to require insurers to deliver to purchasers of life insurance information which will improve the buyer's ability to select the most appropriate plan of life insurance for his or her needs, improve the buyer's understanding of the basic features of the policy which has been purchased or which is under consideration and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance. This rule does not prohibit the use of additional material which is not in violation of this rule or any other Wisconsin statute or rule. This rule interprets and implements, including but not limited to the following Wisconsin Statutes: ss. 601.01 (3) (b), (c), (g) and (j) and 628.34.

(2) **SCOPE.** (a) Except as hereafter exempted, this rule shall apply to any solicitation, negotiation, or procurement of life insurance occurring within this state. This rule shall apply to any issuer of life insurance contracts including fraternal benefit societies and the State Life Insurance Fund.

(b) Unless otherwise specifically included, this rule shall not apply to:

1. Annuities.
2. Credit life insurance.
3. Group life insurance.

4. Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the federal Employee Retirement Income Security Act of 1974 (ERISA).

5. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account.

(3) **DEFINITIONS.** For the purposes of this rule, the following definitions shall apply:

(a) *Wisconsin Buyer's Guide to Life Insurance.* The Wisconsin Buyer's Guide to Life Insurance is a document which contains, and is limited to, the language within the current edition of the "The Wisconsin Buyer's Guide to Life Insurance" put out by the insurance commissioner of the state of Wisconsin. This pamphlet shall be reviewed periodically for accuracy and appropriateness. Appendix 3 to this rule contains the current edition of "The Wisconsin Buyer's Guide to Life Insurance."

(b) *Cash dividend.* A Cash Dividend is the current illustrated dividend which can be applied toward payment of the gross premium.

(c) *Equivalent Level Death Benefit.* The Equivalent Level Death Benefit of a policy or term life insurance rider is an amount calculated as follows:

1. Accumulate the guaranteed amount payable upon death, regardless of the cause of death, at the beginning of each policy year for 10 and 20 years at 5% interest compounded annually to the end of the tenth and twentieth policy years, respectively.

2. Divide each accumulation of step 1 by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in step 1 over the respective periods stipulated in step 1. If the period is 10 years, the factor is 13.207 and if the period is 20 years, the factor is 34.719.

(d) *Generic name.* Generic Name means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

(e) *Life insurance indexes.* 1. Surrender Cost Index. The Surrender Cost Index is calculated by applying the following steps:

a. Determine the guaranteed cash surrender value, if any, available at the end of the tenth and twentieth policy years.

b. For participating policies, add the terminal dividend payable upon surrender, if any, to the accumulation of the annual Cash Dividends at 5% interest compounded annually to the end of the period selected and add this sum to the amount determined in step a.

c. Divide the result of step b (step a for guaranteed-cost policies) by an interest factor that converts it into an equivalent level annual amount that if paid at the beginning of each year, would accrue to the value in step b (step a for guaranteed-cost policies) over the respective periods stipulated in step a. If the period is 10 years, the factor is 13.207 and if the period is 20 years, the factor is 34.719.

d. Determine the equivalent level premium by accumulating each annual premium payable for the basic policy or rider (if the annual pre-

mium includes supplemental benefits without separate identifiable charge, a reasonable adjustment may be made) at 5% interest compounded annually to the end of the period stipulated in step a and dividing the result by the respective factors stated in step c. (This amount is the annual premium payable for a level premium plan).

e. Subtract the result of step c from step d.

f. Divide the result of step e by the number of thousands of the Equivalent Level Death Benefit to arrive at the Surrender Cost Index.

2. Net Payment Cost Index. The Net Payment Cost Index is calculated in the same manner as the comparable Surrender Cost Index except that the cash surrender value and any terminal dividend are set at zero.

3. Equivalent Level Annual Dividend. The Equivalent Level Annual Dividend is calculated by applying the following steps:

a. Accumulate the annual cash dividends at 5% interest compounded annually to the end of the tenth and twentieth policy years.

b. Divide each accumulation of step a by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the values in step a over the respective periods stipulated in step a. If the period is 10 years, the factor is 13.207 and if the period is 20 years, the factor is 34.719.

c. Divide the results of step b by the number of thousands of the Equivalent Level Death Benefit to arrive at the Equivalent Level Annual Dividend.

4. Average Annual Rate of Return Index. This index is calculated on cash value policies using the Linton yield method.

a. The Linton yield method solves for a level, effective, annually compounded interest rate, or yield. This yield is determined by equating the cash available at the end of a specified number of years from 2 different protection/savings programs, each with identical yearly death benefits, and then solving for the annual yield that must be achieved on the separate savings fund of the second program in order to produce the cash equivalency with the first program. The 2 programs compared are:

i. A life insurance policy on, normally but not necessarily, some permanent plan. The cash used at the end of the specified year is the policy's guaranteed cash surrender value plus the terminal dividend payable upon surrender and the dividend payable at the end of the specified year.

ii. A combination of a savings fund and yearly renewable term (YRT) insurance. The amount deposited in the savings fund each year is assumed to be equal to the annual premium payable under the alternate program for the permanent life insurance policy (less any dividend payable at the end of the preceding year) less an assumed premium payable for YRT insurance. The amount of YRT purchased each year is that which would be adequate to bring the combined death benefit from the savings plan and the YRT to the same as that payable under the permanent life insurance policy. The cash used for comparison with the permanent policy is the amount accumulated in the savings fund at the end of the specified year.

b. Average Annual Rate of Return index figures given out in Wisconsin by insurers or intermediaries shall be calculated separately for males and females and shall be based upon the following assumptions:

i. As to YRT premium rates:

YRT premiums = $(1,000 q_x) (K) + \$0.90 + \$25/S$ where K equals 1.00 for ages 0 through 14 and 0.95 for ages 15 and above, S equals policy size in thousands and $1000 q_x$ equals the mortality rate for age x shown in subsection (8);

ii. As to elements entering into the calculation: Gross premiums shall include the total premiums charged for all life insurance benefits; dividends shall be total illustrated dividends excluding any separately identifiable dividends payable for benefits other than life insurance.

Note: A discussion of the Linton yield method may be found on pp. 28-30 in the *Analysis of Life Insurance Cost Comparison Index Methods*, prepared by the Society of Actuaries Committee on Cost Comparison Methods and Related Issues (Special), September, 1974. Further discussion on the "low" YRT rates to be used in computing the Linton yield, which are the rates specified in this rule, may be found in Appendix B, pp. 187-192 of that same publication.

(f) *Preliminary Policy Summary.* For the purposes of this rule, Preliminary Policy Summary means a document provided to the buyer of a life insurance policy prior to sale which contains necessary consumer cost disclosure information, in substantially the same format for all companies, as specified by the commissioner. Appendix 1 to this rule contains a Preliminary Policy Summary form for Whole Life and Endowment Policies. Appendix 2 contains a Preliminary Policy Summary form for Term Policies. Insurers may, upon request, incorporate Preliminary Policy Summary forms (if they are to be filled out by intermediaries) into copies of the Wisconsin Buyer's Guide to Life Insurance which they reprint.

(g) *Policy Summary.* 1. For the purposes of this rule, Policy Summary means a written statement in substantially the same format for all companies and describing the elements of the policy including but not limited to:

a. A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.

b. The name and address of the insurance intermediary, or, if no intermediary is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.

c. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.

d. The Generic Name of the basic policy and each rider.

e. The following amounts, where applicable, for the first 5 policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including but not necessarily limited to, the years for which the Surrender Cost Index is displayed and at least one age from 60 through 65 or maturity whichever is earlier:

i. The annual premium for the basic policy.

ii. The annual premium for each optional rider.

iii. Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.

iv. Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.

v. Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider. (Dividends need not be displayed beyond the twentieth policy year.)

vi. Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above.

f. The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest is variable, the Policy Summary shall include the maximum annual percentage rate.

g. Surrender Cost Indexes for 10 and 20 years. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.

h. A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed.

i. A statement in close proximity to the Surrender Cost Index (and other cost indexes) as follows: A further explanation of the intended use of this (these) index (es) is provided in the Life Insurance Buyer's Guide.

j. The date on which the Policy Summary is prepared.

2. The Policy Summary must consist of a separate document. All information required to be disclosed must be set out in a manner as to not minimize or render any portion thereof obscure. Any amounts which remain level for 2 or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in subdivision 1.e. above shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider, guaranteed death benefits shall be displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

(4) DISCLOSURE REQUIREMENTS. (a) The insurer shall provide, to all prospective purchasers of any policy subject to this rule, a copy of the current edition of the Wisconsin Buyer's Guide to Life Insurance and a properly filled out Preliminary Policy Summary prior to accepting the applicant's initial premium or premium deposit, except that insurers which do not market policies through an intermediary may provide the Preliminary Policy Summary and Wisconsin's Buyer's Guide to Life Insurance at the point of policy delivery, so long as they:

1. Guarantee to the policyholder a 30-day right to return the policy for a full refund of premium, and

2. Alert the prospective policyholder, in advertisements or direct mail solicitations, of his or her right to obtain a copy of the Wisconsin Buyer's Guide to Life Insurance and a Preliminary Policy Summary prior to sale.

(b) The insurer shall provide a Policy Summary upon delivery of the policy.

(c) The insurer shall provide a Wisconsin Buyer's Guide to Life Insurance and a Preliminary Policy Summary to individual prospective purchasers upon reasonable request.

(d) The insurer may provide information concerning life insurance cost indexes other than the surrender cost index so long as the information and its method of presentation is in conformance with this rule.

(e) For policies already issued and paying premiums on the effective date of this rule, policyholders shall have the right to obtain a Policy Summary at cost. The company may charge a reasonable fee for preparing this summary, not to exceed \$5, and may utilize reasonable assumptions in providing the cost disclosure information, so long as they are clearly disclosed.

(5) GENERAL RULES. (a) Each insurer shall maintain at its home office or principal office, a complete file containing one copy of each document authorized by the insurer for use pursuant to this rule. Such file shall contain one copy of each authorized form for a period of 3 years following the date of its last authorized use.

(b) An intermediary shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that he is acting as a life insurance intermediary and inform the prospective purchaser of the full name of the insurance company which he is representing to the buyer. In sales situations in which an intermediary is not involved, the insurer shall identify its full name.

(c) Terms such as financial planner, investment advisor, financial consultant, or financial counseling shall not be used in such a way as to imply that the insurance intermediary is generally engaged in an advisory business in which compensation is unrelated to sales unless such is actually the case.

(d) Any reference to policy dividends must include a statement that dividends are not guaranteed.

(e) Any sales presentation which repeatedly refers to an insurance premium or element of the insurance premium as a deposit, an investment, a savings or in any other phrase of similar import, and does not disclose the Average Annual Rate of Return Index figures for 10 and 20 years is an unfair marketing practice, within the meaning of s. 628.34, Stats.

(f) The purchase or replacement of any life insurance contract or annuity shall not be recommended by any insurer or intermediary without reasonable grounds to believe that the recommendation is not unsuitable for the applicant on the basis of information furnished by such person after reasonable inquiry as may be necessary under the circum-

stances concerning the prospective buyers insurance and annuity needs and means.

(g) A system or presentation which does not recognize the time value of money through the use of appropriate interest adjustments shall not be used for comparing the cost of 2 or more life insurance policies.

(h) A presentation of benefits shall not display guaranteed and nonguaranteed benefits as a single sum unless they are shown separately in close proximity thereto.

(i) A statement regarding the use of the Surrender Cost Index shall include an explanation to the effect that the index is useful only for the comparison of the relative costs of 2 or more similar policies.

(j) A Life Insurance Index which reflects dividends or an Equivalent Level Annual Dividend shall be accompanied by a statement that it is based on the company's current dividend scale and is not guaranteed.

(k) For the purposes of this rule, the annual premium for a basic policy or rider, for which the company reserves the right to change the premium, shall be the maximum annual premium.

(6) **EFFECTIVE DATE.** This rule shall apply to all solicitations of life insurance which commence on or after January 1, 1979, except that the requirements of subsection (4) (a) shall apply to solicitations which commence on or after February 1, 1980.

(7) **UNUSUAL CIRCUMSTANCES.** Insurers with unique difficulties in implementing sections of this rule may petition the commissioner for allowance to meet the requirements of the rule through alternative approaches.

(8) **YEARLY RENEWABLE TERM INSURANCE MORTALITY RATES.** The following mortality rates are to be used in determining YRT premiums for calculating Average Annual Rate of Return Index figures.

MORTALITY RATES PER 1,000

Attained Age (x)	Male Lives	Female Lives	Attained Age (x)	Male Lives	Female Lives
0	5.80	4.80	18	1.18	0.38
1	1.33	1.22	19	1.29	0.40
2	0.84	0.72	20	1.37	0.41
3	0.65	0.55	21	1.46	0.44
4	0.53	0.48	22	1.52	0.48
5	0.48	0.42	23	1.47	0.53
6	0.42	0.37	24	1.32	0.60
7	0.39	0.33	25	1.25	0.66
8	0.35	0.29	26	1.22	0.70
9	0.32	0.22	27	1.19	0.70
10	0.31	0.25	28	1.17	0.70
11	0.31	0.26	29	1.13	0.71
12	0.33	0.27	30	1.15	0.75
13	0.42	0.29	31	1.22	0.83
14	0.52	0.31	32	1.28	0.93
15	0.73	0.36	33	1.32	1.04
16	0.87	0.36	34	1.34	1.14
17	1.02	0.37	35	1.40	1.21

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Attained Age (x)	Male Lives	Female Lives	Attained Age (x)	Male Lives	Female Lives
36	1.49	1.23	66	30.34	14.72
37	1.60	1.25	67	33.04	16.80
38	1.75	1.29	68	35.92	19.28
39	1.91	1.37	69	39.27	22.28
40	2.12	1.47	70	42.90	25.69
41	2.36	1.59	71	46.45	29.43
42	2.66	1.74	72	49.96	33.43
43	3.02	1.91	73	53.72	37.30
44	3.45	2.10	74	58.16	40.72
45	3.96	2.32	75	63.36	43.59
46	4.51	2.58	76	69.04	46.36
47	5.09	2.88	77	75.09	49.38
48	5.71	3.20	78	81.98	53.45
49	6.34	3.52	79	89.68	59.01
50	6.94	3.84	80	97.68	66.03
51	7.56	4.15	81	105.42	73.80
52	8.32	4.48	82	113.40	79.38
53	9.20	4.84	83	122.90	86.03
54	10.09	5.23	84	135.00	94.50
55	11.00	5.67	85	149.17	107.40
56	12.06	6.16	86	165.94	122.80
57	13.26	6.70	87	182.12	138.41
58	14.60	7.27	88	196.71	153.43
59	16.06	7.87	89	213.26	170.61
60	17.69	8.52	90	229.66	188.32
61	19.55	9.21	91	246.98	207.47
62	21.61	10.00	92	262.03	225.34
63	23.75	10.83	93	276.79	243.58
64	25.83	11.81	94	302.02	271.82
65	27.99	13.07	95	338.33	311.26

Note: The mortality rates for ages 0 through 14 are from the 1965-1970 Select Basic Tables published on pages 202 and 203 of the Transactions of the Society of Actuaries Publication Year 1974, Number 3, 1973 Reports of Mortality and Morbidity Experience. The mortality rates for ages 15 and above are from the Ultimate Basic Tables, Males lives (1957-1960 Experience), Female Lives (1957-1960 Experience) published on page 48 of the Transactions of the Society of Actuaries, Publication Year 1963, Number 2, 1962 Reports of Mortality and Morbidity Experience.

(9) PENALTY. Violations of this rule shall subject the violator to s. 601.64, Stats.

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

APPENDIX 1

PRELIMINARY POLICY SUMMARY
WHOLE LIFE

Name and Address of Company: _____

Type and Name of Policy: _____

Face Amount at Time of Issue: _____

Age at Issue: _____

ANNUAL PREMIUM _____

10 years 20 years

SURRENDER COST INDEX* _____

To find a low cost policy, compare *cost index figures*, not just premiums. The Surrender Cost Index takes premiums, cash values, dividends (if any) and interest into consideration. A policy with a lower Surrender Cost Index is likely to be a better buy.

Be sure you use the Surrender Cost Index to compare only similar policies. Small differences in the index are probably not significant. Large differences may mean substantial savings. See the Wisconsin Buyer's Guide to Life Insurance for examples.

Name of Agent _____ Date _____

Address of Agent _____

* The Surrender Cost Index assumes that the policy is surrendered for its cash value 10 or 20 years in the future. Death prior to these surrender dates may alter the cost comparisons. Figures for participating policies are based on illustrated dividends which are not guaranteed.

The Wisconsin Commissioner of Insurance requires an agent to complete this form when he or she takes an application.

APPENDIX 2

A PRELIMINARY POLICY SUMMARY
TERM INSURANCE

Name and Address of Company: _____

Type and Name of Policy: _____

Age at Issue: _____

Renewable: Yes _____ No _____ If yes, through what age? _____

If you're buying term insurance for long-term needs, make sure your policy is guaranteed renewable through at least age 65.

Convertible: Yes _____ No _____ If yes, through what age? _____

<u>Policy Years</u>	<u>Annual Premium</u>	<u>Guaranteed Amount Payable on Death</u>
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Note: Companies (or intermediaries) should enter in this space the annual premium and guaranteed amount payable on death for *representative* policy years.

10 years 20 years

SURRENDER COST INDEX* _____

First-year premiums can be a good way to compare the costs of term policies. However, policies with the same premium today may have different premiums in the future. Furthermore, if a policy pays dividends, they will help offset the premiums you pay for the policy. In these cases, the Surrender Cost Index gives a better measure of a term policy's cost than the first-year premium alone. A policy with a lower Surrender Cost Index is likely to be a better buy.

Be sure you use the Surrender Cost Index to compare only similar policies. Small differences in the index are probably not significant. Large differences may mean substantial savings. See the Wisconsin Buyer's Guide to Life Insurance for examples.

Name of Agent _____ Date _____

Address of Agent _____

* The Surrender Cost Index assumes that the policy is surrendered for its cash value 10 or 20 years in the future. Death prior to these surrender dates may alter the cost comparisons. Figures for participating policies are based on illustrated dividends which are not guaranteed.

The Wisconsin Commissioner of Insurance requires an agent to complete this form when he or she takes an application.

APPENDIX 3

WISCONSIN BUYER'S GUIDE
TO LIFE INSURANCE

Office of the Commissioner of Insurance
123 West Washington Avenue
Madison, Wisconsin 53702

1980

This guide has been prepared by the Wisconsin Commissioner of Insurance.

This guide does not endorse any company or policy. It is designed to help most consumers buy life insurance. However, individuals with unusual financial situations should seek professional advice.

BUYING LIFE INSURANCE

When you buy life insurance, you should look for the least expensive policy which meets your needs. This guide will help you:

- Decide how much life insurance you should buy.
- Choose the type of policy best for you.
- Compare the cost of similar policies issued by different companies.

You also may want to check information on life insurance at your public library. A little extra thought before choosing your life insurance could save you a substantial amount of money.

CHOOSING THE AMOUNT

One way to decide how much life insurance you need is to figure how much cash and income your dependents will need when you die. They will need money for living expenses, taxes and debts. They may also need money for educational expenses or other unusual costs. Ideally, your life insurance should equal the difference between your assets and the amount your family will need for these expenses.

You should reassess your life insurance frequently. Needs will be greater if there is only one wage earner in the family. You need more protection when your children are young.

CHOOSING THE RIGHT KIND

The two basic kinds of life insurance are:

- Term insurance
- Whole life insurance

Some policies combine the two types. If you don't understand a policy, ask the agent or company for an explanation.

Term insurance

Term insurance provides death protection for a specified period. Death benefits are paid only if you die within that period. People buy

term insurance to get the most death protection for their money. For example, suppose a 35 year old man plans to spend \$200 on life insurance this year. Here are the amounts of different kinds of insurance he could buy from a typical company:

<u>Type of Policy</u>	<u>Premium</u>	<u>Death Protection</u>
Term (annually renewable)	\$200	\$77,200
Term (to 65)	200	19,500
Whole life	200	10,900

Some term insurance policies are renewable for added terms even if your health changes. Each time you renew the policy the premiums will be higher. You should check the size of premiums at older ages. You should also find out how long the policy can be renewed.

One kind of term insurance is called decreasing term. The premiums stay the same as you get older, but the amount of coverage decreases. This type of policy is often used to protect a decreasing debt such as a mortgage.

Whole life insurance

Whole life insurance is intended to give you insurance protection for your lifetime. The most common type is straight life or ordinary life insurance. You pay the same premiums for these policies for as long as you live.

Other types of whole life policies let you pay premiums for a shorter period such as 20 years or until age 65. Premiums for these policies are higher than for ordinary life insurance.

An ordinary life policy costs more at first than the same amount of term insurance. However premiums for term insurance will increase with age.

Ordinary life policies accumulate *cash values* in the early years of the policy which are returned to you if you surrender the policy. You may borrow up to the amount of your cash value. If you do, your benefits will be reduced by that amount.

Whole life insurance is sometimes sold as an investment. It should not be. Very little of your premium will be returned to you if you surrender your policy in the early years. For the first several years the rate of return on the cash value is low. This is why you should not consider any whole life policy unless you intend to keep it for ten years or longer.

FINDING A LOW COST POLICY

After you decide which kind of life insurance fits your needs, look for a good buy. The best way to compare similar policies is to use the cost indexes. **A POLICY WITH A LOW COST SURRENDER INDEX IS LIKELY TO BE A BETTER BUY.**

What are Cost Indexes?

Premiums alone do not always reveal the true cost. Cost is the difference between what you pay and what you get back. Three factors affect the cost: Premiums, dividends, and cash values.

Premiums are the most obvious factor in a policy's cost. You should not buy a policy unless you can afford the premiums.

If the company's investment return, loss experience and expenses are favorable, a portion of your premium is returned as a dividend. Only participating policies pay dividends. When you consider buying a participating policy, you will receive a dividend illustration based on the company's current dividend scale. These future dividends are not guaranteed.

Computing the cost of whole life insurance is difficult. This is because a policyholder will receive one amount of money if the policy is surrendered for its cash value and another amount if he or she dies. Usually people who buy whole life insurance policies intend to keep them but in fact many people surrender the policies early. For this reason, you should consider cash values in determining the cost of a policy.

The Surrender Cost Index

This index takes into account all three factors discussed above, as well as interest. The surrender cost index compares costs as if you surrendered the policy in the future and took its cash value.

Before anyone sells you a life insurance policy, he or she must give you surrender cost index figures at 10 and 20 years. To see how that policy ranks, you should compare those figures with ones for similar policies from other companies.

Here's how a cost index works. Suppose a woman wants to buy a \$25,000 non-participating whole life policy. The following chart shows possible ranges using the surrender cost indexes for this type of policy.

**\$25,000 Non-Participating Whole Life Cost Comparison*
Surrender Cost Index—Female**

	<u>10 year</u>		<u>20 year</u>	
Age 25	Low	.57	Low	2.10
	High	8.66	High	7.96
Age 35	Low	1.43	Low	3.57
	High	10.66	High	12.36
Age 45	Low	4.40	Low	7.02
	High	15.77	High	23.27

If the woman is 35 years old, a policy with a 10 year surrender cost index close to 1.43 and a 20 year index close to 3.57 is likely to be a better value. If she bought the policy with the 20 year index of 3.57, instead of 12.36, and surrendered it after 20 years, she would save about \$4,300.

If the woman wanted to buy a \$50,000 5-year-renewable and convertible term policy, she might find the following ranges of indexes for policies she could buy:

WISCONSIN ADMINISTRATIVE CODE

\$50,000 5-Year Term Cost Comparison*
Surrender Cost Index—Female

	<u>10 year</u>		<u>20 year</u>	
Age 25	Low	1.54	Low	1.60
	High	7.14	High	6.87
Age 35	Low	2.07	Low	2.81
	High	16.37	High	15.00
Age 45	Low	4.30	Low	6.22
	High	12.09	High	17.56

These ranges are quite different from those for the whole life policies. This is why it's important to decide what kind of policy to buy before comparing costs.

To get the most reliable comparisons, keep the following rules in mind:

- Cost comparisons should be made only among similar policies. For example, you should avoid using the surrender cost index to compare term and whole life insurance.
- Compare index numbers only for the type of policy, for your age and for the amount you want. No one company offers the lowest cost for all types of policies.
- Small differences in index numbers may be offset by other policy features or differences in the quality of service.
- This index is not designed to determine whether you should drop a policy you own for a new one. If such a change is suggested, you should ask for information from the company which issued the old policy.

* The figures in the tables are for illustration only. Policies with low index numbers may not always be available to all customers. The interest assumption used in computing surrender cost index data in Wisconsin is 5%. Surrender cost index figures for participating policies are based on illustrated dividends which are not guaranteed. All values are per \$1,000 face amount. Surrender cost index data were collected in November 1978 from insurance companies on policies sold in Wisconsin.

Other Useful Indexes

Life Insurance Net Payment Cost Index. This index does not take cash values into account. It is useful if your main concern is the benefits to be paid at your death. As with the surrender cost index, a policy with a lower index figure is likely to be a better buy.

The Equivalent Level Annual Dividend. This index is an average annual dividend, taking the time value of money into account.

Average Annual Rate of Return. This index approximates the rate of return on the cash value of a policy. The higher the index figure, the greater the rate of return. If any agent or company attempts to sell you a whole life policy by emphasizing its investment value, you should ask to see its 10 and 20 year average annual rate of return. Using this index you

can compare the policy's "yield" with the after-tax return of other investments.

SHOPPING HINTS

- **BUY ONLY WHAT YOU CAN AFFORD.** If you drop your whole life policy because the premiums are too high, you will lose a substantial amount of money.
- **CONSIDER GROUP INSURANCE.** Group coverage through an employer or employee group is generally less expensive than individual policies. If you are eligible for group coverage, take advantage of it.
- **TRY NOT TO LEAVE YOURSELF UNDERINSURED.** When your needs are greatest, term insurance may provide you with much more protection for your money than whole life.
- **SHOP AROUND.** Policies vary substantially in cost. Before you buy a policy, check the surrender cost index.
- **COMPARE POLICIES AND COMPANIES.** The company with the lowest indexes for one policy will not necessarily have the lowest indexes for others.
- **LOOK FOR A GOOD AGENT.** An honest, well-informed agent will assist you in making the right choice.
- **THINK CAREFULLY BEFORE REPLACING YOUR POLICY.** Sometimes an expensive policy may provide you with little protection for the money and a switch to term insurance may make sense. In other cases, switching policies may be a mistake.

REMEMBER: COMPARISON SHOPPING SAVES MONEY. ANY TIME YOU SPEND LEARNING ABOUT LIFE INSURANCE POLICIES AND COMPARING COSTS WILL BE WORTH IT.

History: Cr. Register, March, 1972, No. 195, eff. 4-1-72; emerg. am. (1) and (2), eff. 6-22-76; am. (1) and (2), Register, 1976, No. 249, eff. 10-1-76; r. and recr. Register, November, 1978, No. 275, eff. 1-1-79; am. (3) (a) and (6), r. and recr. appendices, Register, January, 1980, No. 289, eff. 2-1-80.