**Ins 3.09 Mortgage guaranty insurance.** (1) PURPOSE. This section implements and interprets s. Ins 6.75 (2) (i) and (j) and ss. 601.01, 601.42, 611.19 (1), 611.24, 618.21, 620.02, 623.02, 623.03, 623.04, 623.11, 627.05 and 628.34 (12), 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 s. Ins 6.75 (2) (i) and (j).

(3) DEFINITIONS. (a) "Amount at risk" means the coverage percentage or the claim settlement option percentage multiplied by the face of amount of a mortgage or by the insured amount of a lease.

(b) "Annual statement" means the fire and casualty annual statement form specified in s. Ins 7.01 (5) (a).

(c) "Contingency reserve" means the reserve established for the protection of policyholders against the effect of losses resulting from adverse economic cycles.

(d) "Equity" means the complement of the Loan-to-Value.

(e) "Face amount" means the entire indebtedness under an insured mortgage before computing any reduction because of an insurer's option limiting its coverage.

(f) "Loan-to-value" means the ratio of the entire indebtedness to value of the collateral property expressed as a percentage.

(g) "Mortgage guaranty account" means the portion of the Contingency Reserve which complies with 26 U.S.C. s. 832 (e) as amended.

(h) "Mortgage guaranty insurance" means that kind of insurance authorized by s. Ins 6.75 (2) (i).

(i) "Mortgage guaranty insurer" means an insurer which:

1. Insures pursuant to Ins 6.75 (2) (i), or

2. Insures pursuant to s. Ins 6.75 (2) (j) against loss arising from failure of debtors to meet financial obligations to creditors under evidences of indebtedness secured by a junior lien or charge on real estate.

(j) "Mortgage guaranty insurers report of policyholders position" means the annual supplementary report required by s. Ins 7.01 (24) (t).

(k) "NAIC Ratio — Investment Yield" means net investment income earned after taxes from the annual statement divided by mean invested assets.

(l) "Person" means any individual, corporation, association, partnership or any other legal entity.

(m) "Policyholders position" includes the contingency reserve established under sub. (14), the deferred risk charge established under sub. (13) (b) and surplus as regards policyholders. "Minimum policyholders position" is calculated as described in sub. (5).

(n) "Surplus as regards policyholders" means an insurer's net worth, the difference between its assets and liabilities, as reported in its annual statement.

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

(5) MINIMUM POLICYHOLDERS POSITION. (a) For the purpose of complying with s. 623.11, Stats., a mortgage guaranty insurer shall maintain at all times a minimum policyholders position in the amount required by this section. The policyholders position shall be net of reinsurance ceded but shall include reinsurance assumed.

(b) If a mortgage guaranty insurer does not have the minimum amount of policyholders position required by this section it shall cease transacting new business until such time that its policyholders position is in compliance with this section.

(c) If a policy of mortgage guaranty insurance insures individual loans with a percentage claim settlement option on such loans, a mortgage guaranty insurer shall maintain a policyholders position based on: each $100 of the face amount of the mortgage; the percentage coverage; and the loan-to-value category. The minimum amount of policyholders position shall be calculated in the following manner:

1. If the loan-to-value is greater than 75%, the minimum policyholders position per $100 of the face amount of the mortgage for the specific percent coverage shall be as shown in the schedule below:

| Percent Coverage | Policyholders Position Per $100 of the Face Amount of the Mortgage | Percent Coverage | Policyholders Position Per $100 of the Face Amount of the Mortgage |
|---|---|---|---|
| 5 | $0.20 | 55 | $1.50 |
| 10 | 0.40 | 60 | 1.55 |
| 15 | 0.60 | 65 | 1.60 |
| 20 | 0.80 | 70 | 1.65 |
| 25 | 1.00 | 75 | 1.75 |
| 30 | 1.10 | 80 | 1.80 |
| 35 | 1.20 | 85 | 1.85 |
| 40 | 1.30 | 90 | 1.90 |
| 45 | 1.35 | 95 | 1.95 |
| 50 | 1.40 | 100 | 2.00 |

2. If the loan-to-value is at least 50% and not more than 75%, the minimum amount of the policyholders position shall be 50% of the minimum of the amount calculated under subd. 1.

3. If the loan-to-value is less than 50%, the minimum amount of policyholders position shall be 25% of the amount calculated under subd. 1.

(d) If a policy of mortgage guaranty insurance provides coverage on a group of loans subject to an aggregate loss limit, the policyholders position shall be:

1. If the equity is not more than 50% and is at least 20%, or equity plus prior insurance or a deductible is at least 25% and not more than 55%, the minimim amount of policyholders position shall be calculated as follows:

| Percent Coverage | Policyholders Position Per $100 of the Face Amount of the Mortgage | Percent Coverage | Policyholders Position Per $100 of the Face Amount of the Mortgage |
|---|---|---|---|
| 1 | $0.30 | 50 | $0.825 |
| 5 | 0.50 | 60 | 0.85 |
| 10 | 0.60 | 70 | 0.875 |
| 15 | 0.65 | 75 | 0.90 |
| 20 | 0.70 | 80 | 0.925 |
| 25 | 0.75 | 90 | 0.95 |
| 30 | 0.775 | 100 | 1.00 |
| 40 | 0.80 | | |

2. If the equity is less than 20%, or the equity plus prior insurance or a deductible is less than 25%, the minimum amount of policyholders position shall be 200% of the amount required by subd. 1.

3. If the equity is more than 50%, or the equity plus prior insurance or a deductible is more than 55%, the minimum amount of policyholders position shall be 50% of the amount required by subd. 1.

(e) If a policy of mortgage guaranty insurance provides for layers of coverage, deductibles or excess reinsurance, the minimum amount of policyholders position shall be computed by subtraction of the minimum position for the lower percentage coverage limit from the minimum position for the upper or greater coverage limit.

(f) If a policy of mortgage guaranty insurance provides for coverage on loans secured by junior liens, the policyholders position shall be:

1. If the policy provides coverage on individual loans, the minimum amount of policyholders position shall be calculated as in par. (c) as follows:

a. The loan-to-value percent is the entire loan indebtedness on the property divided by the value of the property;

b. The percent coverage is the insured portion of the junior loan divided by the entire loan indebtedness on the collateral property; and

c. The face amount of the insured mortgage is the entire loan indebtedness on the property.

2. If the policy provides coverage on a group of loans subject to an aggregate loss limit, the policyholders position shall be calculated according to par. (d) as follows:

a. The equity is the complement of the loan-to-value percent calculated as in subd. 1;

b. The percent coverage is calculated as in subd. 1; and

c. The face amount of the insured mortgage is the entire loan indebtedness on the property.

(g) If a policy of mortgage guaranty insurance provides for coverage on leases, the policyholders position shall be $4 for each $100 of the insured amount of the lease.

(h) If a policy of mortgage guaranty insurance insures loans with a percentage loss settlement option coverage between any of the entries in the schedules in this subsection, then the factor for policyholders position per $100 of the face amount of the mortgage shall be prorated between the factors for the nearest Percent Coverage listed.

(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) 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.

(b) A mortgage guaranty insurer shall not insure loans with balloon payment provisions unless the policy provides:

1. That liability for the balloon payment is specifically excluded; or

2. That at the time the lender calls the loan, the lender will offer new or extended financing at the then market rates; or

3. The scheduled maturity date of the balloon payment.

(7m) SEGREGATED TRUST REQUIREMENTS. A segregated trust established under this section shall be established by a reinsurer for the benefit of a mortgage guaranty insurer and shall satisfy all of the following requirements:

(a) Has a trustee domiciled in the mortgage guaranty insurer's state of domicile, domiciled in Wisconsin or approved by the commissioner.

(b) Meets the criteria in sub. (12) (g) and (h).

(c) Invests in the type of assets permitted by s. Ins 6.20 (5), or, for the reserves required by subs. (13) and (15), in funds as defined by s. Ins 6.73 (4) (f).

(d) Makes quarterly and annual reports as required by the commissioner.

(e) Is subject to withdrawals only by and under the control of the ceding mortgage guaranty insurer.

(f) Permits examinations by the commissioner.

(g) Designates a Wisconsin agent for service of process.

(h) Provides to the commissioner an opinion of counsel stating that the segregated trust and its governing agreements comply with the applicable sections of this section and that the reinsured will have a valid and perfected security interest or an equitable interest in the assets transferred under the trust agreements, or both, and will be entitled to use those assets for the purpose of satisfying a reinsurer's obligations under the trust agreement in the event of the bankruptcy of the reinsurer.

(i) Is governed by an agreement which, together with all amendments, has been approved by the commissioner.

(8) REINSURANCE. (a) A mortgage guaranty insurer may, by contract, reinsure any insurance it transacts, except that no mortgage guaranty insurer may enter into reinsurance arrangements designed to circumvent the compensation control provisions of sub. (16) or the contingency reserve requirement of sub. (14). The unearned premium reserve required by sub. (13), the contingency reserve required by sub. (14) and the loss reserve required by sub. (15) shall be established and maintained by the original insurer or by the assuming reinsurer so that the aggregate reserves shall be equal to or greater than the reserves required by subs. (13), (14) and (15).

(b) If reinsurance is assumed by an insurer which insures or reinsures other lines of insurance in addition to mortgage guaranty insurance, then in order for a mortgage guaranty insurer to receive credit for reinsurance ceded in its financial statements and in the calculation of minimum policyholders position, all of the following shall occur:

1. The reinsurance agreement and the segregated account or segregated trust arrangements shall be submitted to the commissioner for approval.

2. The reinsurer shall establish and maintain in a segregated account or segregated trust the reserves required by subs. (13), (14) and (15).

3. If the reinsurer establishes a segregated trust, the reinsurance agreement shall provide that:

a. The segregated trust shall be in a form approved by the commissioner;

b. The commissioner shall approve any amendments to the reinsurance agreement before the amendments become effective;

c. The ceding mortgage guaranty insurer has a right to terminate the ceding of additional insurance under the reinsurance agreement if so ordered by the commissioner;

d. The commissioner has the right to request from the assuming reinsurer information concerning its financial condition; and

e. The assuming reinsurer shall notify the commissioner of any material change in its financial condition.

(c) In reviewing a reinsurance arrangement with an insurer which writes other lines of insurance in addition to mortgage guaranty, the commissioner may consider any or all of the following:

1. The financial condition of the reinsurer and the trustee.

2. The reinsurance agreement and its compliance with this section.

3. The trust agreement and its compliance with this section. After review of the reinsurance and trust agreements, the commissioner may deny credit for the reinsurance on the ceding mortgage guaranty insurer's financial statements, if deemed necessary for the protection of the mortgage guaranty insurer or its Wisconsin insureds.

(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 subs. (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 sub. (14).

(12) REPORTING. (a) The financial condition and operations of a mortgage guaranty insurer shall be reported annually on the annual statement.

(b) The unearned premium reserve required by sub. (13) shall be reported in the underwriting and investment exhibit — recapitulation of all premiums schedule of the annual statement.

(c) The contingency reserve required by sub. (14) shall be reported as a liability in the annual statement. This liability may be reported as unpaid losses, mortgage guaranty account or other appropriately labeled write-in item. Appropriate entries shall be made in the underwriting and investment exhibit — statement of income of the annual statement. The change in contingency reserve for the year shall be reported in the annual statement as a reduction of or a deduction from underwriting income. If the contingency reserve is recorded as a loss liability, the change in the reserve shall be excluded from loss development similar to fidelity and surety losses incurred but not reported. The development of the contingency reserve and policyholders position shall be shown in an appropriate supplemental schedule to the annual statement as prescribed by the commissioner.

(d) The loss reserves required by sub. (15) shall be reported in the underwriting and investment exhibit — unpaid losses and loss adjustment schedule of the annual statement.

(e) Any property acquired pursuant to the exercise of the claim settlement option shall be valued net of encumbrances; and an aggregate amount of such property may be held as is permitted for nonlife insurer investments pursuant to s. 620.22 (5), Stats.

(f) Expenses shall be recorded and reported in accordance with ss. Ins 6.30 and 6.31.

(g) An insurer which writes mortgage guaranty insurance and any other class of insurance business shall establish a segregated account for mortgage guaranty insurance. An insurer which writes more than one class of mortgage guaranty insurance shall establish a segregated account for each class of mortgage guaranty insurance. An insurer which reinsures mortgage guaranty insurance and which writes or reinsures any other class of insurance business shall establish a segregated account or segregated trust for mortgage guaranty reinsurance. The classes of mortgage guaranty insurance are those types of insurance defined in:

1. Section Ins 6.75 (2) (i) 1 a and c; or

2. Section Ins 6.75 (2) (i) 1 b and 2; or

3. Section Ins 6.75 (2) (i) 1 d and (j).

(h) Each segregated account or segregated trust established to comply with par. (g) shall contain all of the following applicable reserves:

1. The loss reserves required by sub. (15).

2. The unearned premium reserve required by subs. (13) or (18).

3. The contingency reserve required by subs. (14) or (18) or any surplus required by the commissioner.

(13) UNEARNED PREMIUM RESERVE. Subject to sub. (8), a mortgage guaranty insurer shall compute and maintain an unearned premium reserve on policies in force as follows:

(a) For premium plans on which the premium is paid annually, the unearned premium reserve shall be calculated on either an annual or monthly pro rata basis except that the 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 premium. The deferred risk premium shall be contributed to and maintained in the unearned premium reserve until released as earned. The deferred risk premium shall be earned in accordance with the factors for a 10-year premium period in par. (b) or any other formula approved by the commissioner.

(b) For premium plans on which the premium is paid in advance for periods of time greater than one year but less than 16 years, the unearned premium reserve shall be calculated by multiplying the premiums collected by the appropriate unearned premium factor from the table set forth below:

UNEARNED PREMIUM FACTOR TO BE APPLIED TO PREMIUMS COLLECTED

| Contract Year Current at Valuation Date | 2-Year Premium Period | 3-Year Premium Period | 4-Year Premium Period | 5-Year Premium Period | 6-Year Premium Period | 7-Year Premium Period | 8-Year Premium Period |
|---|---|---|---|---|---|---|---|
| 1 | 89.0% | 93.7% | 95.3% | 96.0% | 96.4% | 96.6% | 96.8% |
| 2 | 39.0% | 65.0% | 73.6% | 77.6% | 79.8% | 81.1% | 82.0% |
| | | 21.3% | 40.6% | 49.6% | 54.5% | 57.5% | 59.4% |
| | | | 12.3% | 25.5% | 32.7% | 37.2% | 40.1% |
| | | | | 7.6% | 16.5% | 22.1% | 25.7% |
| | | | | | 4.9% | 11.2% | 7.8% |
| | | | | | | 3.3% | 2.3% |

| Contract Year Current at Valuation Date | 9-Year Premium Period | 10-Year Premium Period | 11-Year Premium Period | 12-Year Premium Period | 13-Year Premium Period | 14-Year Premium Period | 15-Year Premium Period |
|---|---|---|---|---|---|---|---|
| 1 | 96.9% | 97.0% | 97.5% | 97.1% | 97.2% | 97.3% | 97.3% |
| 2 | 82.6% | 83.2% | 83.7% | 84.0% | 84.4% | 84.7% | 85.0% |
| 3 | 60.9% | 62.2% | 63.3% | 64.1% | 64.9% | 65.6% | 66.1% |
| 4 | 42.3% | 44.1% | 45.8% | 47.1% | 48.2% | 49.1% | 49.9% |
| 5 | 28.4% | 30.7% | 32.8% | 34.4% | 35.8% | 36.9% | 37.9% |
| 6 | 18.5% | 21.1% | 23.4% | 25.2% | 26.9% | 28.0% | 29.2% |
| 7 | 11.3% | 14.1% | 16.7% | 18.6% | 20.4% | 21.7% | 23.0% |
| 8 | 6.1% | 9.1% | 11.8% | 13.8% | 15.8% | 17.1% | 18.5% |
| 9 | 2.0% | 5.2% | 7.9% | 10.0% | 12.1% | 13.4% | 14.9% |
| 10 | | 1.7% | 4.4% | 6.7% | 8.8% | 10.2% | 11.8% |
| 11 | | | 1.4% | 3.8% | 5.9% | 7.4% | 9.0% |
| 12 | | | | 1.2% | 3.3% | 5.0% | 6.6% |
| 13 | | | | | 1.1% | 2.8% | 4.4% |
| 14 | | | | | | .9% | 2.5% |
| 15 | | | | | | | .8% |

Note: For purposes of this calculation, premiums collected means either 90% of the premiums collected or the premium collected less a dollar amount or percentage amount approved by the commissioner to represent intitial expenses of selling and issuing a new policy.

(c) For premium plans on which the premium is paid in advance for periods of 16 years or more, the unearned premium reserve shall be calculated either by a method approved by the commissioner or by dividing the premium collected, as defined above in par. (b), into two parts. The first part shall be the amount which is equal to the premium collected for a 15-year premium and which shall be earned in the same manner as a 15-year premium. The second part is the remaining amount of premium in excess of the 15-year premium, which shall be earned pro rata over the remaining term of the premium.

(14) CONTINGENCY RESERVE. (a) Subject to sub. (8), a mortgage guaranty insurer shall make an annual contribution to the contingency reserve which in the aggregate shall be the greater of:

1. 50% of the net earned premium reported in the annual statement; or

2. The sum of:

a. The policyholders position established under sub. (5) on residential buildings designed for occupancy by not more than four families divided by 7;

b. The policyholders position established under sub. (5) on residential buildings designed for occupancy by 5 or more families divided by 5;

c. The policyholders position established under sub. (5) on buildings occupied for industrial or commercial purposes divided by 3; and

d. The policyholders position established under sub. (5) for leases divided by 10.

(b) If the mortgage guaranty coverage is not expressly provided for in this section, the commissioner may establish a rate formula factor that will produce a contingency reserve adequate for the risk assumed.

(c) 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.

(d) 1. With the approval of the commissioner, withdrawals may be made from the contingency reserve when incurred losses and incurred loss expenses exceed the greater of either 35% of the net earned premium or 70% of the amount which par. (a) requires to be contributed to the contingency reserve in such year.

2. On a quarterly basis, provisional withdrawals may be made from the contingency reserve in an amount not to exceed 75% of the withdrawal calculated in accordance with subd. 1.

(e) With the approval of the commissioner, a mortgage guaranty insurer may withdraw from the contingency reserve any amounts which are in excess of the minimum policyholders position. In reviewing a request for withdrawal pursuant to this paragraph, the commissioner may consider loss development and trends. If any portion of the contingency reserve for which withdrawal is requested pursuant to this paragraph is maintained by a reinsurer, the commissioner may also consider the financial condition of the reinsurer. If any portion of the contingency reserve for which withdrawal is requested pursuant to this paragaraph is maintained in a segregated account or segregated trust and such withdrawal would result in funds being removed from the segregated account or segregated trust, the commissioner may also consider the financial condition of the reinsurer.

(f) Releases and withdrawals from the contingency reserve shall be accounted for on a first-in-first-out basis as provided in sub. (12) (g).

(g) The calculations to develop the contingency reserve shall be made in the following sequence:

1. The additions required by pars. (a) and (b);

2. The releases permitted by par. (c);

3. The withdrawals permitted by par. (d); and

4. The withdrawals permitted by par. (e).

(15) LOSS RESERVES. (a) Subject to sub. (8), a mortgage guaranty insurer shall compute and maintain adequate loss reserves. The methodology used for computing the loss reserves shall accurately reflect loss frequency and loss severity and shall include components for claims reported and unpaid and for claims incurred but not reported.

(b) A mortgage guaranty insurer shall compute and maintain adequate case basis loss reserves which are based on an estimate of the liability for claims on individual insured loans in various stages of default as listed below. Case basis loss reserves may be calculated on either an in-

dividal case basis or a formula basis. Case basis loss reserves shall be established for individual insured loans or leases which:

1. Are in default and have resulted in the collateral real estate being acquired by the insured, the insurer, or the agent of either, and remaining unsold; or

2. Are in the process of foreclosure; or

3. Are in default and the insurer has received notificaiton.

(c) In computing the potential liability for which case basis reserves are required by par. (b), the following factors shall be considered together with the prospective adjustments reflecting historic data relative to prior claim settlements:

1. Prior to the exercise of the claim settlement option, the potential liability shall be either the amount at risk calculated using the coverage settlement option or the potential claim amount minus the value of the real estate.

2. If the claim settlement option exercised results in recording the claim amount as the cost of acquisition of the property, the potential liability is the claim amount minus the lesser of the market value of the real estate or the acquisition cost of the real estate.

3. If the claim settlement option exercised results in the payment of amounts equal to the monthly loan payments or lease rents, the potential liability is the present value, utilizing the insurer's National Association of Insurance Commissioners' (NAIC) financial ratio-investment yield, of the claim amounts minus the present value of either the real estate or the rental income stream.

(d) A mortgage guaranty insurer shall compute and maintain a loss adjustment expense reserve which is based on an estimate of the cost of adjusting and settling claims on insured loans in default.

(e) A mortgage guaranty insurer shall compute and maintain an incurred but not reported reserve which is based on an estimate of the liability for future claims on insured loans that are in default but of which the insurer has not been notified.

(16) 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 employe 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

employe 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 employe 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 par. (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 employe 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.

(17) MINIMUM CAPTIAL OR PERMANENT SURPLUS. The minimum amount of capital or permanent surplus of a mortgage guaranty insurer shall be $2 million for an insurer first authorized to do business in Wisconsin on or after January 1, 1982, or the amount required by statute or administrative order before that date or other insurers.

(18) TRANSITION. Policyholders position, unearned premium reserves and contingency loss reserves shall be computed and maintained on risks insured after the effective date of this section as required by subs. (5), (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 subs. (13) and (14) or as required by this section as previously in effect.

(19) CONFLICT OF INTEREST. (a) If a member of a holding company system as defined in s. 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 affili-

ate 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 sub. (15).

(20) 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; am. (1), (2) and (3) (a), Register, March, 1979, No. 279, eff. 4-1-79; r. and recr. (1), (3), (5), (12) and (14), am. (2), (4), (8), (13) (a) and (16), renum. (7) to be (7) (a) and cr. (7) (b) and (7m), Register, October, 1982, No. 322, eff. 11-1-82; correction in (14) (d) made under s. 13.93 (2m) (b) 7, Stats., Register, December, 1984, No. 348; am. (3) (m), Register, October, 1985, No. 358, eff. 11-1-85; am. (1) and (5) (a), renum. (7m), (15) to (18) to be (17), (16) and (18) to (20); cr. (7m) and (15), r. and recr. (8), (12) to (14), Register, November, 1989, No. 407, eff. 12-1-89.

**Ins 3.11 Multiple peril insurance contracts.** (1) PURPOSE AND SCOPE. (a) This rule implements and interprets s. Ins 6.70 and chs. 625 and 631, 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 s. Ins 6.70, and which include a type or types of coverage or a kind or kinds of insurance subject to ch. 625, Stats.

(c) Types of coverage or kinds of insurance which are not subject to ch. 625, 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 s. Ins 6.75. 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 s. 625.12, 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.

(4) STANDARD POLICY. The requirements of s. Ins 6.76 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; am. (1) (a) and (b), (2) and (4), Register, March, 1979, No. 279, eff. 4-1-79.

**Ins 3.13 Individual accident and sickness insurance.** (1) PURPOSE. This section 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 s. Ins 6.75 (1) (c) or (2) (c), and franchise type accident and sickness policies permitted by s. 600.03 (22), Stats. and s. Ins 6.75 (1) (c) and (2) (c). The requirements in subs. (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.

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September, 1976, No. 249, eff. 10-1-76; r. (2), Register, January, 1980, No. 289, eff. 2-1-80; am. (1), Register, September, 1986, No. 369, eff. 10-1-86.

**Ins 3.17 Reserves for accident and sickness insurance policies.** (1) PURPOSE. This section establishes required minimum standards under ch. 623, Stats., for claim, premium and contract reserves of insurers writing accident and sickness insurance policies.

(2) SCOPE. This section applies to any insurer, including a fraternal benefit society, issuing a policy providing individual or group accident and sickness insurance coverages as classified under s. Ins 6.75 (1) (c) or (2) (c). This section does not apply to credit insurance as clasified under s. Ins 6.75 (1) (c) 1 or (2) (c) 1.

(3) DEFINITIONS. In this section:

(a) "Annual claim cost" means the net annual cost per unit of benefit before the addition of expenses, including claim settlement expenses, and a margin for profit or contingencies.

Note: For example, the annual claim cost for a $100 monthly disability benefit, for a maximum disability benefit period of one year, with an elimination period of one week, with respect to a male at age 35, in a certain occupation might be $12, while the gross premium for this benefit might be $18. The additional $6 would cover expenses and profit or contingencies.

(b) "Claims accrued" means that portion of claims incurred on or prior to the valuation date which result in liability of the insurer for the payment of benefits for medical services which have been rendered on or prior to the valuation date, and for the payment of benefits for days of hospitalization and days of disability which have occurred on or prior to the valuation date, which the insurer has not paid as of the valuation date, but for which it is liable, and will have to pay after the valuation date.

Note: This liability is sometimes referred to as a liability for accrued benefits. A claim reserve, which represents an estimate of this accrued claim liability, must be established.

(c) "Claims incurred" means a claim for which the insurer has become obligated to make payment, on or prior to the valuation date.

(d) "Claims reported" means those claims that have been incurred on or prior to the valuation date of which the insurer has been informed, on or prior to the valuation date.

Note: These claims are considered as reported claims for annual statement purposes.

(e) "Claims unaccrued" means that portion of claims incurred on or prior to the valuation date which result in liability of the insurer for the payment of benefits for medical services expected to be rendered after the valuation date, and for benefits expected to be payable for days of hospitalization and days of disability occurring after the valuation date.

Note: This liability is sometimes referred to as a liability for unaccrued benefits. A claim reserve, which represents an estimate of the unaccrued claim payments expected to be made (which may or may not be discounted with interest), must be established.

(f) "Claims unreported" means those claims that have been incurred on or prior to the valuation date of which the insurer has not been informed, on or prior to the valuation date.

Note: These claims are considered as unreported claims for annual statement purposes.

(g) "Date of disablement" means the earliest date on which the insured is considered as being disabled under the definition of disability in the contract, based on a physician's evaluation or other evidence.

(h) "Elimination period" means a specified number of days, weeks, or months starting at the beginning of each period of loss, during which no benefits are payable.

(i) "Gross premium" means the amount of premium charged by the insurer. It includes the net premium, based on claim cost, for the risk together with any loading for expenses, profit or contingencies.

(j) "Group insurance" includes blanket insurance.

(k) "Individual insurance" includes franchise insurance.

(l) "Level premium" means a premium calculated to remain unchanged throughout either the lifetime of the policy, or for some shorter projected period of years.

Note: The level premium need not be guaranteed; in which case, although it is calculated to remain level, it may be changed if any of the assumptions on which it was based are revised at a later time.

Generally, the annual claim costs are expected to increase each year and the insurer, instead of charging premiums that correspondingly increase each year, charges a premium calculated to remain level for a period of years or for the lifetime of the contract. In this case the benefit portion of the premium is more than needed to provide for the cost of benefits during the earlier years of the policy and less than the actual cost in the later years. The building of a prospective contract reserve is a natural result of level premiums.

(m) "Modal premium" means the premium paid on a contract based on a premium term which could be annual, semiannual, quarterly, monthly, or weekly.

Note: Thus if the annual premium is $100 and if, instead, monthly premiums of $9 are paid then the modal premium is $9.

(n) "Negative reserve" means a negative terminal reserve value due to the values of the benefits decreasing with advancing age or duration.

(o) "Preliminary term reserve method" means the method of valuation under which the valuation net premium for each year falling within the preliminary term period is exactly sufficient to cover the expected incurred claims of that year, so that the terminal reserve will be zero at the end of the year. As of the end of the preliminary term period, a new constant valuation net premium, or stream of changing valuation premiums, becomes applicable such that the present value of all such premiums is equal to the present value of all claims expected to be incurred following the end of the preliminary term period.

(p) "Present value of amounts not yet due on claims" means the reserve for claims unaccrued which may be discounted at interest.

(q) "Reserve" includes all items of benefit liability, whether in the nature of incurred claim liability or in the nature of contract liability relating to future periods of coverage, and whether the liability is accrued or unaccrued.

Note: An insurer under its contracts promises benefits which result in:

On claims incurred, payments expected to be made after the valuation date for accrued and unaccrued benefits are liabilities of the insurer which should be provided for by establishing claim reserves; or

Claims which are expected to be incurred after the valuation date. Any present liability of the insurer for these future claims should be provided for by the establishment of contract reserves and unearned premium reserves.

(r) "Terminal reserve" means the reserve at the end of the contract year which is the present value of benefits expected to be incurred after that contract year minus the present value of future valuation net premiums.

(s) "Unearned premium reserve" means that portion of the premium paid or due to the insurer which is applicable to the period of coverage extending beyond the valuation date.

Note: Thus if an annual premium of $120 was paid on November 1, $20 would be earned as of December 31 and the remaining $100 would be unearned. The unearned premium reserve could be on a gross basis as in this example, or on a valuation net premium basis.

(t) "Valuation net modal premium" means the modal fraction of the valuation net annual premium that corresponds to the gross modal premium in effect on any contract to which contract reserves apply. Thus if the mode of payment in effect is quarterly, the valuation net modal premium is the quarterly equivalent of the valuation net annual premium.

(4) RESERVES IN EXCESS OF MINIMUM RESERVE STANDARDS. An insurer subject to this section may determine that the adequacy of its accident and sickness reserves requires reserves in excess of the minimum standards specified in this section. The insurer shall hold and consider the excess reserves as its minimum reserves.

(5) PROSPECTIVE GROSS PREMIUM VALUATION. (a) With respect to any block of contracts, or with respect to an insurer's accident and sickness business as a whole, a prospective gross premium valuation is the ultimate test of reserve adequacy as of a given valuation date. The gross premium valuation shall take into account, for contracts in force, in a claims status, or in a continuation of benefits status on the valuation date, the present value as of the valuation date adjusted for future premium increases reasonably expected to be put into effect, of:

1. All expected benefits unpaid.

2. All expected expenses unpaid.

3. All unearned or expected premiums.

(b) The insurer shall perform a gross premium valuation whenever a significant doubt exists as to reserve adequacy with respect to any major block of contracts, or with respect to the insurer's accident and sickness business as a whole. In the event inadequacy is found to exist, the insurer shall make immediate loss recognition and restore the reserves to adequacy. The insurer shall hold adequate reserves, inclusive of claim, premium and contract reserves, if any, with respect to all contracts, regardless of whether contract reserves are required for the contracts under these standards.

(c) Whenever minimum reserves, as defined in these standards, exceed reserve requirements as determined by a prospective gross premium valuation, the minimum reserves remain the minimum requirement under these standards.

(6) CLAIM RESERVES. (a) General claim reserve requirements are:

1. Claim reserves are required for all incurred but unpaid claims on all accident and sickness insurance policies;

2. Appropriate claim expense reserves are required with respect to the estimated expense of settlement of all incurred but unpaid claims; and

3. The insurer shall test reserves for prior valuation years for adequacy and reasonableness along the lines of claim run-off schedules in accordance with the statutory financial statement including consideration of any residual unpaid liability.

(b) Minimum standards for claim reserves are as follows:

1. For disability income:

a. The maximum interest rate for claim reserves is specified in Appendix A;

b. Minimum standards with respect to morbidity are those specified in Appendix A; except that, at the option of the insurer, for claims with a duration from date of disablement of less than two years, the insurer may base the reserves on the insurer's experience, if the experience is considered credible, or upon other assumptions designed to place a sound value on the liabilities;

c. For contracts with an elimination period, the insurer shall measure the duration of disablement as dating from the time that benefits would have begun to accrue had there been no elimination period.

2. For all other benefits:

a. The maximum interest rate for claim reserves is specified in Appendix A;

b. The insurer shall base the reserve on the insurer's experience, if this experience is considered credible, or upon other assumptions designed to place a sound value on the liabilities;

(c) General claim reserve methods are as follows:

1. The insurer may use any generally accepted or reasonable actuarial method or combination of methods to estimate all claim liabilities.

2. The methods used for estimating liabilities generally may be aggregate methods, or various reserve items may be separately valued. The insurer may also employ approximations based on groupings and averages. The insurer shall, however, determine adequacy of the claim reserves in the aggregate.

(7) PREMIUM RESERVES. (a) General premium reserve requirements are:

1. Unearned premium reserves are required for all contracts with respect to the period of coverage for which premiums, other than premiums paid in advance, have been paid beyond the date of valuation;

2. If premiums due and unpaid are carried as an asset, the insurer shall treat the premiums as premiums in force, subject to unearned premium reserve determination. The insurer shall carry as an offsetting liability the value of unpaid commissions, premium taxes, and the cost of collection associated with due and unpaid premiums; and

3. Insurers may appropriately discount to the valuation date the gross premiums paid in advance for a period of coverage commencing after the next premium due date which follows the date of valuation. The insurer shall hold this discounted premium either as a separate liability or as an addition to the unearned premium reserve which would otherwise be required as a minimum.

(b) Minimum standards for unearned premium reserves are as follows:

1. The minimum unearned premium reserve with respect to any contract is the pro rata unearned modal premium that applies to the premium period beyond the valuation date, with the premium determined on the basis of:

a. The valuation net modal premium on the contract reserve basis applying to the contract; or

b. The gross modal premium for the contract if no contract reserve applies.

2. However, the sum of the unearned premium and contract reserves for all contracts of the insurer subject to contract reserve requirements may not be less than the gross modal unearned premium reserve on all of the contracts, as of the date of valuation. To the extent not provided for elsewhere in this section, this reserve may not be less than the expected claims for the period beyond the valuation date represented by the unearned premium reserve.

(c) General premium reserve methods are as follows:

1. In computing premium reserves, the insurer may employ suitable approximations and estimates; including, but not limited to, groupings, averages and aggregate estimation.

2. The insurer shall periodically test the approximations or estimates to determine their continuing adequacy and reliability.

(8) CONTRACT RESERVES. (a) General contract reserve requirements are:

1. Contract reserves are required, unless othewise specified in subd. 2 for:

a. All individual and group contracts with which level premiums are used; or

b. All individual and group contracts with respect to which, due to the gross premium pricing structure at issue, the value of the future benefits at any time exceeds the value of any appropriate future valuation net premiums at that time. The insurer shall determine the values specified in this subparagraph on the basis specified in par. (b);

2. Contracts not requiring a contract reserve are:

a. Contracts which cannot be continued after one year from issue; or

b. Contracts already in force on the effective date of these standards for which no contract reserve was required under the immediately preceding standards;

3. The contract reserve is in addition to claim reserves and premium reserves; and

4. The insurer shall use methods and procedures for contract reserves that are consistent with those for claim reserves for any contract, or else shall make appropriate adjustment when necessary to assure provision for the aggregate liability. The insurer shall use the same definition of the date of incurral in both determinations.

(b) The basis for determining minimum standards for contract reserves are:

1. Minimum standards with respect to morbidity are those set forth in Appendix A. Valuation net premiums used under each contract shall have a structure consistent with the gross premium structure at issue of the contract as this relates to advancing age of insured, contract duration and period for which gross premiums have been calculated. The insurer shall value contracts for which tabular morbidity standards are not specified in Appendix A using tables established for reserve purposes by a qualified actuary meeting the requirements of s. Ins 6.12 and acceptable to the commissioner;

Note: The consistency between the gross premium structure and the valuation net premium is required only at issue, because the impact on the consistency after issue of regulatory restrictions on premium rate increases is still under study.

2. The maximum interest rate is specified in Appendix A;

3. a. The insurer shall use termination rates in the computaion of reserves on the basis of a mortality table as specified in Appendix A except as noted in the following paragraph.

b. Under contracts for which premium rates are not guaranteed, and where the effects of insurer underwriting are specifically used by policy duration in the valuation morbidity standard, the insurer may use total termination rates at ages and durations where these exceed specified mortality table rates, but not in excess of the lesser of:

i. Eighty percent of the total termination rate used in the calculation of the gross premiums, or

ii. Eight percent.

c. Where a morbidity standard specified in Appendix A is on an aggregate basis, the insurer may adjust the morbidity standard to reflect the effect of insurer underwriting by policy duration. The adjustments shall be appropriate to the underwriting and acceptable to the commissioner;

4. The minimum reserve is the reserve calculated on the two-year full preliminary term method; that is, under which the terminal reserve is zero at the first and also the second contract anniversary. The insurer may apply the two-year preliminary term method only in relation to the date of issue of a contract. The insurer shall apply reserve adjustments introduced later, as a result of rate increases, revisions in assumptions or for other reasons, immediately as of the effective date of adoption of the adjusted basis;

5. The insurer may offset negative reserves on any benefit against positive reserves for other benefits in the same contract, but the total contract reserve with respect to all benefits combined may not be less than zero.

(c) Provided the contract reserve on all contracts to which an alternative method or basis is applied is not less in the aggregate than the amount determined according to the applicable standards specified in this section; an insurer may use any reasonable assumptions as to interest rates, termination or mortality rates or both, and rates of morbidity or other contingency. Also, subject to the preceding sentence, the insurer may employ methods other than the methods stated in this section in determining a sound value of its liabilities under the contracts, including, but not limited to the following:

1. The net level premium method;

2. The one-year full 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, average amounts of indemnity, grouping of similar contact forms;

5. The computation of the reserve for one contract benefit as a percentage of, or by other relation to, the aggregate contract reserves exclusive of the benefit or benefits so valued; and

6. The use of a composite annual claim cost for all or any combination of the benefits included in the contracts valued.

(d) 1. Annually, the insurer shall make an appropriate review of the insurer's prospective contract liabilities on contracts valued by tabular reserves, to determine the continuing adequacy and reasonableness of the tabular reserves giving consideration to future gross premiums. The insurer shall make appropriate increments to the tabular reserves if the tests indicate that the basis of the reserves is no longer adequate. Any appropriate increments to tabular reserves made by the insurer under this paragraph shall comply with the minium standards of par. (b).

2. If an insurer has a contract or a group of related similar contracts, for which future gross premiums will be restricted by the commissioner, the contract, or some other reason, such that the future gross premiums reduced by expenses for administration, commissions, and taxes will be insuficient to cover future claims, the insurer shall establish contract reserves for the shortfall in the aggregate.

(9) DETERMINATION OF ADEQUACY. The insurer shall determine the adequacy of its accident and health insurance reserves on the basis of the claim reserves, premium reserves, and contract reserves combined. However, the standards established in this section emphasize the importance of determining appropriate reserves for each of these three reserve categories separately.

(10) REINSURANCE. The insurer shall determine, in a manner consistent with these minium reserve standards and with all applicable provisions of the reinsurance contracts which affect the insurer's liabilities, increases to, or credits against reserves carried, arising because of reinsurance assumed or reinsurance ceded.

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; am. (2), (3) and (5), Register, March, 1979, No. 279, eff. 4-1-79; am. (3) (intro.), (a) 4. and 5. (4) (intro.), (5) (intro.) and (6) (intro.), Register, September, 1986, No. 369, eff. 10-1-86; r. and recr. Register, November, 1989, No. 407, eff. 12-1-89.

## APPENDIX A.

## SPECIFIC STANDARDS FOR MORBIDITY, INTEREST AND MORTALITY

### I. MORBIDITY

A. Minimum morbidity standards for valuation of specified individual contract accident and sickness insurance benefits are as follows:

(1) Disability income benefits due to accident or sickness.

(a) Contract reserves:
Contracts issued on or after January 1, 1968, and prior to January 1, 1987:
The 1964 Commissioners Disability Table (64 CDT)

Contracts issued on or after January 1, 1992:
The 1985 Commissioners Individual Disability Tables A (85CIDA); or

The 1985 Commissioners Individual Disability Tables B (85CIDB).

Contracts issued during 1987 through 1991:
Optional use of either the 1964 Table or the 1985 Tables.

Each insurer shall elect, with respect to all individual contracts issued in any one statement year, whether it will use Tables A or Tables B as the minimum standard. The insurer may, however, elect to use the other tables with respect to contracts issued in any subsequent statement year.

(b) Claim reserves:
The minimum morbidity standard in effect for contract reserves on currently issued contracts, as of the date the claim is incurred.

(2) Hospital benefits, surgical benefits and maternity benefits (scheduled benefits or fixed time period benefits only).

(a) Contract reserves:
Contracts issued on or after January 1, 1955, and before January 1, 1987:
The 1956 Intercompany Hospital-Surgical Tables.
Contracts issued on or after January 1, 1992:

The 1974 Medical Expense Tables, Table A, Transactions of the Society of Actuaries, Volume XXX, pg. 63. Refer to the paper (in the same volume, pg. 9) to which this table is appended, including its discussions, for methods of adjustment for benefits not directly valued in Table A: "Development of the 1974 Medical Expense Benefits," Houghton and Wolf.

Contracts issued during 1987 through 1991:
Optional use of either the 1956 Intercompany Tables or the 1974 Medial Expense Tables.

(b) Claim reserves:
No specific standard. See (5).

(3) Cancer expense benefits (scheduled benefits or fixed time period benefits only).

(a) Contract reserves:
Contracts issued on or after January 1, 1992:
The 1985 NAIC Cancer Claim Cost Tables.

Contracts issued during 1986 through 1991:
Optional use of the 1985 NAIC Cancer Claim Cost Tables.

(b) Claim reserves:
No specific standard. See (5).

(4) Accidental death benefits.

(a) Contract reserves:
Contracts issued on or after January 1, 1992:
The 1959 Accidental Death Benefits Table.

Contracts issued during 1965 through 1991:
Optional use of the 1959 Accidental Death Benefits Tables.

(b) Claim reserves:
Actual amount incurred.

(5) Other individual contract benefits.

(a) Contract reserves:
For all other individual contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claim reserves:
For all benefits other than disability, claim reserves are to be determined as provided in the standards.

B. Minimum morbidity standards for valuation of specified group contract accident and health insurance benefits are as follows:

(1) Disability income benefits due to accident or sickness.

(a) Contract reserves:
Contracts issued prior to January 1, 1989:

The same basis, if any, as that employed by the insurer as of January 1, 1989.

Contracts issued on or after January 1, 1992:
The 1987 Commissioners Group Disability Income Table (87CGDT).

Contracts issued during 1989 through 1991:
Optional use of the 1989 standard or the 1987 CGDT.

(b) Claim reserves:
For claims incurred on or after January 1, 1992:
The 1987 Commissioners Group Disability Income Table (87CGDT).

For claims incurred prior to January 1, 1987:
The 1964 Commissioners Disability Table (64CDT).

For claims incurred during 1987 through 1991:
Optional use of either the 1964 Table or the 1987 Table.

(2) Other group contract benefits.

(a) Contract reserves:
For all other group contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claim reserves:
For all benefits other than disability, claim reserves are to be determined as provided in the standards.

II. INTEREST

A. For contract reserves the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the accident and sickness insurance contract.

B. For claim reserves the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the claim incurral date.

III. MORTALITY

The mortality basis used shall be according to a table (but without use of selection factors) permitted by law for the valuation of whole life insurance issued on the same date as the accident and sickness insurance contract.

Note: The tables referenced in this Appendix may be found as follows:

The 1964 Commissioners Disability Table, 1965 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 78-80.

The 1985 Commissioners Individual Disability Tables A, 1986 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 574-589.

The 1985 Commissioners Individual Disability Tables B, 1985 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 486-540.

The 1956 Intercompany Hospital-Surgical Tables, 1957 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 83-85.

The 1985 NAIC Cancer Claim Cost Tables, 1986 Proceedings of the National Association of Insurance Commissioners, Vol. I, pgs. 609-623.

The 1959 Accidental Death Benefits Table, Transactions of the Society of Actuaries, Vol. XI, pg. 754.

The 1987 Commissioners Group Disability Income Table, 1987 Proceedings of the National Association of Insurance Commissioners, Vol. II, pgs. 557-619.

Note: Reserves for waiver of premium. Waiver of premium reserves involve several special considerations. First, the disability valuation tables promulgated by the NAIC are based on exposures that include contracts on premium waiver as in-force contracts. Therefore, contract reserves based on these tables are not reserves on "active lives," but rather reserves on contracts "in force." This is true for the 1964 CDT and for both the 1985 CIDA and CIDB tables.

Accordingly, tabular reserves using any of these tables should value reserves on the following basis:

Claim reserves should include reserves for premiums expected to be waived, valuing as a minimum the valuation net premium being waived.

Premium reserves should include contracts on premium waiver as in-force contracts, valuing as a minimum the unearned modal valuation net premium being waived.

Contract reserves should include recognition of the waiver of premium benefit in addition to other contract benefits provided for, valuing as a minimum the valuation net premium to be waived.

If an insurer is, instead, valuing reserves on what is truly an active life table, or if a specific valuation table is not being used but the insurer's gross premiums are calculated on a basis that includes in the projected exposure only those contracts for which premiums are being paid, then it may not be necessary to provide specifically for waiver of premium reserves. Any insurer using the true "active life" basis should carefully consider, however, whether or not additional liability should be recognized on account of premiums waived during periods of disability or during claim continuation.

**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 ch. 623, Stats., and s. 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 ss. 204.321 (1) (d) and 206.60 (2), 1973 Stats., with regard to issuance of a group policy of accident and sickness insurance issued to a creditor to insure debtors of a creditor.

(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 s. 206.60 (2) (a) and (c), Stats., [1973] 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 s. 204.49 (4), Stats., this rule is to accomplish the purpose and enforce the provisions of ch. 625, Stats., in relation 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.

(h) 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 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, 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 indicate the limitation clearly.

(i) 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 the debtor is not satisfied with the insurance for any reason, as required by s. 424.203 (4), Stats., shall be given with the policy, certificate or notice of proposed insurance.

(j) 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 s. 422.202 (2s), Stats., are met. If 2 debtors are to be insured for credit life insurance each must receive the disclosure information and each one must request credit life insurance coverage. However, the individual policy or group certificate may be delivered to only one debtor.

(8) 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 to them 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, notice of proposed insurance and the premium rates to be used in this state.

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

(c) If the commissioner notifies the insurer that the form is disapproved, the insurer shall not issue or use the form. The notice shall specify the reason for the disapproval and state that a hearing will be granted not less than 10 nor more than 30 days after a request in writing by the insurer.

(cm) No policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until 30 days after it has been filed, unless the commissioner gives prior written approval.

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

The insurer shall not issue or use any form after the effective date of the withdrawal of the approval.

(9) 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 if the premium rate exceeds that established by the filed rate schedules of the insurer.

(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 the debtor that coverage will not be issued and shall promptly make an appropriate credit to the account of the debtor.

(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. If the creditor adds identifiable insurance charges or premiums for credit insurance to the total amount of indebtedness and a direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with the insurance charge, the creditor shall 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 these dividends may be deferred until 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 to the refund. The policy certificate 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 being terminated in connection with the indebtedness and all other credits due to the customer under chs. 421 to 427, Stats., shall be used to determine if a refund is due.

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

1. In the case of credit life or credit accident and sickness insurance for which premiums are payable other than by a single premium, and in the case of level term credit life insurance, the refund of premium shall be not less than the pro rata unearned gross premium. In the case of credit life or credit accident and sickness insurance paid by a single premium, the refund shall be not less than the amount computed by the "sum of digits" formula commonly known as the "Rule of 78."

2. In the case of credit life or credit accident and sickness insurance for which an amount is charged other than in a single sum, and in the case of level term credit life insurance, the refund of the amount charged to the debtor for insurance shall be equal to the pro rata unearned gross amount charged or to be charged. In the case of credit life and credit accident and sickness insurance for which the whole amount is charged in a single sum the refund shall be not less than the amount computed by the "sum of the digits" formula commonly known as the "Rule of 78."

3. Refunds shall be based on 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 16 days of a loan month has been earned, no charge may be made for that loan month, but if 16 days or more has been earned, a full month may be charged.

Note: The following par. (g) will be effective on April 1, 1990.

(g) Schedules for computing refunds in the event of cancellation of credit life or credit accident and sickness insurance prior to the scheduled maturity date of coverage shall meet the following minimum requirements:

1. For the following coverages paid for on a single premium or single charge basis, the refund shall be equal to or greater than the unearned gross premium or charge amount computed by the "sum of the digits" methods, commonly referred to as the "Rule of 78":

a. Credit life insurance that decreases by a uniform amount each month until the amount becomes zero;

b. Credit life insurance providing coverage for the full term of an indebtedness that is repayable in substantially equal installments with coverage amounts that equal or approximate the actual or net scheduled amount necessary to liquidate the indebtedness; and

c. Credit accident and sickness insurance with substantially equal monthly benefit amounts and with insurance coverage and maximum benefit periods that are coterminous.

2. For credit life insurance or credit accident and sickness insurance paid for on a monthly outstanding balance basis, the refund shall be equal to or greater than the pro rata unearned gross premium or charge.

3. For all coverages not described in subds. 1 and 2, the refund shall be equal to or greater than that based on the actuarial method, which is the prepaid premium or charge for scheduled benefits subsequent to the actual date of coverage termination computed at the schedule of premium rates or charges applicable to the coverage when it was effected.

Note: Examples of these coverages include truncated credit life insurance and floating critical period credit disability insurance.

4. Refunds shall be based on the number of full months prepaid from the actual date of coverage termination to the scheduled maturity date of coverage, counting a fractional month of 16 days or more as a full month.

5. Upon termination of indebtedness repayable in a single sum prior to scheduled maturity date, the refund shall be computed from the date of termination to the maturity date. If less than 16 days of a loan month has been earned, no charge may be made for that loan month, but if 16 days or more has been earned, a full month may be charged.

(h) If an insured's 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 shall advise the insurer of each transfer within 30 days of its effective date.

(i) Voluntary prepayment of indebtedness. If a debtor prepays the indebtedness other than as a result of death or through a lump sum disability payment:

1. Any credit life insurance covering this indebtedness shall be terminated and an appropriate refund of the credit life insurance premium shall be paid to the debtor; and

2. Any credit accident and sickness insurance covering this indebtedness shall be terminated and an appropriate refund of the credit accident and sickness insurance premium shall be paid to the debtor. If a claim under such coverage is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit accident and sickness benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.

(j) Involuntary prepayment of indebtedness. If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor or by a lump sum payment of a disability claim under a credit insurance policy covering the debtor, then it shall be the responsibility of the insurer to see that the following are paid to the insured debtor, if living, or the beneficiary, other than the creditor named by the debtor, or to the debtor's estate:

1. In the case of prepayment by the proceeds of a credit life insurance policy, or by the proceeds of a lump sum total and permanent disability benefit under credit life coverage, an appropriate refund of the credit accident and sickness insurance premium;

2. In the case of prepayment by a lump sum disability payment under credit accident and sickness coverage, an appropriate refund of the credit life insurance premium;

3. In either case, the amount of the benefits in excess of the amount required to repay the indebtedness after crediting any unearned interest or finance charges.

(10) CLAIMS AND EXAMINATION PROCEDURES. (a) All claims shall be reported to the insurer or its designated claim representative promptly, 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 a draft drawn upon the insurer or by a 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 another specified person.

(c) No plan or arrangement shall be used in which 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 but 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. This paragraph shall not 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 section.

(d) The insurer shall make a good faith examination of each credit life and credit accident and sickness 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 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 shall maintain records of examinations for 2 years.

(11) CHOICE OF INSURER. When credit life insurance or credit accident or 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 the debtor or of procuring and furnishing the required coverage through any insurer authorized to transact insurance business within this state.

(12) CREDIT INSURANCE PREMIUM RATE FILINGS. (a) Every credit insurer shall file with the commissioner every maximum premium rate schedule applicable to credit life or credit accident and sickness insurance in this state at least 30 days before the proposed effective date.

(b) The benefits provided under a credit life or credit accident and sickness insurance form shall be presumed to be reasonable in relation to the premium rate charged if the premium rates filed do not exceed the prima facie premium rate standards set forth in subs. (14) and (15) and if the forms provide benefits which are no more restrictive than the coverage standards enumerated in subs. (14) and (15).

(c) Nothing in this subsection 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 credible mortality or morbidity actually experienced or reasonably anticipated.

(13) USE OF PRIMA FACIE PREMIUM RATES GENERALLY. (a) An insurer that files rates or has rates on file that are not in excess of the prima facie rates may use those rates without further proof of their reasonableness.

(b) The initial prima facie premium rates are as shown in subs. (14) and (15) for the plans and benefits described in these subsections and shall remain in effect through December 31, 1990.

(c) On or before October 1, 1990, and each 3 years after that, the commissioner shall give written notice to all authorized insurers specifying the prima facie premium rates to be effective for the three-year period beginning on the next January 1. Such rates shall be determined based on experience data submitted by all insurers pursuant to sub. (19) for the immediately preceding 3 calendar years and shall be calculated as follows:

1. For each category of coverage specified in Appendix B, total prima facie earned premium and total incurred claims shall be calculated for each year for all insurers.

2. If, for any category of coverage, the prima facie premium rate in effect at any time during the three-year period differs from that in effect at the end of of the three-year period, prima facie premiums for that category of coverage shall be adjusted to reflect what the prima facie premium would have been if the prima facie premium rate in effect at the end of the three-year period had been in effect throughout the full three-year period;

3. For each category of coverage, the resulting data are summed separately for the total 3 years for prima facie earned premium and for incurred claims;

4. The credit life insurance adjustment factor is determined as follows:

a. Total credit life insurance data are computed by summing the data for single life coverage and joint life coverage separately for prima facie earned premium and for incurred claims;

b. Total credit life insurance incurred claims are divided by total credit life insurance prima facie earned premiums to determine the credit life insurance loss ratio at prima facie rates, rounded to 3 decimal places; and

c. The credit life insurance loss ratio at prima facie rates is divided by the basic loss ratio for credit life insurance. The quotient, rounded to 2 decimal places, is the credit life insurance adjustment factor;

5. The credit accident and sickness insurance adjustment factor is determined using the same procedure specified in subd. 4., except that:

a. Data for the specifically described categories of credit accident and sickness insurance are summed spearately for prima facie earned premium and for incurred claims;

b. A composite credit accident and sickness insurance basic loss ratio is computed as the average of the basic loss ratio for each category of coverage weighted by the corresponding proportionate amount of prima facie earned premium for that category of coverage; and

c. If the quotient of the credit accident and sickness loss ratio at prima facie rates divided by the composite credit accident and sickness basic loss ratio is greater than .95 and less than 1.05, the credit accident and sickness adjustment factor shall be 1.00.

6. For single premium uniformly decreasing single life credit life insurance coverage, the new prima facie premium rate per $100 of initial indebtedness per year equals the prima facie premium rate then in effect multiplied by the credit life insurance adjustment factor, rounded to the nearest cent. This new prima facie premium rate is then multiplied by the following factors to derive the new prima facie premium rate for the indicated plan:

a. 1.85 for the single premium rate per $100 per year for level coverage on a single life, rounded to the nearest cent; or

b. 1.54 for the monthly premium rate per $1,000 outstanding balance coverage, rounded to the nearest one-tenth cent.

7. For credit accident and sickness coverage, the new prima facie premium rate per $100 initial coverage for each category of coverage and for each duration equals the then currently effective prima facie premium

rate per $100 for the same category of coverage and duration multiplied by the credit accident and sickness insurance adjustment factor, rounded to the nearest cent.

(d) The basic loss ratio for credit life insurance shall be .50. The basic loss ratio for credit accident and sickness insurance shall vary by plan as follows:

1. 14 days retroactive waiting period — .60

2. 14 days nonretroactive elimination period — .59

3. 30 days retroactive waiting period — .57

4. 30 days nonretroactive elimination period — .52

(e) If a form provides for plans or benefits that differ from those described in subs. (14) and (15), the insurer shall demonstrate to the satisfaction of the commissioner that the premium rate or schedule of premium rates applicable to the form will or may reasonably be expected to achieve the applicable basic loss ratio or such other loss ratio as may be determined by the commissioner to be consistent with s. 424.209, Stats., or that the rate or rates are actuarially consistent with the prima facie premium rates.

(14) PRIMA FACIE CREDIT LIFE INSURANCE PREMIUM RATES. (a) If premiums are payable monthly on the outstanding insured balance basis for term insurance on a single insured debtor, the initial prima facie premium rate shall be $0.616 per month per $1,000 of outstanding insured indebtedness.

(b) If premiums are payable on a single premium basis for straight-line decreasing term insurance on a single insured debtor, the initial prima facie premium rate shall be $0.40 per annum per $100 of initial insured indebtedness.

(c) If premiums are payable on a single premium basis for level term insurance on a single insured debtor, the initial prima facie premium rate shall be $0.74 per annum per $100 of initial insured indebtedness.

(d) The prima facie premium rate for credit life insurance providing coverage on two lives with respect to a single indebtedness shall be 150% of the corresponding single life prima facie premium rate until December 31, 1990, and shall be 167% of the corresponding single life prima facie premium rate on and after January 1, 1991.

(e) The prima facie rates shall apply to all policies providing credit life insurance which are offered to all debtors.

1. If evidence of individual insurability is not required, the policy shall contain no exclusion for pre-existing conditions except for those conditions which manifested themselves to the insured debtor by requiring medical advice, diagnosis, consultation or treatment, or would have caused a reasonably prudent person to have sought medical advice, diagnosis, consultation or treatment, within 6 months preceding the effective date of coverage and which causes loss within 6 months following the effective date of coverage. Under open-end credit plans, the effective date of coverage applies separately with respect to each purchase or loan to which the coverage relates.

2. Whether or not evidence of insurability is required the policy shall contain:

a. No suicide exclusions other than suicide within one year of the effective date of coverage. Under open-end credit plans, the effective date of coverage applies separately with respect to each purchase or loan to which the coverage relates;

b. Either no age restrictions, or age restrictions making ineligible for coverage debtors 65 or over at the time indebtedness is incurred or debtors who will have attained age 66 on the maturity date of the indebtedness. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance, classes of debtors determined by age, and may provide for the cessation of the insurance or a reduction in the amount of insurance upon attainment of not less than age 65;

c. At the option of the insurer and in lieu of a pre-existing condition exclusion, for monthly outstanding balance premium coverage on open-end credit transactions, a provision limiting the amount of insurance payable on death due to natural causes to the balance of the loan as it existed 6 months prior to the date of death if there have been one or more increases in the outstanding insured balance of the loan during such 6 months period and if evidence of individual insurability is not required at the time of the increase in the amount of insurance.

(f) Evidence of insurability may be based either on questions relating to specific health history or based on an objective test such as active full-time work.

(15) PRIMA FACIE CREDIT ACCIDENT AND SICKNESS PREMIUM RATES. (a) The initial credit accident and sickness prima facie premium rates for the insured portion of an indebtedness repayable in equal monthly installments, where the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid, shall be as set forth in subs. 1. and 2. below:

1. As set forth in Appendix A, if premiums are payable on a single premium basis for the duration of the coverage; or

2. If premiums are paid on the basis of a premium rate per month per $1,000 of outstanding insured indebtedness, these premiums shall be computed according to a formula approved by the commissioner as producing a rate or rates actuarially consistent with the single premium prima facie premium rates.

(b) The prima facie rates shall apply to policies providing credit accident and sickness insurance which are issued with or without evidence of insurability, and which are offered to all debtors.

1. If evidence of individual insurability is not required there shall be no exclusion for pre-existing conditions, except for those conditions which manifested themselves to the insured debtor by requiring medical advice, diagnosis, consultation or treatment, or would have caused a reasonably prudent person to have sought medical advice, diagnosis, consultation or treatment, within 6 months preceding the effective date of coverage and which causes loss within 6 months following the effective date of coverage. Under open-end credit plans, the effective date of cover-

age applies separately with respect to each purchase or loan to which the coverage relates;

2. Whether or not evidence of insurability is required the policy shall contain:

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

b. Either no age restrictions, or age restrictions making ineligible for coverage debtors age 65 or over at the time the indebtedness is incurred, or debtors who will have attained age 66 on the maturity date of the indebtedness. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age, and may provide for the cessation of the insurance or a reduction in the amount of insurance upon attainment of not less than age 65.

c. A provision which defines disability as the inability to perform any occupation for which the debtor is reasonably fitted by education, training or experience after the period of disability has lasted for 12 consecutive months. During the first 12 consecutive months of disability, the definition must relate the disability to the occupation of the debtor at the time the disability occurred.

(c) No individual 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 is retroactive to the first day of disability.

(16) USE OF RATES HIGHER THAN PRIMA FACIE RATES. (a) An insurer may file for approval and use rates that are higher than the prima facie rates if it can be reasonably expected that the use of these higher rates will result in a ratio of claims incurred to premiums earned that is not less than the applicable basic loss ratio.

(b) These higher rates may be:

1. Applied uniformly to all applicable credit insurance of the insurer; or

2. Applied according to a case-rating procedure on file with and approved by the commissioner.

(c) An insurer electing to file a case rating procedure may either file its own plan for approval by the commissioner or may use the standard case rating procedure specified in sub. (17).

(17) STANDARD CASE RATING PROCEDURE. (a) An insurer, by written notice to the commissioner of its election to do so, may file and use rates determined by the standard case rating procedure. If elected, the procedure shall be used by the insurer to rate all of its credit insurance in this state.

(b) The case rate shall be the prima facie premium rate if the life years exposure is less than the minimum life years exposure shown below:

| Plan of Benefits | Minimum Life Years Exposure |
|---|---|
| Life - Single | 1,900 |
| Life - Joint | 1,200 |
| Accident and Sickness: | |
| 14 Day Non Retroactive | 100 |
| 14 Day Retroactive | 100 |
| 30 Day Non Retroactive | 200 |
| 30 Day Retroactive | 200 |

(c) If the life years exposure is not less than the minimum life years exposure, the case rate for a plan of benefits shall be calculated as the product of the deviation factor determined in par. (d) and the prima facie premium rate in effect at the end of the experience period. The case rates shall be rounded to the nearest cent per $1000 indebtedness for single premiums payable on the basis of monthly outstanding balances.

(d) Deviation factor determination. The deviation factor shall be determined using the following worksheet:

| Plan of Benefits | Prima Facie Incidence | Basic Loss Ratio |
|---|---|---|
| Life - Single | 0.00369 | .50 |
| Life - Joint | 0.00554 | .50 |
| Accident and Sickness: | | |
| 14 Day Non Retroactive | 0.05200 | .59 |
| 14 Day Retroactive | 0.05980 | .60 |
| 30 Day Non Retroactive | 0.03081 | .52 |
| 30 Day Retroactive | 0.03543 | .57 |

Basic Data Entry:
Plan of Coverage _____
Actual Earned Premium _____
Prima Facie Earned Premium _____
Incurred Claims _____
Number of Years in Experience Period _____
Life Years Exposure _____

All calculations below shall be taken to five decimal places:

| Line Number | Description of Item | Value |
|---|---|---|
| 1 | Prima Facie Incidence | _____ |
| 2 | Life Years Exposure | _____ |
| 3 | Prima Facie Loss Ratio | _____ |
| 4 | Basic Loss Ratio | _____ |
| 5 | Line 3 Divided by Line 4 | _____ |
| 6 | Line 5 Times Line 1 | _____ |
| 7 | Line 6 Minus Line 1 | _____ |
| 8 | Line 2 Times Line 7 | _____ |
| 9 | Line 8 Times Line 7 | _____ |
| 10 | One Minus Line 1 | _____ |
| 11 | Line 10 Times Line 1 | _____ |
| 12 | Line 9 Minus Line 11 | _____ |

IF LINE 12 IS GREATER THAN ZERO, GO ON TO LINE 13.
If LINE 12 IS LESS THAN OR EQUAL TO ZERO, THE DEVIATION FACTOR IS ONE AND THE CASE RATE IS THE PRIMA FACIE RATE BASIS CURRENTLY IN EFFECT.

| | | |
|---|---|---|
| 13 | Line 2 Times Line 6 | _____ |
| 14 | One Plus Two Times Line 13 | _____ |
| 15 | One Plus Line 2 | _____ |
| 16 | Line 13 Times Line 6 | _____ |
| 17 | Line 14 Squared | _____ |
| 18 | Line 15 Times Line 16 Times Four | _____ |
| 19 | Line 17 Minus Line 18 | _____ |
| 20 | Square Root of Line 19 | _____ |
| 21 | Two Times Line 15 | _____ |
| 22 | Line 14 Divided by Line 21 | _____ |
| 23 | Line 20 Divided by Line 21 | _____ |
| 24 | Line 22 Plus Line 23 | _____ |
| 25 | Line 22 Minus Line 23 | _____ |

IF LINE 12 IS LESS THAN OR EQUAL TO ZERO, LINE 26 EQUALS LINE 1; OTHERWISE, IF LINE 5 EXCEEDS ONE, LINE 26 EQUALS LINE 25, AND IF LINE 5 IS LESS THAN ONE, THEN LINE 26 EQUALS LINE 24

| | | |
|---|---|---|
| 26 | Credibility Adjusted Incidence | _____ |
| 27 | Deviation Factor<br>The greater of 1 or Line 26 Divided by Line 1 | _____ |

(e) The period of time for which a case rate may be used by an insurer may not exceed the length of the experience period on which the rate is based. However, the period may not be less than one year nor more than 3 years.

(18) CHANGE OF INSURERS. (a) If a creditor changes insurers, the case rate applicable to that creditor's coverage may be used by the replacing insurer under the same terms and conditions that apply to the replaced insurer;

(b) If the case rate is higher than the prima facie premium rate on the date of change, the replacing insurer shall furnish notice of the change of insurers to the commissioner within 30 days following the date of change. The notice shall include the identity of the creditor and of the replaced insurer, the approved case rate applicable to the creditor's coverage and the rate to be charged by the replacing insurer, and shall request that the commissioner inform the replacing insurer of the termination date of the case rate applicable to the creditor's coverage. In no event shall the replacing insurer charge a rate higher than that approved for use by the replaced insurer for the remainder of the case rate period or, if sooner, until a new case rate for that creditor's coverage is approved by the commissioner.

(19) FILING OF EXPERIENCE INFORMATION. Every insurer having credit life insurance or credit accident and sickness insurance in force in this state shall report Wisconsin experience data annually in the form of Appendix B. The experience data for each calendar year shall be submitted as specified in the instructions to the annual statement and shall be accompanied by the following:

(a) Written certification by an officer of the insurer that the report fully complies with this reporting requirement and is prepared according to the instructions in sub. (21) except as may be noted and explained in such certification; and

(b) An actuarial description specifying the basis of calculation of unearned premium reserves and claim reserves and liabilities for each category of business, signed by a qualified actuary as defined in s. Ins 6.12.

(20) FINANCIAL STATEMENT MINIMUM RESERVES. (a) Each insurer shall show, as a liability in any financial statement or report required under s. 601.42, Stats., except for the report required to be filed under sub. (19), its policy or unearned premium reserve in an amount not less than as computed in pars. (b) through (e). 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 minimum mortality and interest standards for active life reserves for individual credit life insurance policies shall be not less than 100% of the commissioners 1958 standard ordinary mortality table at 4½% annual interest.

(c) The minimum mortality and interest standards for active life reserves for group credit life insurance policies shall be not less than 100% of the commissioners 1960 standard group mortality table at 4½% annual interest.

(d) The minimum morbidity and interest standards for active life reserves 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 commissioners 1964 disability table at 4½% annual interest, or the unearned premium reserve.

(e) With the approval of the commissioner, a company may, for valuation purposes, use any appropriate mortality or morbidity table, in lieu of those specified in pars. (b), (c) and (d), that is based on credible credit life or disability experience and either explicitly or implicitly has adequate margins for the present value of all future unaccured liabilities.

(f) Unearned premium reserve shall be computed according to the method for calculating unearned premiums prescribed in sub. (21) for use in completing Appendix B.

(21) INSTRUCTIONS FOR COMPLETING APPENDIX B. (a) Data shall be provided for all coverage in force at any time during the calendar year, excluding coverage for which no indentifiable charge is made to insured debtors.

(b) Unearned premiums shall be reported consistently as of the beginning and the end of each year, and shall be based on the premium that would be charged for the remaining amount and term of coverage using the premium rate or schedule of premium rates in effect at the time the coverage became effective. The following calculation bases shall be deemed to comply with this requirement in lieu of a precise calculation:

1. For single premium uniformly decreasing credit life insurance coverage, the "sum of the digits" method, commonly know as the "Rule of 78";

2. For single premium credit accident and sickness coverage with substantially equal monthly benefits and with coterminous coverage and benefit periods, the arithmetic mean of the unearned premium calculated according to the "sum of the digits" method and the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

3. For premiums payable on a monthly outstanding balance basis, single premium level life coverage or any other coverage where the benefit amount remains constant throughout the remaining coverage period, the pro rata unearned premium calculated as the original premium multiplied by the ratio of the remaining coverage term to the original coverage term;

4. For decreasing credit life insurance coverge provided for the full term of the indebtedness where the benefit is equal to the actual or scheduled net amount necessary to liquidate the indebtedness, the unearned premium calculated as the original premiums multiplied by the ratio of the scheduled remaining dollar-months of coverage to the scheduled initial dollar-months of coverage. Dollar-months of coverage may be approximated using an assumed interest rate that is reasonably representative of the interest rates applicable to all indebtedness with respect to which coverage is provided on this basis;

5. For credit life insurance coverage providing a combination of level and decreasing benefits, or providing a truncated coverage period or providing full-term coverage of an indebtedness that requires a balloon pay-

ment, an appropriate combination of methods described in this paragraph; or

6. Any other reasonable approximation method approved by the commissioner.

7. In this paragraph, a "dollar-month of coverage" means one dollar of coverage for one month.

(c) Unearned premium for partial months may be calculated on an exact daily basis, on a basis assuming that the valuation date occurs in the middle of each installment period or using the method commonly known as the "15 day 16 day rule" in which the value at the beginning of the month is used if less than 16 days have elapsed in the current month and the value at the end of the month is used if more than 15 days have elapsed in the current month. For the purpose of the "15 day-16 day rule," the current month shall be deemed to begin on the day following the most recent payment due date of the indebtedness and end on the next succeeding payment due date. The valuation date shall be counted as a full day.

(d) Claim reserves and liabilities shall be reported on a consistent basis from year to year. Any change in the basis of calculation shall be disclosed, together with a recalculation of all items as of the end of the preceding calendar year according to the revised basis.

(e) Prima facie earned premium shall be reported as the premium that would have been earned if all coverage had been written at the prima facie premium rates in effect as of the last day of the calendar year for which the experience is submitted. Thus, an adjustment to actual premium will be required for all coverage written at other than the prima facie rate and for any business written at a prima facie rate that differs from the corresponding prima facie rate in effect on the last day of the calendar year for which the experience is submitted.

(22) PENALTY. Violations of this section shall subject the violator to ss. 601.64 and 601.65, Stats.

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; am. (4) and (11) (d), cr. (12) (h) and (13) (d), Register, March, 1977, No. 255, eff. 4-1-77; am. (1), (2) and (14) (e), Register, March, 1979, No. 279, eff. 4-1-79; am. (12) (b) to (e), Register, September, 1981, No. 309, eff. 10-1-81; r. (19) under s. 13.93 (2m) (b) 16, Stats., Register, December, 1984, No. 348; reprinted to correct printing errors in (13) (b), (14) (c) and (f), Register, June, 1986, No. 366; r. and recr. Register, November, 1987, No. 383, eff. 1-1-88; am. (8) (c) and (17) (d), Register, November, 1988, No. 395, eff. 12-1-88; r. and recr. (9) (g), am. (13) (b) and (c) (intro.), (14) (d), (19) (intro.), (20) (a) and Appendix B, r. (20) (d), renum. (20) (e) to (g) to be (20) (d) to (f) and am. (20) (e) and (f), Register, November, 1989, No. 407, eff. 12-1-89, except (9) (g) eff. 4-1-90.

## Appendix A

## GROUP CREDIT DISABILITY INSURANCE SINGLE PREMIUM RATES PER $100 OF INITIAL INSURED INDEBTEDNESS

BENEFITS PAYABLE AFTER:

| Original number of equal monthly installments | the 14th day of disability | | the 30th day of disability | |
|---|---|---|---|---|
| | Retroactive to first day | Non-retroactive | Retroactive to first day | Non-retroactive |
| 6 | 1.74 | 1.39 | 1.10 | .69 |
| 7 | 1.84 | 1.56 | 1.30 | .80 |
| 8 | 1.94 | 1.66 | 1.40 | .89 |
| 9 | 2.02 | 1.74 | 1.49 | .97 |
| 10 | 2.10 | 1.82 | 1.58 | 1.05 |
| 11 | 2.17 | 1.89 | 1.63 | 1.12 |
| 12 | 2.23 | 1.95 | 1.68 | 1.18 |
| 13 | 2.29 | 2.01 | 1.72 | 1.24 |
| 14 | 2.35 | 2.07 | 1.75 | 1.30 |
| 15 | 2.41 | 2.13 | 1.79 | 1.35 |
| 16 | 2.46 | 2.18 | 1.82 | 1.40 |
| 17 | 2.51 | 2.23 | 1.86 | 1.45 |
| 18 | 2.56 | 2.27 | 1.89 | 1.50 |
| 19 | 2.60 | 2.32 | 1.91 | 1.54 |
| 20 | 2.65 | 2.36 | 1.94 | 1.59 |
| 21 | 2.69 | 2.40 | 1.97 | 1.62 |
| 22 | 2.73 | 2.44 | 1.99 | 1.64 |
| 23 | 2.77 | 2.48 | 2.02 | 1.67 |
| 24 | 2.81 | 2.52 | 2.04 | 1.69 |
| 25 | 2.85 | 2.56 | 2.06 | 1.71 |
| 26 | 2.88 | 2.60 | 2.09 | 1.73 |
| 27 | 2.92 | 2.63 | 2.11 | 1.75 |
| 28 | 2.95 | 2.67 | 2.13 | 1.77 |
| 29 | 2.99 | 2.70 | 2.15 | 1.79 |
| 30 | 3.02 | 2.74 | 2.17 | 1.82 |
| 31 | 3.06 | 2.77 | 2.19 | 1.83 |
| 32 | 3.09 | 2.80 | 2.21 | 1.85 |
| 33 | 3.12 | 2.83 | 2.23 | 1.87 |
| 34 | 3.15 | 2.86 | 2.25 | 1.89 |
| 35 | 3.18 | 2.90 | 2.27 | 1.91 |

Appendix A — Group Credit Disability Insurance (continued)

| Original number of equal monthly installments | BENEFITS PAYABLE AFTER: the 14th day of disability | | the 30th day of disability | |
|---|---|---|---|---|
| | Retroactive to first day | Non-retroactive | Retroactive to first day | Non-retroactive |
| 36 | 3.21 | 2.93 | 2.29 | 1.93 |
| 37 | 3.24 | 2.96 | 2.30 | 1.94 |
| 38 | 3.27 | 2.99 | 2.32 | 1.96 |
| 39 | 3.30 | 3.01 | 2.34 | 1.98 |
| 40 | 3.33 | 3.04 | 2.35 | 1.99 |
| 41 | 3.36 | 3.07 | 2.37 | 2.01 |
| 42 | 3.39 | 3.10 | 2.39 | 2.03 |
| 43 | 3.41 | 3.13 | 2.40 | 2.04 |
| 44 | 3.44 | 3.15 | 2.42 | 2.06 |
| 45 | 3.47 | 3.18 | 2.44 | 2.08 |
| 46 | 3.50 | 3.21 | 2.45 | 2.09 |
| 47 | 3.52 | 3.23 | 2.47 | 2.11 |
| 48 | 3.55 | 3.26 | 2.48 | 2.12 |
| 49 | 3.57 | 3.29 | 2.50 | 2.14 |
| 50 | 3.60 | 3.31 | 2.51 | 2.15 |
| 51 | 3.62 | 3.34 | 2.53 | 2.16 |
| 52 | 3.65 | 3.36 | 2.54 | 2.18 |
| 53 | 3.67 | 3.39 | 2.56 | 2.19 |
| 54 | 3.70 | 3.41 | 2.57 | 2.21 |
| 55 | 3.72 | 3.43 | 2.58 | 2.22 |
| 56 | 3.75 | 3.46 | 2.60 | 2.24 |
| 57 | 3.77 | 3.48 | 2.61 | 2.25 |
| 58 | 3.79 | 3.51 | 2.63 | 2.26 |
| 59 | 3.82 | 3.53 | 2.64 | 2.28 |
| 60 | 3.84 | 3.55 | 2.65 | 2.29 |
| 61 | 3.88 | 3.58 | 2.68 | 2.30 |
| 62 | 3.91 | 3.60 | 2.69 | 2.32 |
| 63 | 3.93 | 3.62 | 2.70 | 2.33 |
| 64 | 3.95 | 3.64 | 2.72 | 2.34 |
| 65 | 3.97 | 3.67 | 2.73 | 2.35 |
| 66 | 4.00 | 3.69 | 2.74 | 2.37 |
| 67 | 4.02 | 3.71 | 2.76 | 2.38 |
| 68 | 4.04 | 3.73 | 2.77 | 2.39 |

Appendix A — Group Credit Disability Insurance (continued)

| Original number of equal monthly installments | BENEFITS PAYABLE AFTER: the 14th day of disability | | the 30th day of disability | |
|---|---|---|---|---|
| | Retroactive to first day | Non-retroactive | Retroactive to first day | Non-retroactive |
| 69 | 4.06 | 3.75 | 2.78 | 2.40 |
| 70 | 4.08 | 3.77 | 2.79 | 2.42 |
| 71 | 4.11 | 3.80 | 2.81 | 2.43 |
| 72 | 4.13 | 3.82 | 2.82 | 2.44 |
| 73 | 4.15 | 3.84 | 2.83 | 2.45 |
| 74 | 4.17 | 3.86 | 2.84 | 2.47 |
| 75 | 4.19 | 3.88 | 2.85 | 2.48 |
| 76 | 4.21 | 3.90 | 2.87 | 2.49 |
| 77 | 4.23 | 3.92 | 2.88 | 2.50 |
| 78 | 4.25 | 3.94 | 2.89 | 2.51 |
| 79 | 4.27 | 3.96 | 2.90 | 2.52 |
| 80 | 4.29 | 3.98 | 2.91 | 2.54 |
| 81 | 4.31 | 4.00 | 2.92 | 2.55 |
| 82 | 4.33 | 4.02 | 2.94 | 2.56 |
| 83 | 4.35 | 4.04 | 2.95 | 2.57 |
| 84 | 4.37 | 4.06 | 2.96 | 2.58 |
| 85 | 4.39 | 4.08 | 2.97 | 2.59 |
| 86 | 4.41 | 4.10 | 2.98 | 2.60 |
| 87 | 4.43 | 4.12 | 2.99 | 2.61 |
| 88 | 4.45 | 4.14 | 3.00 | 2.63 |
| 89 | 4.47 | 4.16 | 3.01 | 2.64 |
| 90 | 4.49 | 4.18 | 3.03 | 2.65 |
| 91 | 4.51 | 4.20 | 3.04 | 2.66 |
| 92 | 4.52 | 4.21 | 3.05 | 2.67 |
| 93 | 4.54 | 4.23 | 3.06 | 2.68 |
| 94 | 4.56 | 4.25 | 3.07 | 2.69 |
| 95 | 4.58 | 4.27 | 3.08 | 2.70 |
| 96 | 4.60 | 4.29 | 3.09 | 2.71 |
| 97 | 4.62 | 4.31 | 3.10 | 2.72 |
| 98 | 4.64 | 4.32 | 3.11 | 2.73 |
| 99 | 4.65 | 4.34 | 3.12 | 2.74 |
| 100 | 4.67 | 4.36 | 3.13 | 2.75 |
| 101 | 4.69 | 4.38 | 3.14 | 2.76 |

Appendix A — Group Credit Disability Insurance (continued)

| Original number of equal monthly installments | BENEFITS PAYABLE AFTER: the 14th day of disability | | the 30th day of disability | |
|---|---|---|---|---|
| | Retroactive to first day | Non-retroactive | Retroactive to first day | Non-retroactive |
| 102 | 4.71 | 4.40 | 3.15 | 2.77 |
| 103 | 4.73 | 4.41 | 3.16 | 2.78 |
| 104 | 4.74 | 4.43 | 3.17 | 2.79 |
| 105 | 4.76 | 4.45 | 3.18 | 2.80 |
| 106 | 4.78 | 4.47 | 3.19 | 2.81 |
| 107 | 4.80 | 4.49 | 3.20 | 2.82 |
| 108 | 4.81 | 4.50 | 3.21 | 2.84 |
| 109 | 4.83 | 4.52 | 3.22 | 2.84 |
| 110 | 4.85 | 4.54 | 3.23 | 2.85 |
| 111 | 4.86 | 4.55 | 3.24 | 2.86 |
| 112 | 4.88 | 4.57 | 3.25 | 2.87 |
| 113 | 4.90 | 4.59 | 3.26 | 2.88 |
| 114 | 4.92 | 4.61 | 3.27 | 2.89 |
| 115 | 4.93 | 4.62 | 3.28 | 2.90 |
| 116 | 4.95 | 4.64 | 3.29 | 2.91 |
| 117 | 4.97 | 4.66 | 3.30 | 2.92 |
| 118 | 4.98 | 4.67 | 3.31 | 2.93 |
| 119 | 5.00 | 4.69 | 3.32 | 2.94 |
| 120 | 5.02 | 4.71 | 3.33 | 2.95 |

Formula 1.25 × Claim Cost + $.60 (subject to a maximum of 2 × Claim Cost)

# Appendix B

## CREDIT LIFE AND ACCIDENT AND HEALTH EXPERIENCE EXHIBIT

For the year ended December 31, 19.....

Of the .....Insurer's Company

Address (City, State and Zip Code) .....

NAIC Group Code .....NAIC Company Code .....

To be filed on or before the date required in the instructions to the annual statement.

Direct Business in the State of .....

PART 1—CREDIT LIFE INSURANCE

| | Single | Joint | Total |
|---|---|---|---|
| 1. Earned Premiums: | | | |
| A. Direct written premiums | | | |
| B. Refunds on terminations | | | |
| C. Net written premiums (A - B) | | | |
| D. Premium reserves, start of period | | | |
| E. Premium reserves, end of period | | | |
| F. Actual earned premiums (C + D - E) | | | |
| G. Earned premiums at prior rate level | | | |
| 2. Incurred Claims: | | | |
| A. Claims paid | | | |
| B. Unearned claim reserve, start of period | | | |
| C. Unearned claim reserve, end of period | | | |
| D. Claim reserves, start of period | | | |
| E. Claim reserves, end of period | | | |
| F. Incurred claims (A - B + C - D + E) | | | |
| 3. Loss Ratio: | | | |
| A. Actual loss ratio (F/F) | % | % | % |
| B. Loss ratio at prior rate level (F/G) | % | % | % |
| 4. Net insurance in force | | | |
| 5. Earned per $1,000 net insurance in force (E/A/1,000) | | | |

PART 2—CREDIT ACCIDENT AND HEALTH INSURANCE

| | 7 Day Basis | 14 Day Basis | 15 Day Mo. Basis | 30 Day Basis | 30 Day Mo. Basis | Other | Total |
|---|---|---|---|---|---|---|---|
| 1. Earned Premiums: | | | | | | | |
| A. Direct written premiums | | | | | | | |
| B. Refunds on terminations | | | | | | | |
| C. Net written premiums (A - B) | | | | | | | |
| D. Premium reserves, start of period | | | | | | | |
| E. Premium reserves, end of period | | | | | | | |
| F. Actual earned premiums (C + D - E) | | | | | | | |
| G. Earned premiums at prior rate level | | | | | | | |
| 2. Incurred Claims: | | | | | | | |
| A. Claims paid | | | | | | | |
| B. Unearned claim reserve, start of period | | | | | | | |
| C. Unearned claim reserve, end of period | | | | | | | |
| D. Claim reserves, start of period | | | | | | | |
| E. Claim reserves, end of period | | | | | | | |
| F. Incurred claims (A - B + C - D + E) | | | | | | | |
| 3. Loss Ratio: | | | | | | | |
| A. Actual loss ratio (F/F) | % | % | % | % | % | % | % |
| B. Loss ratio at prior rate level (F/G) | % | % | % | % | % | % | % |