

LIFE INSURANCE (A) COMMITTEE

Reference:

1989 Proc. I p. 670
1988 Proc. II p. 476

Harold C. Yancey, Chairman—Utah
Mike Weaver, Vice Chairman—Ala.

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AGENDA

1. Adopt Little Rock Minutes
2. Report of Life Cost Disclosure Task Force
3. Report of Product Development Task Force
4. Report on Accelerated Benefit Riders
5. Report of Life and Health Actuarial Task Force
6. Report on State Adoption of Amendments on Preneed Funeral Plans Funded With Life Insurance or Annuities
7. Reaffirmation of Life Insurance Buyer's Guide
8. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in Sections E/F of the Hyatt Regency in Cincinnati, Ohio, at 10:30 a.m. on June 7, 1989. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: Mike Weaver, Vice Chair (Ala.); Roxani Gillespie (Calif.); Margurite C. Stokes (D.C.); William D. Hager (Iowa); Douglas D. Green (La.); Gerald Grimes (Okla.); and Theodore "Ted" Kulongoski (Ore.).

1. Adopt Little Rock Minutes

Upon motion duly made and seconded, the minutes of the March 21, 1989 meeting held in Little Rock, Ark., were adopted (Attachment Four).

2. Report of Life Cost Disclosure Task Force

Superintendent Margurite C. Stokes (D.C.) reported that the task force had concluded six years of work on a proposal for an alternative to the Life Insurance Disclosure Model Regulation. She said the task force recommended the adoption of the Optional Form of the Life Insurance Disclosure Model Regulation with Yield Index as an alternative to the Life Insurance Disclosure Model Regulation for those states wishing to use the yield index. Superintendent Stokes expressed the task force's appreciation to Ted Becker (Texas) and John Montgomery (Calif.) for the exceptional work they did on this product.

Upon motion duly made and seconded, the committee adopted the report of the Life Cost Disclosure Task Force, including its recommendation that the task force be disbanded upon adoption of their work product at the Executive Committee meeting in Cincinnati.

3. Report of Product Development Task Force

Commissioner William Hager (Iowa) presented the report of the task force, commenting specifically on the report of the Consumer Disclosure Issues Working Group. The task force adopted disclosure statements for universal and indeterminate premium life products designed to assist consumers in their comparison of different types of interest sensitive life insurance products. After a survey of the states determined regulatory problems existed with these products, disclosure statements were developed as amendments to the NAIC Life Insurance Disclosure Model Regulation and the Universal Life Insurance Model Regulation. Commissioner Hager highlighted

the requirement that disclosure statements be delivered at the time of application or no later than 15 days thereafter. He said further that if these disclosure statements are not provided until the time of policy delivery, consumers would receive an additional five-day free look. In order to be certain that the disclosure statements are comprehensible by consumers, these statements will be field-tested over the next three or four months. If amendments are necessary, they will be considered for adoption at the December meeting of the task force. He emphasized that the field testing of these statements is extremely narrow in scope, related only to the readability of the forms by consumers.

Upon motion duly made and seconded, the committee adopted the report of the Product Development Task Force.

Commissioner Harold Yancey (Utah) commended Commissioner Hager and Mr. Becker for their diligence on this project.

4. Report on Accelerated Benefit and Living Benefit Riders

Commissioner Yancey discussed the need for committee attention to be directed to the issue of accelerated benefit and living benefit riders. He reported that many states had begun to take action in the form of life insurance legislation on these riders and distributed to the committee an update on state legislation prepared by the NAIC staff (Attachment One). He reported that the officers have requested that this project receive priority consideration from the committee in order to have a report ready for the September meeting; therefore, he would schedule a meeting in Kansas City in late June in order to decide how to proceed. In an effort to encourage participation from states which do not serve on this committee, letters will be sent to all commissioners inviting them to attend and assist in identifying minimum requirements or standards necessary for these riders. He hopes that the committee will have recommendations drafted which can be forwarded to the states for comment prior to the September meeting. Issues he anticipates will need to be addressed include: rates, actuarial projections and reserving practices.

Commissioner Hager agreed with this approach and commented that public policy dictates that the appropriate method of dealing with the riders be pursued. Further he brought to the committee's attention that the Life and Health Actuarial Task Force has just received approval of a technical project and will begin to focus its resources on the reserving issues. He inquired of Mr. Becker what time frame would be necessary to have the actuarial component ready; Mr. Becker responded that a preliminary report would be made to the Actuarial Task Force meeting Oct. 5 and 6 in San Francisco. Mr. Becker hopes an exposure draft will be ready for presentation to the Life Insurance (A) Committee in December. Jim Swenson (Ore.) commented that Oregon has been approving these riders subject to limited guidelines established in that state. He feels strongly that more formal guidelines need to be adopted. He further commented that the scope of this project should encompass a review of long-term care products as well.

5. Report on Adoption of Amendments of Preneed Funeral Plans

Commissioner Hager commented that he chaired the task force last year that drafted model language for preneed funeral plans funded with life insurance or annuities. At the direction of the Life Insurance Committee, he was asked to report at this meeting on the status of state adoption of those NAIC amendments. He reported that three states had adopted model language or similar language (Attachment Two). He encouraged other states to review these amendments and adopt this regulatory mechanism to deal with preneed funeral plans.

6. Reaffirmation of Life Insurance Buyer's Guide

Commissioner Yancey reported on the *Life Insurance Buyer's Guide* which is attached as Appendix A to the Life Insurance Disclosure Model Regulation. He said a review of the *NAIC Proceedings* had determined that the amendments to the *Buyer's Guide* adopted in 1984 were inadvertently omitted, so there is no permanent record of the current correct version. He further commented that many insurance companies may be using the incorrect version from the model laws.

Upon motion duly made and seconded, the *Life Insurance Buyer's Guide* as attached to these minutes was adopted and will be included in the *NAIC Proceedings* (Attachment Three).

7. Any Other Matters Brought Before the Committee

Commissioner Yancey discussed information received from the Texas Insurance Department concerning the proliferation of contracts in the funeral expense insurance business. He said the contracts, which are sold to older citizens or those in poor health, will frequently pay as a death benefit only the premium paid in at the date of death with perhaps a minimal interest accumulation. On some occasions, an accidental death benefit is sold with the policy for a separate premium; thus, the only mortality risk incurred is subject to separate charges. Considerable discussion ensued about the nature of these products. Superintendent Stokes encouraged the committee to consider these issues, and Mr. Swenson concurred. Mr. Swenson said that Washington had addressed this issue with rate regulation and that the issue is currently in the courts. David Rogers (Wash.) commented on the need to address funeral expense insurance problems, confirming that they are currently in court on this issue.

Upon motion duly made and seconded, NAIC staff was directed to gather information from the various states on this issue and to prepare a briefing paper for consideration in September, scheduling this issue for formal review in September.

Commissioner Yancey discussed a May 5, 1989, letter from Merle Pederson (N.D.) regarding the proliferation of senior citizen life insurance products being sold, often times at substandard rates, without notice to the senior citizens. Commissioner Yancey suggested that possible approaches to review of the subject might include the adoption of model legislation on rules designed to provide clear notice to senior citizens that their policy rates are substandard, if that is the case; prohibiting the issuance of life insurance policies to senior citizens where the targeted annual premiums are insufficient to maintain the policy to maturity; or possibly adopting premium guidelines such as those implemented in the State of Washington. Commissioner Yancey requested NAIC staff to gather information on this issue as well and to agenda further discussion for the September meeting of the committee.

8. Report of the Life and Health Actuarial Task Force

Mr. Becker made the report of the Life and Health Actuarial Task Force. He reminded the committee that items previously presented to the Product Development Task Force and the Life Cost Disclosure Task Force would be approved upon adoption by the Life Insurance (A) Committee of these task force reports. Mr. Becker brought four other projects to the attention of the committee:

- (1) A review of the Standard Valuation Law, chaired by John H. Tweedie, which calls for an actuarial opinion. Further work is needed on this project and no recommendation is made at this time.
- (2) Review of Standard Nonforfeiture Law, chaired by Walt Miller (American Academy of Actuaries). Mr. Becker and Bob Callahan (N.Y.) are liaisons to the Academy for this study.
- (3) Actuarial Aspects of Reinsurance Transactions, chaired by James V. Schibley. This committee is preparing reports on surplus release, mirror reserving, and scrutinizing of future cash flows and/or statutory earnings.
- (4) The Actuarial Standards Board is developing a standard of practice reflecting the financial implications of AIDS for life insurance. An exposure draft should be ready on this issue by December.

The following recommendations are made by the task force to the Life Insurance (A) Committee:

- (1) Approve the actuarial task force's request to add two new projects entitled "Election of Operative Dates Under Standard Valuation Law and Standard Nonforfeiture Law" and "NAIC Model Regulation Concerning Use of Gender-Blended Mortality Tables and Smoker-Non-smoker Mortality Tables."
- (2) If the project entitled "Election of Operative Dates Under Standard Valuation Law and Standard Nonforfeiture Law" is approved, that the proposed actuarial guideline be adopted for exposure and comment.
- (3) Adopt the report of the Product Development Task Force which will automatically adopt any recommendations made in this area.
- (4) Adopt the Report of the Life Cost Disclosure Task Force which will automatically adopt any recommendations made in this area.

(Editor's Note: Through oversight, one recommendation was omitted from the Life and Health Actuarial Task Force report to the Life Insurance (A) Committee, dated June 7, 1989. This recommendation was to release the Report of the Special Advisory Committee of the Standard Valuation Law for exposure. The report is Attachment One-A to the actuarial task force report.

Under this recommendation, the Report of the Special Advisory Committee of the Standard Valuation Law, dated June 3, 1989, should have been recommended for exposure and comment.]

Upon motion duly made and seconded, the committee adopted the report of the Life and Health Actuarial Task Force, including the four recommendations referenced above.

Having no further business, the Life Insurance (A) Committee adjourned at 11:20 a.m.

Harold C. Yancey, Chair, Utah; Mike Weaver, Vice Chair, Ala.; Roxani Gillespie, Calif.; Margurite C. Stokes, D.C.; William D. Hager, Iowa; Leroy Morgan, Ky.; Douglas Green, La.; Gerald Grimes, Okla.; Theodore "Ted" Kulongoski, Ore.

ATTACHMENT ONE

Life Insurance Legislation Living/Accelerated Benefits Long-Term Care Insurance Benefits

CALIFORNIA SCR 40: (living benefits)

- memorializes life insurance underwriters to investigate the feasibility of selling policies providing for "living benefits" which are to be paid from proceeds of the policies;
- memorializes insurance department and franchise tax board to work with industry to determine tax and consumer considerations

4/13/89 - before the Senate Insurance Committee

CONNECTICUT S.B. 859: (long-term care benefits)

act concerning life policies which include long-term care benefits and increasing insurer flexibility in developing such policies

5/30/89 - has passed both chambers

GEORGIA H.B. 206: P.L. 89-552 (4/10/89) (long-term care benefits)

- allows long-term care insurance to be provided through a rider to a life insurance policy or by inclusion of a long-term care provision within a life policy;
- prohibits requirement of institutionalization prior to payment of benefit in certain policies

ILLINOIS

H.B. 2737: (living benefits/long-term care benefits)

- would authorize sale of life insurance policies which provide an indemnity for a terminal illness;
- would impose limitations on long-term care policy regarding restrictions on eligibility for benefits;
- disclosure requirement for long-term care policies

5/18/89 - passed House

5/24/89 - before Senate Insurance Committee

S.B. 865: (living benefits)

provides that life policyholders may collect 25% of the value of the life policy if diagnosed as having a qualifying or terminal disease

5/23/89 - passed Senate

5/31/89 - House reported favorably

S.B. 379: same as S.B. 865

4/6-7/89 - introduced, referred to Senate Insurance Committee

KANSAS H.B. 2383: (long-term care benefits)

authorizes incorporation of long-term care insurance into certain life insurance policies

4/17/89 - approved by Governor

MAINE S.B. 42: P.L. 89-26 (4/5/89) (living benefits)

provides that life insurance policies providing acceleration of life or annuity benefits due to nursing home confinement, diagnosis of terminal illness, etc. may only be offered by insurers with certificate of authority to transact life or life/health insurance; requires Superintendent to promulgate rules

MICHIGAN S.B. 246: (living benefits)

expands definition of life insurance to provide for prepayment of a lump sum of the death benefit in life-threatening situations involving the insured

5/16/89 - to Governor

MINNESOTA H.B. 812: P.L. 89-125 (5/16/89) Effective: 5/17/89 (living benefits, long-term care benefits)

- allows life, endowment and annuity benefit acceleration to insureds who are receiving medically prescribed long-term care;
- excludes contracts with such accelerated benefits from limit on combination policies;
- provides these policies are not subject to long-term care insurance regulation

S.B. 870: same as H.B. 812; indefinitely postponed

NEBRASKA L.B. 479:

to adopt rights of terminally ill

3/8/89 - hearing

NEW MEXICO S.B. 640: P.L. 89-376 (4/6/89) Effective: 6/17/89 (living benefits)

prohibits living benefits contracts; definitions

OKLAHOMA H.B. 1314: (living benefits)

- modifies life insurance definition to include certain additional benefits which provide for acceleration of benefit payments;
- requires riders providing additional benefits to conform to certain requirements

5/22/89 - to Governor

ATTACHMENT TWO

**REPORT ON STATE ADOPTIONS
NAIC AMENDMENTS ON PRENEED FUNERAL PLANS
FUNDED WITH LIFE INSURANCE OR ANNUITIES**

ADOPTION OF MODEL LANGUAGE OR SOMETHING SIMILAR:

Iowa - Regulation 191-15.69(4) adds provisions to the life insurance disclosure regulation regarding preneed funeral contracts funded with life insurance or annuities.

Kentucky - 806 KAR 12:130 regulates preneed funeral contracts funded with life insurance or annuities by means of stand-alone regulation.

Virginia - Model amendments added to a section of funeral directors' laws (not in insurance code).

ATTACHMENT THREE

Life Insurance Disclosure Model Regulation Appendix A Life Insurance Buyer's Guide

The language in the Buyer's Guide is limited to that contained in the following pages of this Appendix, or to language approved by [title of supervisory authority]. However, companies can vary the type style and format and are encouraged to enhance the readability, design, and attractiveness of the Buyer's Guide.

The face page of the Buyer's Guide shall read as follows:

Life Insurance Buyer's Guide

This guide can help you get the most for your money when you shop for life insurance. It can help you answer questions about:

- * Buying Life Insurance
- * Deciding How Much you Need
- * Finding a Low Cost Policy
- * Things to Remember

Prepared by the National Association of Insurance Commissioners

The National Association of Insurance Commissioners is an association of state insurance regulatory officials. This association helps the various Insurance Departments to coordinate insurance laws for the benefit of all consumers.

This Guide Does Not Endorse Any Company or Policy

Reprinted by . . .

Buying Life Insurance

When you buy life insurance, you want coverage that fits your needs and doesn't cost too much.

First, decide how much you need—and for how long—and what you can afford to pay.

Next, find out what kinds of policies are available to meet your needs and pick the one that best suits you.

Then, find out what different companies charge for that kind of policy - for the amount of insurance you want. You can find important cost differences between life insurance policies by using cost comparison indexes as described in this guide.

It makes good sense to ask a life insurance agent or company to help you. An agent can be particularly useful in reviewing your insurance needs and in giving you information about the kinds of policies that are available. If one kind doesn't seem to fit your needs, ask about others.

This guide provides only basic information. You can get more facts from a life insurance agent or company or at your public library.

What About Your Present Policy? Think twice before dropping a life insurance policy you already have to buy a new one.

- * It can be costly because much of what you paid in the early years of the policy you now have was used for the company's expense of selling and issuing the policy. This expense will be incurred again for a new policy.
- * If you are older or your health has changed, premiums for the new policy will often be higher.
- * You may have valuable rights and benefits in your present policy that are not in the new one.
- * You might be able to change your present policy or even add to it to get the coverage or benefits you now want.

Check with the agent or company that issued your present policy—get both sides of the story. In any case, don't give up your present policy until you are covered by a new one.

How Much Do you Need?

To decide how much life insurance you need, figure out what your dependents would have if you were to die now, and what they would actually need. Your new policy should come as close to making up the difference as you can afford.

In figuring what you **have**, count your present insurance—including any group insurance where you work, social security or veteran's insurance. Add other assets you have—savings, investments, real estate, and personal property.

In figuring what you **need**, think of income for your dependents—for family living expenses, educational costs and any other future needs. Think also of cash needs—for the expenses of a final illness and for paying taxes, mortgages or other debts.

What Is the Right Kind?

All life insurance policies agree to pay an amount of money when you die. But all policies are not the same. Some provide permanent coverage and others temporary coverage. Some build up cash values and others do not. Some policies combine different kinds of insurance, and others let you change from one kind of insurance to another. Your choice should be based on your needs and what you can afford.

A wide variety of plans is being offered today. Here is a brief description of two basic kinds—term and whole life—and some combinations and variations. You can get detailed information from a life insurance agent or company.

Term Insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally provides the largest immediate death protection for your premium dollar.

Most term insurance policies are renewable for one or more additional terms even if your health has changed. Each time you renew the policy for a new term, premiums will be higher. Check the premiums at older ages and how long the policy can be continued.

Many term insurance policies can be traded before the end of a conversion period for a whole life policy—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Whole Life Insurance covers you for as long as you live. The common type is called straight life or ordinary life insurance—you pay the same premiums for as long as you live. These premiums can be several times higher than you would pay at first for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter period.

Whole life policies develop cash values. If you stop paying premiums, you can take the cash—or you can use the cash value to buy continuing insurance protection for a limited time or a reduced amount. (Some term policies that provide coverage for a long period also have cash values.)

You may borrow against the cash values by taking a policy loan. Any loan and interest on the loan that you do not pay back will be deducted from the benefits if you die, or from the cash value if you stop paying premiums.

Combinations and Variations. You can combine different kinds of insurance. For example, you can buy whole life insurance for lifetime coverage and add term insurance for the period of your greatest insurance need. Usually the term insurance is on your life—but it can also be bought for your spouse or children.

Endowment insurance policies pay a sum or income to you if you live to a certain age. If you die before then, the death benefit is paid to the person you named as beneficiary.

Other policies may have special features which allow flexibility as to premiums and coverage. Some let you choose the death benefit you want and the premium amount you can pay. The kind of insurance and coverage period are determined by these choices.

One kind of flexible premium policy, often called universal life, lets you vary your premium payments every year, and even skip a payment if you wish. The premiums you pay (less expense charges) go into a policy account that earns interest and charges for the insurance are deducted from the account. Here, insurance continues as long as there is enough money in the account to pay the insurance charges.

Variable life is a special kind of insurance where the death benefits and cash values depend upon investment performance of one or more separate accounts. Be sure to get the prospectus provided by the company when buying this kind of policy. The method of cost comparison outlined in this Guide does not apply to policies of this kind.

Finding a Low Cost Policy

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- * Do Premiums or benefits vary from year to year?
- * How much cash value builds up under the policy?
- * What part of the premiums or benefits is not guaranteed?
- * What is the effect of interest on money paid and received at different times on the policy?

Cost Comparison Index numbers, which you get from life insurance agents or companies, take these sorts of items into account and can point the way to better buys.

Cost Comparison Indexes. There are two types of cost comparison index numbers. Both assume you will live and pay premiums for the next 10 or 20 years.

1. The Surrender Cost Comparison Index helps you compare costs over a 10 or 20 year period assuming you give up (surrender) the policy and take its cash value at the end of the period. It is useful if you consider the level of cash values to be of special importance to you.
2. The Net Payment Cost Comparison Index helps you compare costs over a 10 or 20 year period assuming you will continue to pay premiums on your policy and do not take its cash value. It is useful if your main concern is the benefits that are to be paid at your death.

The two index numbers are the same for a policy without cash values.

Guaranteed and Illustrated Figures. Many policies provide benefits on a more favorable basis than the minimum guaranteed basis in the policy. They may do this by paying dividends, or by charging less than the maximum premium specified. Or they may do this in other ways, such as by providing higher cash values or death benefits than the minimums guaranteed in the policy. In these cases the index numbers are shown on both a guaranteed and currently illustrated basis. The currently illustrated basis reflects the company's current scale of dividends, premiums or benefits. These scales can be changed after the policy is issued, so that the actual dividends, premiums or benefits over the years can be higher or lower than those assumed in the indexes on the currently illustrated basis.

Some policies are sold only on a guaranteed or fixed cost basis. These policies do not pay dividends; the premiums and benefits are fixed at the time you buy the policy and will not change.

Using Cost Comparison Indexes. The most important thing to remember is that a policy with smaller index numbers is generally a better buy than a similar policy with larger index numbers.

Compare index numbers only for **similar** policies—those which provide essentially the same benefits, with premiums payable for the same length of time. Make sure they are for your age, and for the kind of policy and amount you intend to buy. Remember that no one company offers the lowest cost at **all** ages for **all** kinds and amounts of insurance.

Small differences in index number should be disregarded, particularly where there are dividends or non-guaranteed premiums or benefits. Also, small differences could easily be offset by other policy features, or difference in the quality of service from the agent or company. When you find small differences in the indexes, your choice should be based on something other than cost.

Finally, keep in mind that index numbers cannot tell you the whole story. You should also consider:

- * The pattern of policy benefits. Some policies have low cash values in the early years that build rapidly later on. Other policies have a more level cash value build-up. A year-by-year display of values and benefits can be very helpful. (The agent or company will give you a Policy Summary that will show benefits and premiums for selected years.)
- * Any special policy features may be particularly suited to your needs.
- * The methods by which non-guaranteed values are calculated. For example, interest rates are an important factor in determining policy dividends. In some companies dividends reflect the average interest earnings on all policies whenever issued. In others, the dividends for policies issued in a recent year, or a group of years, reflect the interest earnings on those policies; in this case, dividends are likely to change more rapidly when interest rates change.

Things to Remember

- * Review your particular insurance needs and circumstances. Choose the kind of policy with benefits that most closely fit your needs. Ask an agent or company to help you.

- * Be sure that the premiums are within your ability to pay. Don't look only at the initial premium, but take account of any later premium increase.
- * Ask about cost comparison index numbers and check several companies which offer similar policies. Remember, smaller index numbers generally represent a better buy.
- * Don't buy life insurance unless you intend to stick with it. It can be very costly if you quit during the early years of the policy.
- * Read your policy carefully. Ask your agent or company about anything that is not clear to you.
- * Review your life insurance program with your agent or company every few years to keep up with changes in your income and your needs.

ATTACHMENT FOUR

Life Insurance (A) Committee Little Rock, Arkansas March 21, 1989

The Life Insurance (A) Committee met in Salon B of the Excelsior Hotel in Little Rock, Ark., at 2 p.m. on March 21, 1989. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: Mike Weaver, Vice Chair (Ala.); Margurite C. Stokes (D.C.); William D. Hager (Iowa); Douglas D. Green (La.); and Gerald Grimes (Okla.).

1. Review 1989 Charges

Commissioner Harold C. Yancey (Utah) read the mission statement of the Life Insurance (A) Committee and reviewed the charges approved at the Executive Committee meeting in Denver on Feb. 10, 1989.

2. Report of Life Cost Disclosure Task Force

Reginald Berry (D.C.) gave the report of the Life Cost Disclosure Task Force. The task force received the adjustment to the yield index prepared by the Life & Health Actuarial Task Force. Copies of the adjustment will be attached to the minutes of this task force and distributed to the Life Insurance (A) Committee members prior to the June meeting. Upon motion duly made and seconded, the Committee received the adjustments to the yield index as an exposure draft.

3. Report of Product Development Task Force

Commissioner William D. Hager (Iowa) reported that the task force met and considered a working draft relating to disclosure for interest-sensitive products. Upon motion duly made and seconded, the Committee voted to receive this work product as an exposure draft for consideration at the June meeting. Commissioner Hager commented further that there are still problems with the exposure draft and additional responses will be received for consideration. The Product Development Task Force will meet again in Kansas City, Mo., on April 20 in order to have a final document ready for adoption in June.

4. Accelerated Benefit Riders

Commissioner Yancey discussed the need for the Committee to address the issue of accelerated benefit riders. These riders are usually attached to whole life insurance contracts and pay a certain percentage of the death benefit if the policyholder contracts a certain health condition such as heart attack, stroke, bypass surgery, or life threatening cancer.

Commissioner Hager stated he felt the riders were very constructive from a public policy perspective. He feels they should be encouraged because they get money into the hands of the policyholders at a time when additional funds are necessary. Commissioner Hager encouraged the A Committee to give positive review to the validity of such riders to facilitate the drafting and encourage the adoption of necessary model regulation. Jim Swenson (Ore.) stated that any efforts by this Committee should be coordinated with the Long-Term Care Task Force which is also considering riders which accelerate payment of benefits. Commissioner Yancey stated that he would undertake the project to review any existing models and see what other items need to be considered in order to have a report prepared for the June meeting. Commissioner Hager encouraged consultation with affected members of industry who might provide additional suggestions for items to bring to the June meeting.

5. Priorities of the Life & Health Actuarial Task Force

Commissioner Yancey commented that NAIC President David Gates had requested at the Executive Committee meeting in Denver (February 1989) that the Life & Health Actuarial Task Force prioritize the projects under their consideration, assigning the highest priority to those projects which could be completed in 1989.

Ted Becker (Texas) reported that the priorities of this task force had been reordered and distributed the list of projects for the Life Insurance (A) Committee with appropriate priorities assigned. Upon motion duly made and seconded, the Committee approved the priority project list as presented by the task force.

Having no further business, the Life Insurance (A) Committee adjourned at 2:20 p.m.

LIFE COST DISCLOSURE (A) TASK FORCE

Reference:

1989 Proc. I p. 672
1988 Proc. II p. 511

Margurite C. Stokes, Chairman—D.C.
Harold C. Yancey, Vice Chairman—Utah

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AGENDA

1. Adopt Little Rock Minutes
2. Report of Life and Health Actuarial Task Force
3. Consider Continuation of Task Force
4. Any Other Matters Brought Before the Task Force

REPORT

The Life Cost Disclosure (A) Task Force met in Section E of the Hyatt Regency in Cincinnati, Ohio, at 3 p.m. on June 5, 1989. A quorum was present and Margurite C. Stokes (D.C.) chaired the meeting. The following task force members or their representatives were present: Harold C. Yancey, Vice Chair (Utah); Roxani Gillespie (Calif.); Kenneth D. Merin (N.J.); and A.W. Pogue (Texas).

1. Adopt Little Rock Minutes

Upon motion duly made and seconded, the minutes of the Little Rock, Ark., meeting of March 20, 1989 were adopted (Attachment Three).

2. Report of Life and Health Actuarial Task Force

John Montgomery (Calif.) made the task force report. (See Attachment Three to the Life & Health Actuarial Task Force report.) He discussed the background on the interest yield index disclosure issue which led to the proposal for an alternative to the Life Insurance Disclosure Model Regulation. Mr. Montgomery stated that the task force recommends the adoption of the Optional Form of the Life Insurance Disclosure Model Regulation With Yield Index as an alternative to the Life Insurance Disclosure Model Regulation for those states wishing to use the yield index. Further, he said they recommend that the charge to the Life and Health Actuarial Task Force relating to the yield index be concluded. Additionally, the task force recommended that two attachments be included in the *Proceedings*: 1) a letter dated April 12, 1989, from the American Academy of Actuaries addressing the interest-adjusted cost index (Attachment One), and 2) a letter dated May 25, 1989 from the American Council of Life Insurance (ACLI) with an attached statement pertaining to the use of the yield index (Attachment Two). Superintendent Stokes agreed that these two documents would be attached to the minutes and made a part of the *Proceedings*.

John Booth (ACLI) emphasized several points from the statement, including ACLI's conceptual objection to a mandated yield exposure. He noted there were three major concerns that should be considered by the states before they adopt this alternative model: 1) these yield indexes give the impression that life insurance is an investment product, 2) yield index formulas produce results that may lead to misleading conclusions, and 3) when used as a cost comparison measure, there is a high correlation to the same relative rankings as the interest-adjusted cost indexes.

Superintendent Stokes reminded Mr. Booth that the task force had agreed to send forward this exposure draft as an optional model which she felt would address the ACLI concerns. Mr. Booth expressed his appreciation of Superintendent Stokes' leadership in setting that course of action.

Upon motion duly made and seconded, the report of the Actuarial Task Force was adopted. A further motion was adopted that the two attachments previously mentioned be included with these minutes and in the *Proceedings* as informational material.

3. Consider Continuation of Task Force

Superintendent Stokes stated that having completed the only charge to this task force, she was recommending that the task force not be continued. Mr. Montgomery moved the conditional termination of the Life Cost Disclosure (A) Task Force; termination to be conditional upon the adoption of the work product at the Executive Committee in Cincinnati. Superintendent Stokes extended her personal thanks to Mr. Montgomery and Ted Becker (Texas) for the outstanding work they have done on the alternative yield index model.

Having no further business, the Life Cost Disclosure (A) Task Force adjourned at 3:15 p.m.

Margurite C. Stokes, Chair, D.C.; Harold C. Yancey, Vice Chair, Utah; Roxani Gillespie, Calif.; Kenneth D. Merin, N.J.; A.W. Pogue, Texas

ATTACHMENT ONE

American Academy of Actuaries
1720 I Street, N.W., 7th Floor
Washington, D.C. 20006

April 12, 1989

Mr. John O. Montgomery, F.S.A.
Chief Actuary and Deputy Insurance Commissioner
California Department of Insurance
600 South Commonwealth Avenue
Los Angeles, California 90005

Dear John:

The attachment to this letter addresses a concern that you expressed that the interest-adjusted cost (IAC) index was flawed because the interest-adjusted premium (IAP) index seemed to track better with the yield index. I hope the following table and explanatory table, developed by Dave Becker of our committee, are of assistance to you.

If you have any questions, please write or call.

Sincerely,

John Palmer, F.S.A.
Chairman, AAA Committee on Life Insurance

Relationship Between the IAC, IAP, and the Yield Index

The following table presents certain data from Appendix H of the report on the yield index prepared by the AAA Committee on Life Insurance. In addition to the data included in the original report the interest-adjusted premium (IAP) index is also shown. The narrative following the table below describes some of the interrelationships between these values.

Ex. Premium Assumptions	YI	IAC	IAP
A Guideline Single Premium, then 0	8.48%	-17.00	22.57
B Guideline Level Premium all years	8.30	-8.50	29.28
C Target Premium all years	8.53	2.54	13.74
D Target Premium 1-10 only, then 0	8.82	4.08	8.51
E Target Premium 1-5, 0, 6-15, 1, 200, 16-20	9.46	6.66	6.78
F ART Premium Scenario	10.07	7.59	7.59

Please note that the IAC and IAP for Example F are identical as there is no significant amount of money in the 20th year cash value under an annual renewable term premium scenario.

The examples were ordered in terms of "the most money in first." This reflects not the absolute quantity of premium dollars but the most premium dollars at work the earliest. For example, the total premium paid in Example A is less than that in Example B. But there is more money at work earlier in Example A than in Example B. After Example B the total amount of premium does decline with each added example.

The YI drops from Example A to B, but increases after that. Paying the guideline single premium has two effects: it reduces the net amount at risk (NAR) on which mortality charges are made and it allows for the maximum amount of funds to begin earning interest within the policy. The size and timing of that single premium versus the guideline level premium of Example B result in the higher YI for Example A.

In Examples B through F the premiums paid do decrease and the YIs increase. The lower the premium paid the larger the NAR will be. When this is coupled with the differential between the cost of insurance used in the product and the rate as defined by the YI methodology the result is an increasing YI. This happens as follows. First, when the actual cost of insurance is less than the rate used in the YI, a fictitious "gain from mortality" results. Second, this "gain" is multiplied by the NAR, so the larger the NAR the "gain" is yet larger. Thus the smaller the premium, other conditions constant, the larger the "gain" and the higher the YI.

In Example A the NAR is smaller than Example B, but the large amount of interest on the guideline single premium compared to that on the guideline level premiums causes the YI of Example A to be larger than Example B.

Now the IAPs have a partly similar result. The IAP increases from Example A to Example B and then subsequently declines, but not uniformly. The IAP increases from Example E to Example F. When the level of funding approaches that of term there is less interest earned within the policy that could reduce future premium needs. This means more premium has to be paid to keep the policy in force which results in the increase in the IAP.

The YI continues from example E to Example F instead of declining as might be expected if the pattern universally holds. This is contrary to the pattern for the IAP. So they are not consistent in their workings.

As the level of premium approaches term, the IAP and the IAC should converge to the same value. That expectation is confirmed in Example F.

Therefore, the information shown in the table does not indicate a parallel between the YI and the IAP.

We believe that the conclusions from the original report are valid:

Due to the strong correlation between the YI and the IAC and the strong correlation between rankings of policies by these methods neither method provides a superior index when comparing similar plans;

Neither the YI nor the IAC is an adequate index for dissimilar plans;

Due to the "mixed signals" presented by the YI and the IAC in certain situations, it is not recommended to show both indices; and

Consideration of the above coupled with the misleading behavior of the YI in low premium plans and the observations in Section V suggest that the YI is not a worthy replacement of the IAC as a comparative measure of financial performance.

Section V of the original report describes several concerns regarding the YI. First, there is the danger of confusion and/or misuse of the "yield" index in its similarity to an interest rate. Second, the distortion of the actual mortality charges used versus the fixed charges prescribed by the YI methodology are intensified by the introduction of "preferred" smoker and nonsmoker classes in addition to the "standard" smoker and nonsmoker classes. Third, the computation of the mortality charges to be used by the YI method for various combinations of smoker, nonsmoker, sex, single life status, joint life status, last survivor status, unisex blend, and age last/age nearest are lengthy and complex. This suggests that the YI may not be correctly calculated in many of these situations.

ATTACHMENT TWO

Statement on Behalf of the
American Council of Life Insurance to the
NAIC Life and Health Actuarial Task Force and
to the NAIC Life Cost Disclosure (A) Task Force

June 3, 1989

This statement is presented on behalf of the American Council of Life Insurance, whose 634 member companies account for about 93% of the life insurance in force in the United States.

Life Cost Disclosure Task Force

We would like to address your proposal to adopt regulatory language and related commentary for use by states that wish to require disclosure of yield indexes for life insurance products. This material was distributed to the NAIC Life and Health Actuarial Task Force with John Montgomery's letter of March 10, 1989.

First, we would like to reiterate the ACLI's conceptual objections to mandated yield index disclosure for life insurance. These objections were set forth in our statement of June 22, 1987, to the NAIC Market Conduct Surveillance (EX3) Task Force and the NAIC Life Cost Disclosure (A) Task Force. We will summarize them briefly at this time:

1. The use of yield indexes would give the impression that life insurance is an investment product similar to a bank account, certificate of deposit, or security. It is inevitable that they would be used in a misleading fashion in comparison with the interest rates or yields on these other products.
2. Because of the assumptions involved, any yield index formula will produce some results that are anomalous or that can lead to misleading conclusions. For example, the formula developed by the Yield Index Advisory Committee, which is a major element of the proposed package, will sometimes produce yield indexes higher than the actual credited interest rates, higher yields for males as compared with females, and higher yields for smokers as compared with nonsmokers.
3. When used as a cost comparison measure, yield indexes produce basically the same relative ranking among different policies as the interest-adjusted cost indexes that have become well-established and accepted. This similarity in relative rankings was demonstrated most recently in the study conducted by American Academy of Actuaries Committee on Life Insurance. Under these circumstances, we fail to see any justification for the expense and dislocation that would be involved in shifting from one type of index to another.

With regard to the contents of the proposed material, we urge the following changes:

1. The introductory statement (Attachment Three-B of the Life & Health Actuarial Task Force Report) should be given prominence by placing it at the beginning of the package. This statement points out that the regulatory provisions are for the optional use of states that wish to require yield indexes, thus making it clear that the NAIC is not taking a position as to whether or not these indexes should in fact be required.
2. In Mr. Montgomery's March 10 letter, delete the statement in page 1, item 2 regarding less distortions under a yield index than under other indexes, and the statement in page 2, item 3 that the yield index is much less of a problem when comparing dissimilar plans than the interest-adjusted cost index. We simply do not find support for these statements in the reports of either the Yield Index Advisory Committee or the American Academy of Actuaries Committee on Life Insurance.

Thank you for the opportunity to comment. We will be glad to answer any questions you may have.

ATTACHMENT THREE

Life Cost Disclosure (A) Task Force
Little Rock, Arkansas
March 20, 1989

The Life Cost Disclosure (A) Task Force met in Salon A of the Excelsior Hotel in Little Rock, Ark., at 4 p.m. on March 20, 1989. A quorum was present, and Reginald Berry chaired the meeting on behalf of Superintendent Margurite C. Stokes (D.C.). The following task force members or their representatives were present: Harold Yancey, Vice Chair (Utah); Roxani Gillespie (Calif.); and Edwin J. Smith, Jr. (Texas).

1. Distribute and Discuss Exposure Draft of Yield Index Proposal

A memorandum dated March 10, 1989 to members of the NAIC Life and Health Actuarial Task Force with certain attachments was distributed to members of the task force. It was noted that the Yield Index Proposal was developed by the Life and Health Actuarial Task Force in March and that the document was now ready for exposure. After a motion and second, the task force accepted the Yield Index Proposal and modifications to the regulations for exposure. It was noted that all comments on the exposure draft should be submitted to Jean Olson by May 1, 1989, to give the actuarial task force time to complete its work and report back to this group.

Tony Spano (American Council of Life Insurance) noted that the time frame would probably only allow for a preliminary report.

Having no further business, the Life Cost Disclosure (A) Task Force adjourned at 4:20 p.m.

PRODUCT DEVELOPMENT (A) TASK FORCE

Reference:

1989 Proc. I p. 673

1988 Proc. II p. 562

Robert D. Haase, Chairman—Wis.
Theodore "Ted" Kulongoski, Vice Chairman—Ore.

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AGENDA

1. Adopt Little Rock Minutes
2. Report of Consumer Disclosure Issues Working Group
3. Report of Life and Health Actuarial Task Force
4. Any Other Matters Brought Before the Task Force

REPORT

The Product Development (A) Task Force met in Section B of the Hyatt Regency in Cincinnati, Ohio, at 9 a.m. on June 6, 1989. A quorum was present and Robert D. Haase (Wis.) chaired the meeting. The following task force members or their representatives were present: Theodore "Ted" Kulongoski, Vice Chair (Ore.); Roxani Gillespie (Calif.); Joaquin G. Blaz (Guam); John E. Washburn (Ill.); William D. Hager (Iowa); Gerald Grimes (Okla.); A.W. Pogue (Texas); and Harold C. Yancey (Utah).

1. Adopt Little Rock Minutes

Upon motion duly made and seconded, the minutes of the Product Development (A) Task Force meeting in Little Rock on March 21, 1989, were adopted (Attachment Three). Also adopted were the Consumer Disclosure Issues Working Group minutes from the April 20, 1989, meeting in Kansas City (Attachment Two).

2. Report of Consumer Disclosure Issues Working Group

Commissioner William Hager (Iowa) presented the report of the working group, outlining the original charge which was to prepare disclosure statements to assist consumers in their comparison of different types of interest sensitive life insurance products. A survey of the states was conducted in order to determine if regulatory problems existed with these products. Commissioner Hager reiterated the working group's aim was to make these disclosure statements easier to understand and to get them into the hands of the consumers early enough in the purchase process to aid in making a meaningful comparison. He further commented that he appreciated the advisory committee's efforts to assist the working group in developing a useful format for amendments to the NAIC Life Insurance Disclosure Model Regulation and the Universal Life Insurance Model Regulation. The working group recommends that disclosures should be delivered at the time of application or no later than 15 days thereafter. He further stated that if these disclosure statements are not provided until the time of policy delivery, consumers will receive an additional five-day free-look period. Commissioner Hager discussed suggestions made by the advisory committee and agreed to by the working group that it would be constructive to test-market these disclosure forms for readability. The American Council of Life Insurance agreed to participate and arrangements are being made to complete the testing before the September meeting. If amendments need to be made to the disclosure forms, they will be considered at the September meeting for adoption in December.

Ted Becker (Texas) suggested the addition of a brief transmittal document in those cases where a change is made after delivery of the disclosure statement. This document will be used to focus the consumers' attention on the changes. Commissioner Hager concurred with Mr. Becker's proposal and requested that a corrected draft of the transmittal document be attached to the Consumer Disclosure Issues Working Group report of the Product Development (A) Task Force minutes.

Upon motion duly made and seconded, the report of the Consumer Disclosure Issues Working Group, recommending amendments to the NAIC Life Insurance Disclosure Model Regulation and the Universal Life Insurance Model Regulation as well as the Supplemental Transmittal document, were adopted (Attachment One).

Jack Blaine (American Council of Life Insurance) thanked the working group for addressing the advisory committee's concerns and stated that he felt the approach selected appropriately addressed those concerns. He further stated that the market test of the disclosure statement would ensure the form is truly comprehensible by consumers. He will discuss with the ACLI board members their participation in the survey and appropriate funding for that survey.

Mr. Blaine raised the issue of using a narrative explanation of the disclosure form as presented by the ACLI at an earlier meeting and requested that this form receive further consideration by the working group.

Commissioner Hager inquired what the ACLI position was as it relates to the disclosure documents and further whether ACLI would support adoption of these models in the individual states. Mr. Blaine responded that he would be presenting these documents to the ACLI board, and he expected the board to support adoption of the models in the individual states.

3. Report of Life and Health Actuarial Task Force

Mr. Montgomery presented the report of the Life and Health Actuarial (Technical) Task Force, calling the members' attention to Actuarial Guideline XXX which is included as Attachment Two-D in the Life and Health Actuarial (Technical) Task Force report. This is an actuarial interpretation regarding minimum reserves for certain forms of life insurance and is an expansion of Actuarial Guideline IV, recognizing that the validity of the principles there extends beyond term plans without cash values valued on the 1958 CSO Mortality Table.

The NAIC Life and Health Actuarial (Technical) Task Force has asked the ACLI and the National Association of Life Companies:

- (1) To examine, in the light of current levels of mortality and the potential impact of AIDS on mortality and the types of products currently sold including products with reentry features, the current practices and methods used:
 - (a) To determine minimum statutory reserves for certain forms of life insurance with non-level premiums or benefits, and
 - (b) To determine the overall adequacy of statutory reserves for such products to make good and sufficient provision to meet a company's future obligations, and
- (2) To develop recommendations with respect to:
 - (a) A consistent and appropriate interpretation of the Standard Valuation Law as it applies to such products, and
 - (b) The establishment of actuarial standards of practice for determining the overall adequacy of reserves for such products, and
 - (c) The appropriateness of the current statutory mortality standards, including whether or not the 1980 CSO Mortality Table and/or Select Factors need to be modified.

Upon motion duly made and seconded, the task force adopted the report of the Life and Health Actuarial (Technical) Task Force (See Attachment Two to the Life & Health Actuarial Task Force report), including the following recommendations:

- (1) Adopt proposed Actuarial Guideline No. IX-A in June 1989.
- (2) Adopt for exposure and comment two proposed actuarial guidelines relating to reserves for certain plans with guaranteed increasing death benefits.
- (3) Extend the exposure and comment period for the current version of Actuarial Guideline XXX.
- (4) Approve the Life and Health Actuarial (Technical) Task Force's request to add four new projects on leveraged corporate owned life insurance, reverse mortgages, joint life and last survivor policies relating to nonforfeiture and valuation, and accelerated death benefits.

Having no further business, the task force adjourned at 9:30 a.m.

Robert D. Haase, Chairman, Wis.; Theodore "Ted" Kulongoski, Vice Chairman, Ore.; Roxani Gillespie, Calif.; Joaquin G. Blaz, Guam; John E. Washburn, Ill.; William D. Hager, Iowa; Roger M. Singer, Mass.; Michael A. Hatch, Minn.; Gerald Grimes, Okla.; A.W. Pogue, Texas; Harold C. Yancey, Utah.

ATTACHMENT ONE

Report of the Consumer Disclosure Issues Working Group of the Product Development (A) Task Force Cincinnati, Ohio June 6, 1989

1. Background

The Consumer Disclosure Issues Working Group was given the charge of preparing disclosure statements to assist consumers in comparison of different types of interest-sensitive life insurance products. The aim was to make the statements easy to understand and distribute them to the consumers early enough in the purchase process to aid in meaningful comparison.

The group identified several abuses now occurring:

1. illustrations with outrageous interest rate assumptions,
2. current rate illustrations based on a different rate than the one currently being paid,
3. non-guaranteed elements built into the calculations,
4. assumptions that are unrealistic such as increasing interest, decreasing mortality,
5. illustrations which include things not even in the contract.

The working group attempted to address these issues in the drafts developed. The disclosure statements being presented for adoption are no longer than two pages for either universal life or indeterminate premium life insurance. This is in contrast to the drafts presented in Little Rock in March, which were complete, but so long that they would have been more difficult to comprehend by the average consumer.

2. NAIC Model Legislation

The proposal from the working group consists of amendments to the NAIC Life Insurance Disclosure Model Regulation and the Universal Life Insurance Model Regulation. These amendments include a disclosure statement and instructions for insurers to use in completing them. Changes to the models also are made to indicate that the disclosures should be delivered at the time of application or within 15 working days thereafter.

It had been the desire of the working group to require delivery at the time of application, but small insurance companies would have a great deal of trouble complying with that requirement due to lack of computer resources, so the extra period is allowed by way of compromise.

3. Recommendation

It is the recommendation of the working group that the model amendments be adopted as attached to this report. A suggestion has been made by the industry that these forms be tested to be sure they are truly comprehensible by consumers. Arrangements are being made to complete this testing by the September meeting, and if any changes need to be made in the disclosure statements, this can be done in December.

The working group also prepared a disclosure statement for variable life insurance, but recommends deferring adoption of that until communication with the SEC has verified that no conflict exists between the NAIC model and securities laws.

Draft 5/22/89

POLICY INFORMATION FOR APPLICANT - UNIVERSAL LIFE POLICY

Name of Insurance Company _____
 Address of Insurance Company _____
 Name of Insured _____ Joint Life Policy _____ YES _____ NO
 Date of Application _____
 Name of Agent _____ Agent's Telephone Number (____) _____
 Agent's Address _____

Policy Name: _____
 Form Number: _____

Type of Universal Life Insurance Policy: _____ Flexible Premium _____ Fixed Premium

Coverage Applied For and Premium **NOTE:** This information does not include any extra benefit riders which you may apply for with this policy. Riders may affect your premium and cash values. Ask your agent for a full explanation of any riders.

First Year Death Benefit Applied For: _____

First Year Annual Premium: _____

If premium is not paid once a year, state the frequency of and the amount of the periodic premium: _____

Risk Classification Information (as applied for):

M _____ F _____ Age _____ Smoker _____ Non-Smoker _____ Other _____

ILLUSTRATION OF POLICY VALUES

Chart A: The following values are based on the interest rates which are guaranteed by the company and based on your timely payment of the premiums in Column 1.

YEAR	1 ANNUAL PREMIUM	2 DEATH BENEFIT	3 INTEREST RATE	4 SURRENDER VALUE AT YEAR END
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____
6	_____	_____	_____	_____
7	_____	_____	_____	_____
8	_____	_____	_____	_____
9	_____	_____	_____	_____
10	_____	_____	_____	_____
11	_____	_____	_____	_____
12	_____	_____	_____	_____
13	_____	_____	_____	_____
14	_____	_____	_____	_____
15	_____	_____	_____	_____
16	_____	_____	_____	_____
17	_____	_____	_____	_____
18	_____	_____	_____	_____
19	_____	_____	_____	_____
20	_____	_____	_____	_____
Age 60	_____	_____	_____	_____
Age 65	_____	_____	_____	_____
Age _____	_____	_____	_____	_____

Chart B: The following values are based on the interest rates which the company is currently crediting on this policy form. Interest rates may increase or decrease from this rate. Also this chart assumes you pay the premiums shown in Column 1.

1 ANNUAL PREMIUM	2 DEATH BENEFIT	3 INTEREST RATE	4 SURRENDER VALUE AT YEAR END	YEAR
_____	_____	_____	_____	1
_____	_____	_____	_____	2
_____	_____	_____	_____	3
_____	_____	_____	_____	4
_____	_____	_____	_____	5
_____	_____	_____	_____	6
_____	_____	_____	_____	7
_____	_____	_____	_____	8
_____	_____	_____	_____	9
_____	_____	_____	_____	10
_____	_____	_____	_____	11
_____	_____	_____	_____	12
_____	_____	_____	_____	13
_____	_____	_____	_____	14
_____	_____	_____	_____	15
_____	_____	_____	_____	16
_____	_____	_____	_____	17
_____	_____	_____	_____	18
_____	_____	_____	_____	19
_____	_____	_____	_____	20
_____	_____	_____	_____	Age 60
_____	_____	_____	_____	Age 65
_____	_____	_____	_____	Age _____

In addition to interest rates, certain other variables affect policy performance and affect the illustrations in Chart B.

The company will pay an endowment benefit to the insured if the policy is still in force, and the insured is living and attains the age of _____. This is called the Maturity Age, and it corresponds to policy year _____.

Based on guaranteed assumptions, consistent with those illustrated in Chart A, will the policy terminate before the Maturity Age? ____ Yes ____ No. If "yes," what is the policy year in which it would terminate? _____.

Based on current assumptions, consistent with Chart B, will the policy terminate before the Maturity Age? ____ Yes ____ No. If "yes," what is the policy year in which it would terminate? _____.

Level Annual Premium Required to Provide the First Year Death Benefit to Maturity Age on a Guaranteed Basis _____ (Flexible Premium Policies Only).

OTHER IMPORTANT INFORMATION ABOUT THIS POLICY

The company has the right to change the interest rates credited to amounts paid in to this policy. The company reviews interest rates every _____.

The mortality charge, which is the amount used to fund the death benefit, may also change. The company reviews mortality charges every _____.

The maximum mortality charge is _____.

The current mortality charge is _____.

The company (does/does not) charge a fee for administration of this policy. The fee may change from time to time.

The current fee is _____.

The maximum fee that can be charged is _____.

This policy's interest rate (is/is not) interest/indexed. If it is interest indexed, this means that the interest rate credited to the amounts paid in to the policy follows a formula based on changes in the _____ Bond Index.

The company makes these changes every _____.

In order to support the values illustrated in Chart B, the company investment earnings, before investment expenses, must be in the range of _____. Moody's Corporate Average Yield for the previous calendar quarter is _____.

Will the illustrated values in Chart B be paid if economic and mortality conditions do not change? ____ Yes ____ No. If "no," explain. _____.

Expense Deductions (front end loads):

Maximum _____

Current _____

Surrender Charges (back end loads):

Maximum _____

Current _____

Disclaimer Notice Regarding Tax Law

The information in this "Policy Information for Applicant" is not intended to be used in tax planning nor is it intended for the purpose of providing tax advice. The possibility of future changes in tax laws must be recognized and taken into consideration.

POLICY INFORMATION FOR APPLICANT - INDETERMINATE PREMIUM LIFE POLICY

Name of Insurance Company _____
 Address of Insurance Company _____
 Name of Insured _____ Joint Life Policy ☐ YES ☐ NO
 Date of Application _____
 Name of Agent _____ Agent's Telephone Number (____) _____
 Agent's Address _____

Policy Name: _____
 Form Number: _____

Coverage Applied For and Premium NOTE: This information does not include any extra benefit riders which you may apply for with this policy. Riders may affect your premium and cash values. Ask your agent for a full explanation of any riders.

Death Benefit Applied For: _____
 First Year Annual Premium: _____
 If premium is not paid once a year, state the frequency of and the amount of the periodic premium for the first year: _____

Risk Classification Information (as applied for):
 M ☐ F ☐ Age _____ Smoker ☐ Non-Smoker ☐ Other _____

ILLUSTRATION OF POLICY VALUES

The following values are based on your timely payment of the premiums required.

	(1) Maximum Annual Premium (Guaranteed Assumptions)	(2) Possible Annual Premiums (Current Assumptions)	(3) Death Benefit	(4) Surrender Value at Year End
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____
6	_____	_____	_____	_____
7	_____	_____	_____	_____
8	_____	_____	_____	_____
9	_____	_____	_____	_____
10	_____	_____	_____	_____
11	_____	_____	_____	_____
12	_____	_____	_____	_____
13	_____	_____	_____	_____
14	_____	_____	_____	_____
15	_____	_____	_____	_____
16	_____	_____	_____	_____
17	_____	_____	_____	_____
18	_____	_____	_____	_____
19	_____	_____	_____	_____
20	_____	_____	_____	_____
Age 60	_____	_____	_____	_____
Age 65	_____	_____	_____	_____
Age _____	_____	_____	_____	_____

OTHER IMPORTANT INFORMATION ABOUT THIS POLICY

The company has the right to change the amounts of premiums required under this policy. The company reviews amounts of premiums every _____.

Amounts of premium required will not exceed the amounts shown in Column 1 of the "Illustration of Policy Values." Are there any other limitations on the company's right to change premiums? ☐ Yes ☐ No. If "yes," explain. _____

The policy (is/is not) a participating policy. If it is a participating policy, there may be nominal dividends paid to the policy owner. The "Illustration of Policy Values" does not include any dividends.

Disclaimer Notice Regarding Tax Law

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INSTRUCTIONS FOR FILLING IN
"POLICY INFORMATION FOR APPLICANT - UNIVERSAL LIFE POLICY"

The completed policy information statement may be delivered at, or before, the time an application is made. If the completed policy information statement is not delivered at the time of application, it must be delivered within 15 working days after application is made, but at least five days before delivery of the policy except as provided in the next sentence. If the policy is delivered sooner than five days after the completed policy information statement is delivered, then the free-look period shall be extended to 15 days. This policy information statement is required in connection with all applications for universal life policies, except where the policy is solicited by direct mail.

If any of the information filled in on this policy information statement changes between the date when it is delivered and the date the policy is delivered, then a new revised policy information statement based on the changed information must be delivered at the same time as the policy. In any such case, a written notice shall be furnished which outlines the major reason for the change. For example, the notice might state that the "Current Interest Rate" shown in Chart B has changed. As another example, the applicant could have applied as a standard risk and after underwriting been found to be a substandard risk requiring higher mortality charges.

"Joint Life Policy" - If "yes" is checked, fill in the name of only one person under "Name of Insured." Also, fill in the blanks under "Risk Classification Information" on that sheet with appropriate information on the sex, smoking status and age for that particular person. A separate Page 1 sheet for the policy information statement must then be completed for each other insured under the joint life policy, with appropriate fill-in under "Risk Classification Information" for that particular person on that same sheet. It is sufficient to fill in Chart A and Chart B of the "Illustration of Policy Values" on only one of these Page 1 sheets. Only one Page 2 sheet is required to be filled in for joint life policies.

"Risk Classification Information (as applied for)" - If the insurance company does not distinguish between smokers and non-smokers for the policy applied for, check neither "smoker" or "non-smoker." Instead, fill in "composite" following the word "other" in the line below.

If the insured applies for a policy on a substandard basis, this should be disclosed following the word "other."

"Illustration of Policy Values" - If "flexible premium policy" is checked, Charts A and B are based on a policy with level annual premiums and level death benefits. This policy is assumed not to contain any extra benefit riders that require an additional premium or additional periodic charge. This policy is also assumed not to have any policy loans against it at any time.

If "fixed premium policy" is checked, Charts A and B are based on a policy with annual premiums and death benefits consistent with automatic options in the language of the policy applied for. This policy is assumed not to contain any extra benefit riders that require an additional premium or periodic charge. This policy is also assumed not to have any policy loans against it at any time.

"Age 60," "Age 65" and "Age ____" - Both Chart A and Chart B contains lines for "Age 60," "Age 65" and "Age ____" in the "Year" columns. "Age 60" refers to the year that the insured would have attained age 60 by the end of that year. For example, if the issue age of the insured is filled in as 34, "Age 60" refers to the year that the insured would have attained age 65 at the end of that year. If the issue age is 34, "Age 65" would refer to the 31st year. Finally, "Age ____" refers to the

year on which the insured would attain the age when an endowment would be paid by the company, if the insured is still living. The blank should be filled in to show that age. If no such age is specified in the policy, 100 should be used in this blank. Assuming that 100 is the Maturity Age and assuming that the issue age is 34, "Age 100" would refer to the 66th year.

"Chart A" - Chart A is an illustration on a "Guaranteed Basis," assuming that the insurance company consistently credits interest at the minimum rate permitted by the language in the policy, and that all charges and deductions are the maximums permitted by the policy language. However, as stated above, it is assumed that the policy contains no extra benefit riders requiring an additional premium or periodic charge.

The following instructions apply to Chart A if "flexible premium policy" is checked.

- (1) The "Annual Premium" must be a level amount equal to the "First Year Annual Premium" shown, except that the "Annual Premium" must be shown as zero if there is no death benefit provided by the policy during that year.
- (2) The "Death Benefit" shall be an amount equal to the "First Year Death Benefit" (but increased if the amount earning interest under the policy is so large that an increase in death benefit is generated by the policy language). However, if a death benefit equal to the "First Year Death Benefit" cannot be provided for the entire year, the death benefit for that year shall be filled in as the "First Year Death Benefit" followed by a slash mark and a zero. The "Policy Information for Applicant" form may provide, but is not required to provide, an explanatory footnote to indicate how long into that particular year the "First Year Death Benefit" could be provided. The "Death Benefit" shall be shown as zero for any subsequent years.
- (3) The "Interest Rate" column must disclose the applicable guaranteed interest rate, used in calculating the amounts in the "Surrender Value at Year End" column. These guaranteed interest rates must be consistent with the guaranteed interest rates described in the policy. However, these guaranteed interest rates must be filled in on an annual interest rate basis. An equivalent annual interest rate must be filled in, if the "Surrender Value at Year End" is determined by making monthly calculations for each twelve months.
- (4) The "Surrender Value at Year End" must be filled in as the amount which would actually be paid as a cash surrender value. If the cash surrender value would be negative at the end of any year which is illustrated, the "Surrender Value at Year End" must be shown as zero for that year. Some universal life policies contain provisions for surrender charges which are deducted under certain conditions, but not under others. (Such provisions are commonly called "bail-out" provisions.) The surrender values for policies containing such provisions must be illustrated assuming that the insurance company can and will deduct the maximum surrender charge.
- (5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in unless the following sentence applies. This is not required if either (a) the "Death Benefit" is filled in as zero in Chart A for the twentieth year or (b) the "Death Benefit" would go down to zero before the year in which insured would attain age 60 at the end of the year. Guaranteed assumptions are used in testing for this possibility. Please see the note above in these instructions describing "Age 60," "Age 65," and "Age ____" for additional information concerning these three lines.

To fill in Chart A if "fixed premium policy" is checked, use the same principles described above for a flexible premium policy with the following three exceptions. First, the "Annual Premium" column must be filled in using annual premiums actually described in the universal life fixed premium policy, without any extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of premiums. Second, the "Death Benefits" column must be filled in using the appropriate actual death benefits provided under the policy in each year, without any extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of death benefits and also assuming that the premiums are paid consistently with the amounts of premiums shown in the "Annual Premiums" column. Third, some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. The "Surrender Value at Year End" column must be filled in consistently with any such provision in the policy language.

"Chart B" - Chart B is an illustration on a "Current Basis," assuming that the company consistently credits interest at current interest rates, and all charges and deductions are also on a current basis. These current interest rates, and current charges and deductions, are not guaranteed. The insurance company has the right to change these current interest rates, and charges and deductions, to the extent described in the contract. However, as stated above, it is assumed that the policy contains no extra benefit riders requiring an additional premium or periodic charge.

The following instructions apply to Chart B if "flexible premium policy" is checked.

- (1) The "Annual Premium" must be a level amount equal to the "First Year Annual Premium" shown, except that the "Annual Premium" must be shown as zero if there is no death benefit provided by the policy during that year. Since Chart B is based on current assumptions, the "Annual Premium" will in some cases become zero in a later year under Chart B than under Chart A.
- (2) The "Death Benefit" shall be an amount equal to the "First Year Death Benefit" (but increased if the amount earning interest under the policy is so large that an increase in death benefit is generated by the policy language). However, if a death benefit equal to the "First Year Death Benefit" cannot be provided for the entire year, the death benefit for that year shall be filled in as the "First Year Death Benefit" followed by a slash mark and a zero. The

"Policy Information for Applicant" form may provide, but is not required to provide, an explanatory footnote to indicate how long into that particular year the "First Year Death Benefit" could be provided. The "Death Benefit" shall be shown as zero for any subsequent years. Since Chart B is based on current assumptions, the "Death Benefit" may become zero in a later year under Chart B than Chart A.

(3) The "Interest Rate" column must disclose the applicable interest rate, used in calculating the amounts in the "Surrender Value at Year End" column. No increase in this interest rate can be illustrated for future years, unless such an increase is specifically described and guaranteed in the policy language. However, the current interest rates must be filled in on an annual interest rate basis. An equivalent annual interest rate must be filled in, if the "Surrender Value at Year End" is determined by making monthly calculations for each twelve months.

(4) The "Surrender Value at Year End" is the amount which would actually be paid as a cash surrender value. Chart B is intended to illustrate cash surrender values on a current basis, and not on the basis of non-guaranteed future improvements that may be anticipated or hoped for. No enhancement or increment can be illustrated in Chart B unless such enhancement or increment is specifically described and guaranteed in the policy language. If the cash surrender value would be negative at the end of any year which is illustrated, the "Surrender Value at Year End" must be shown as zero for that year. Some universal life policies contain provisions for surrender charges which are deducted under certain conditions, but not under others. (Such provisions are commonly called "bail-out" provisions.) The surrender values for policies containing such provisions must be illustrated assuming that the insurance company can and will deduct the current surrender charge.

(5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in unless the following sentence applies. This is not required either if (a) the "Death Benefit" is filled in as zero in Chart B for the twentieth year, or (b) the "Death Benefit" would go down to zero before the year in which the insured would attain age 60 at the end of the year. Current assumptions are used in testing for this possibility. Please see the note above in these instructions, describing "Age 60," "Age 65" and "Age ____" for additional information concerning these three lines.

To fill in Chart B if "fixed premium policy" is checked, use the same principles described above for a "flexible premium policy" with the following three exceptions. First, the "Annual Premium" column must be filled in using annual premiums actually described in the universal life fixed premium policy, without any extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of premiums. Second, the "Death Benefits" column must be filled in using the appropriate actual death benefit provided under the policy in each year, without any extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of death benefits and also assuming that the premiums are paid consistently with the amounts of premiums shown in the "Annual Premiums" column. Third, some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. The "Surrender Value at Year End" column must be filled in consistently with any such provision in the policy language.

Maturity Age - This must be filled in consistently with the policy language. Please see also the note above, in these instructions, describing "Age 60," "Age 65" and "Age ____." The Maturity Age, referred to in that note, means an age consistent with the age filled in for this blank.

"Policy Year of Termination under Chart A" - If "yes" is checked, this blank must be filled in. The fill-in must be consistent with the fill-in for the "Annual Premium" and "Death Benefit" columns in Chart A, if termination would occur during one of the years illustrated in that Chart.

Please see also Note (5), in these instructions, describing how to fill in Chart A for a flexible premium policy. In testing to determine if any of the three lines for "Age 60," "Age 65" and "Age ____" need to be filled in for Chart A, this same policy year of termination should be used.

"Policy Year of Termination under Chart B" - If "yes" is checked, this blank must be filled in. The fill-in must be consistent with the fill-in for the "Annual Premium" and "Death Benefit" columns in Chart B, if termination would occur during one of the years illustrated in that chart. Since Chart B is based on current assumptions, the "Policy Year of Termination under Chart B" may be a later year than the "Policy Year of Termination under Chart A".

Please see also Note (5), in these instructions, describing how to fill in Chart B for a flexible premium policy. In testing to determine if any of the three lines for "Age 60," "Age 65" and "Age ____" need to be filled in for Chart B, this same policy year of termination should be assumed.

"Other Important Information about this Policy" - The section of Page 2 below this line contains several blanks preceded by the word "every." Each of these blanks must be filled in with a period of time, such as "month," "quarter" or "year." Of course, the fill-in must be appropriate for the manner in which the insurance company makes calculations under the policy applied for.

All of the blanks below this line continue to assume that the policy does not contain any extra benefit riders that require an additional premium or additional periodic change.

"Maximum Mortality Charge" - Fill in the blank with the guaranteed mortality charge for Year 1. The fill-in must also include wording that indicates the maximum mortality charge increases each year, if this is the case. For example, consider the case of a universal life policy on which the maximum mortality charge for Year 1 was \$8 per \$1,000 amount

at risk, with annual increases in the maximum mortality charge thereafter. This blank could be filled in as follows: "\$8 annual charge used for Year 1, per \$1,000 amount at risk, with annual increases in mortality charge thereafter."

The blank must be filled in on the basis of an annual mortality charge, even if the insurance company actually makes calculations monthly. (In such cases, the annual mortality charge would be twelve times the applicable monthly charge.)

This blank must also be filled in on the basis of a \$1,000 amount at risk, no matter what the actual death benefit may be.

Since Chart A illustrates guaranteed values, the "Surrender Value at Year End" for Year 1 must be calculated consistently with the amount filled in for this blank - subject to the two preceding paragraphs and the two notes in the paragraph which follows.

Note, that if a negative Year 1 cash surrender value is generated by the calculation, the illustrated Surrender Value at Year End for Year 1 in Chart A must be shown as zero. Note also that some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. In such cases, the illustrated Surrender Value at Year End for Year 1 in Chart A must be filled in consistently with the provisions in policy language.

"Current Mortality Charge" - Fill in the blank with the current mortality charge for Year 1. The fill-in must also include wording that indicates that the current mortality charge is expected to increase each year, if this is the case. For example, consider the case of a universal life policy on which the maximum mortality charge for Year 1 was \$6 per \$1,000 amount at risk, with annual increases in the current mortality charge thereafter. This blank could be filled in as follows: "\$6 annual charge used for Year 1, per \$1,000 amount at risk, with annual increases in mortality charge thereafter."

This blank must be filled in on the basis of an annual mortality charge, even if the insurance company actually makes calculations monthly. (In such cases, the annual mortality charge would be twelve times the applicable monthly charge.)

This blank must also be filled in on the basis of a \$1,000 amount at risk, no matter what the actual death benefit may be.

Since Chart B illustrates current values, the "Surrender Value at Year End" for Year 1 must be calculated consistently with the amount filled in for this blank - subject to the two preceding paragraphs and the two notes in the paragraph which follows.

Note that if a negative Year 1 cash surrender value is generated by the calculation, the illustrated Surrender Value at Year End for Year 1 in Chart B must be shown as zero. Note also that some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. In such cases, the illustrated Surrender Value at Year End for Year 1 in Chart B must be filled in consistently with the provisions in the policy language.

"Fee for Administration" - The policy information statement contains blanks for both the current and the maximum fee for administration. For the purpose of filling in these blanks, a "fee for administration" refers to any type of charge made by the insurance company, other than a mortality charge, which is applied whether or not a premium is paid and which is required to maintain the policy in force.

"Current Fee for Administration" - If the policy language makes no provision for a fee for administration, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such fees, the fill-in for this blank must describe those fees on a current basis for each and every year. The amount of the fee need not be filled in on an annual basis, but the frequency with which the fee is charged must be indicated in the fill-in. Thus, in the case of a universal life policy on which the current fee was \$5 each month for the first five years only, this blank could be filled in as follows: "\$5 each month for the first five years, no fee thereafter."

In some cases, the policy language may provide for such a fee, but it is not currently being charged by the insurance company. In the case of such a policy, this blank could be filled in as follows "no fee is currently being charged; however, policy language permits such a fee during the first five years."

Since Chart B illustrates current values, the "Surrender Value at Year End" amounts must be calculated consistently with the current fee for administration, if there is such a fee. However, this is subject to the two notes in the paragraph which follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Values at Year End in Chart B must be shown as zero for such years. Note also that some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart B must be filled in consistently with the provisions in the policy language.

"Maximum Fee for Administration" - If the policy language makes no provision for a fee for administration, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such fees, the fill-in for this blank must describe those fees on a guaranteed basis for each and every year. The amount of the fee need not be filled in on an annual basis, but the frequency with which the fee is charged must be indicated in the fill-in. Thus, in the case of a universal life policy on which the guaranteed fees was \$10 each month for the first five years only, this blank could be filled in as follows: "\$10 each month for the first five years, no fee thereafter."

Since Chart A illustrates guaranteed values, the "Surrender Value at Year End" amounts must be calculated consistently with the maximum fee for administration, if there is such a fee. However, this is subject to the two notes in the paragraph which follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Value at Year End in Chart A must be shown as zero for such years. Note also that some fixed premium universal life policies define the cash surrender value as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart A must be filled in consistently with the provisions in the policy language.

Range of Company Investment Earnings - This blank must be filled in on an annual basis, with two interest rates differing by no more than 1%. Thus, the blank could be filled in "9% to 10%," assuming that that was the appropriate range of earnings for that insurance company.

Moody's Corporate Average Yield - This blank must be filled in for the last calendar quarter on which published data on this yield rate is readily available.

"Will the Illustrated Values in Chart B Be Paid If Economic and Mortality Conditions Do Not Change?" - In most cases, this blank should be filled in "yes." If "no" is checked, a detailed explanation is required.

"Expense Deductions (Front End Loads)" - The policy information statement contains blanks for both the maximum and the current expense deductions. For the purpose of filling in these blanks, an "expense deduction" refers to a charge which is deducted by the insurance company when premiums are paid - but not otherwise.

These expense deductions are sometimes called "front end loads" because they are deducted immediately after premiums are paid. Therefore, they affect the amount earning interest under the policy, while that policy is maintained in force.

"Maximum Expense Deductions" - If the policy language makes no provision for an expense deduction, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such expense deductions, the fill-in for this blank must describe those deductions on a guaranteed basis for each and every year. Thus, in the case of a universal life policy in which the maximum expense deduction was 8% of each premium paid, this blank could be filled in as follows: "8% of each premium paid."

Since Chart A illustrates guaranteed values, the "Surrender Value at Year End" amounts must be calculated consistently with the maximum expense deductions, if there are such deductions. However, this is subject to the two notes in the paragraph which follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Values at Year End in Chart A must be shown as zero for such years. Note also that some fixed premium universal life policies define cash surrender values as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart A must be filled in consistently with the provisions in the policy language.

"Current Expense Deductions" - If the policy language makes no provision for an expense deduction, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such expense deductions, the fill-in for this blank must describe these deductions on a current basis for each and every year. Thus, in the case of a universal life policy in which the current expense deduction was 8% of each premium paid, this blank could be filled in as follows: "8% of each premium paid."

If the maximum expense deductions and the current expense deductions are the same, the blank for current expense deductions can be filled in as follows: "same as maximum expense deductions."

Since Chart B illustrates current values, the "Surrender Value at Year End" amounts must be calculated consistently with the current expense deductions, if there are such deductions. However, this is subject to the two notes in the paragraph which follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Values at Year End in Chart B must be shown as zero for such years. Note also that some fixed premium universal life policies define cash surrender values as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart B must be filled in consistently with the provisions in the policy language.

"Surrender Charges (Back End Loads)" - The policy information statement contains blanks for both the maximum and the current surrender charge. For the purpose of filling in these blanks, a "surrender charge" refers to a charge which is deducted by the insurance company if the policy is surrendered for its cash surrender value - but not otherwise.

The surrender charges are sometimes called "back end loads" because they do not affect the amount earning interest under the policy, while that policy is maintained in force.

"Maximum Surrender Charges" - If the policy language makes no provision for a surrender charge, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such surrender charges, the fill-in for this blank must describe these charges on a guaranteed basis for each year that there is such a charge - up to and including Year 20. Thus, in the case of a universal life policy with a surrender charge of \$400 in Year 1, reducing by \$25 each year until the charge is extinguished, this blank could be filled in as follows "Year 1 - \$400, Year 2 - \$375, reducing by \$25 each year until it reaches 0 at Year 13."

A surrender charge must be disclosed if the policy contains a provision that this surrender charge can be charged under certain conditions, even if it is waived by the insurance company under other conditions. (Such provisions are commonly called "bail-out" provisions.)

Since Chart A illustrates guaranteed values, the "Surrender Value at Year End" amounts must be calculated consistently with the maximum surrender charges, if there are such charges. However, please see the two notes in the paragraph which follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Values at Year End in Chart A must be shown as zero for such years. Note also that some fixed premium universal life policies define cash surrender values as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart A must be filled in consistently with the provisions in the policy language.

"Current Surrender Charges" - If the policy language makes no provision for a surrender charge, this blank must be filled in with appropriate wording such as "none" or "not applicable."

If there are such surrender charges, the fill-in for this blank must describe these charges on a current basis for each year that there is such a charge - up to and including Year 20.

However, if the maximum surrender charges and the current surrender charges are the same, the blank for current surrender charges can be filled in as follows: "same as maximum surrender charges."

A surrender charge must be disclosed if the policy contains a provision that this surrender charge can be charged by the insurance company under certain conditions, even if it is waived by the insurance company under other conditions. (Such provisions are commonly called "bail-out" provisions.)

Since Chart B illustrates current values, the "Surrender Value at Year End" amounts must be calculated consistently with the current surrender charges, if there are such charges. However, please see the two notes in the paragraph that follows.

Note that if any negative cash surrender values are generated by the calculations, the illustrated Surrender Values at Year End in Chart A must be shown as zero for such years. Note also that some fixed premium universal life policies define cash surrender values as the larger of two separate quantities. In such cases, the illustrated Surrender Values at Year End in Chart B must be filled in consistently with the provisions in the policy language.

INSTRUCTIONS FOR FILLING IN "POLICY INFORMATION FOR APPLICANT - INDETERMINATE PREMIUM LIFE PLANS"

The completed policy information statement may be delivered at, or before, the time an application is made. If the completed policy information statement is not delivered at the time of application, it must be delivered within fifteen working days after application is made, but at least five days before delivery of the policy except as provided in the next sentence. If the policy is delivered sooner than five days after the completed policy information statement is delivered, then the free-look period shall be extended to fifteen days. This policy information statement is required in connection with all applications for indeterminate premium life policies, except where the policy is solicited by direct mail.

If any of the information filled in on this policy information statement changes between the date when it is delivered and the date the policy is delivered, then a new revised policy information statement based on the changed information must be delivered at the same time as the policy. In any such case, a written notice shall be furnished which outlines the major reason for the change. For example, the applicant could have applied as a standard risk and after underwriting been found to be a substandard risk requiring higher premium rates.

"Joint Life Policy" - If "yes" is checked, fill in the name of only one person under "Name of Insured." Also, fill in the blanks under "Risk Classification Information" on that sheet with appropriate information on the sex, smoking status and age for that particular person. A separate Page 1 sheet for the policy information statement must then be completed for each other insured under the joint life policy, with appropriate fill-in under "Risk Classification Information" for that particular person on that same sheet. It is sufficient to fill in the "Illustration of Policy Values" on one of these Page 1 sheets. Only one Page 2 sheet is required to be filled in for joint life policies.

"Risk Classification Information (as applied for)" - If the insurance company does not distinguish between smokers and non-smokers for the policy applied for, check neither "smoker" or "non-smoker." Instead, fill in "composite" following the word "other" in the line below.

If the insured applies for a policy on a substandard basis, this should be disclosed following the word "other."

"Illustration of Policy Values" - The values in this illustration are based on a policy with annual premiums and death benefits consistent with automatic options in the language of the policy applied for. This policy is assumed not to contain any extra benefit riders that require an additional premium or periodic charge. This policy is also assumed not to have any policy loans against it at any time.

"Age 60," "Age 65" and "Age ____" - This illustration contains lines for "Age 60," "Age 65" and "Age ____" in the "Year" columns. "Age 60" refers to the year that the insured would have attained age 60 at the end of that year. For example, if the issue age of the insured is filled in as 34, "Age 60" would refer to the 26th year. Similarly, "Age 65" refers to the year that the insured would have attained age 65 at the end of that year. If the issue age is 34, "Age 65" would refer to the 31st year. Finally, "Age ____" refers to the year in which the insured would attain the age when an endowment would be paid by the company, if the insured is still living. The blank should be filled in to show that age. If no such age is specified in the policy, 100 should be used in this blank. Assuming that the issue age is 34, "Age 100" would refer to the 66th year.

(1) **Maximum Annual Premiums (Guaranteed Assumptions)** - The blanks in this column must be filled in with the maximum annual premium which is allowed under the policy language for the basic policy, but not including the additional premium for any extra benefit riders. For Year 1, this must be equal to the "First Year Annual Premium" shown elsewhere on Page 1 of the policy information statement.

(2) **Possible Annual Premium (Current Assumptions)** - the blanks in this column must be filled in with the amount of annual premium which would be charged under the insurance company's current non-guaranteed premium rate schedule, but not including the additional premium for any extra benefit riders. For Year 1, this must be equal to the "First Year Annual Premium" shown elsewhere on Page 1 of the policy information statement.

(3) **The "Death Benefit" column** must be filled in with the amount of death benefit provided at the beginning of the year under the basic policy, but not including the death benefit for any riders that require an additional premium. For Year 1, this must be identical to the "First Year Death Benefit," shown elsewhere on Page 1 of the policy information statement.

(4) **The "Surrender Value at Year End" column** must be filled in with the amount which would actually be paid as a cash surrender value, under the basic policy. The cash value of any extra benefit riders, requiring an extra premium, is not included. If the cash surrender value would be negative at the end of any year which is illustrated, the "Surrender Value at Year End" must be shown as zero for that year.

(5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in unless the following sentence applies. This is not required if either (a) the "Death Benefit" is filled in as zero for the twentieth year or (b) the "Death Benefit" would go down to zero before the year in which insured would attain age 60 at the end of the year. Please see the note above in these instructions, describing "Age 60," "Age 65" and "Age ____" for additional information concerning these three lines.

"The company reviews amounts of premiums every ____." - This blank must be filled in with a period of time, such as "month," "quarter" or "year." Of course, the fill-in must be appropriate for the manner in which the insurance company makes calculations under the policy applied for.

"Limitations on the Company's Right to Change Premiums" - If "yes" is checked, describe any such limitations which may apply. This would include calling attention to any provision in the policy language which could prevent the insurance company from charging the maximum premiums shown in the illustration on Page 1 of the policy information sheet.

LIFE INSURANCE DISCLOSURE MODEL REGULATION

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Section 5. Duties of Insurers

A. Requirements Applicable Generally

(1) The insurer shall provide to all prospective purchasers, a Buyer's Guide and a Policy Summary prior to accepting the applicant's initial premium or premium deposit; provided however, that:

(a) If the policy for which application is made or its Policy Summary contains an unconditional refund provision of at least ten days, the Buyer's Guide and Policy Summary must be delivered with the policy or prior to delivery of the policy.

(b) If the Equivalent Level Death Benefit of the policy for which application is made does not exceed \$5,000, the requirement for providing a Policy Summary will be satisfied by delivery of a written statement containing the information described in Section 4M, Items (2), (3), (4), (5a), (5b), (5c), (6), (7), (9), (10), and (11).

(2) In the case of universal life and indeterminate premium products, the Statement of Policy Information for Applicant illustrated in Appendix D must be delivered at the time of application or within fifteen working days thereafter, but at least five days before delivery of the policy.

If the policy is delivered sooner than five days after delivery of the disclosure statement, the free-look period shall be extended to fifteen days. In the event the disclosure statement is not delivered at the time of application, the disclosure shall be accompanied by a statement that it is delivered for the express purpose of allowing comparison with other policies.

(3) In the case of a solicitation by direct response methods, the insurer shall provide the Statement of Policy Information for Applicant prior to accepting the applicant's application; provided however, that if the policy for which application is made contains an unconditional refund provision of at least ten days, the Statement of Policy Information for Applicant may be delivered with the policy.

(2) (4) If any prospective purchaser requests a Buyer's Guide, a Policy Summary or Policy Data, the insurer shall provide the item or material requested. Unless otherwise requested, the Policy Data shall be provided for policy years one through twenty, and for indeterminate premium and universal life products shall substantially conform to the illustration in Appendix D.

UNIVERSAL LIFE INSURANCE MODEL REGULATION

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Section 8. Disclosure Requirements.

A. Initial Disclosure.

In connection with any advertising, solicitation, or negotiation, or procurement of a universal life insurance policy:

1. Any statement of policy cost factors or benefits shall contain:
 - a. The corresponding guaranteed policy cost factors or benefits, clearly identified.
 - b. A statement explaining the non-guaranteed nature of any current interest rates, charges, or other fees applied to the policy, including the insurer's rights to alter any of these factors.
 - c. Any limitations on the crediting of interest, including identification of those portions of the policy to which a specified interest rate shall be credited.

(Note: Policy cost factors are those amounts which affect the price per thousand of life insurance coverage or other benefits. They include: interest, mortality, expense charges and fees, including any surrender or withdrawal charges, but not persistency assumptions.)

2. Any illustration of the policy value shall be accompanied by the corresponding net cash surrender value.
3. Any statement regarding the crediting of a specific current interest rate shall also contain the frequency and timing by which such rate is determined.
4. If any statement refers to the policy being interest-indexed, the index shall be described. In addition, a description shall be given of the frequency and timing of determining the interest rate and of any adjustments made to the index in arriving at the interest rate credited under the policy.
5. Any illustrated benefits based upon non-guaranteed interest, mortality, or expense factors shall be accompanied by a statement indicating that these benefits are not guaranteed.
6. If the guaranteed cost factors or initial policy cost factor assumptions would result in policy values becoming exhausted prior to the policy's maturity date, such fact shall be disclosed, including notice that coverage will terminate under such circumstances.
7. These requirements may be met by the use of the disclosure statement defined in Section 8B below.

(Note: It is not intended that this section conflict with or supersede the Model Act on Unfair Trade Practices or model regulations on advertising and solicitation. This section supplements those models to the extent that they do not contemplate universal life insurance policy forms and covers those areas which appear to be most subject to misunderstandings by the public.)

B. Disclosure at Time of Sale.

At the time the agent takes an application for a policy, he shall furnish to the applicant a Statement of Policy Information for Applicant in substantially the format illustrated in Appendix A except as provided in the next paragraph. The illustration of policy premium, death benefit and cash value shall be shown for the current interest rate actually being paid on existing policies in force, and for the interest rate guaranteed in the policy. No interest rates other than these may be illustrated.

If the Policy Information for Applicant is not furnished at the time of application, it shall be delivered within fifteen working days after application is taken, but at least five days before delivery of the policy.

If the policy is delivered sooner than five days after the Policy Information for Applicant, the free-look period shall be extended to fifteen days. In the event the Statement of Policy Information for Applicant is not delivered at the time of application, the disclosure shall be accompanied by a statement that it is delivered for the express purpose of allowing comparison with other policies.

C. Direct Response Solicitation

In the case of direct response solicitation methods, the Statement of Policy Information for Applicant contained in Appendix A may be furnished at the time of delivery of the policy, so long as the purchaser is given an unconditional refund provision of at least ten days.

ATTACHMENT TWO

Consumer Disclosure Issues Working Group
of the Product Development (A) Task Force
April 20, 1989
Kansas City, Missouri
NAIC Offices

The Consumer Disclosure Issues Working Group of Product Development (A) Task Force met at 9:30 a.m. on April 20, 1989. Roger Strauss (Iowa), Dave Heinick (Wis.) and Ted Becker (Texas) attended the meeting, which was chaired by Commissioner William D. Hager (Iowa).

The purpose of the meeting was to consider comments on the sample disclosure statement distributed as an exposure draft at the March meeting in Little Rock. The group reviewed the advisory committee comments of April 14 (Attachment Two-A) and the suggested replacement to the disclosure statement drafted by John Hurley (Equitable Life Insurance Company) (Attachment Two-B). Ted Becker (Texas) expressed the opinion that the disclosure statements had become much too long and cumbersome and recommended using the advisory committee's shorter version as a starting point and modifying it to include essential elements from the earlier draft. Mr. Becker saw the greatest problem as the lack of instructions to companies, so a regulator could not tell if the questions were being interpreted consistently. The working group agreed with Mr. Becker that the advisory committee's suggestion to include the instructions for the forms as legislative history in the *Proceedings* would not be enough.

At 11 a.m. the advisory committee and other industry representatives met with the working group to present additional comments. Attending were William N. Albus (National Association of Life Underwriters), John Ogg (National Association of Life Companies), Myriam Marquez Bailey (American Association of Retired Persons), John R. Hurley (Equitable Life),

Anthony T. Spano and Jack Blaine (American Council of Life Insurance), Mike McMahon (Principal Financial Group), and Jack Burbidge and Jack Kispert (IDS Life).

Commissioner Hager explained to the advisory committee that the working group had decided to use the shorter draft from John Hurley and make additions. He asked for further comments. The comments centered around several major issues: (1) A concern that using the disclosure statement as conceived by the working group may violate Securities Exchange Commission (SEC) rules for the sale of variable life products; (2) Timing of the disclosure; (3) Whether the disclosure regulation should apply to direct marketing; and (4) A requirement for a rigid format.

After listening to the advisory committee comments, the working group met in executive session to consider the issues presented. Commissioner Hager requested that NAIC Assistant Counsel Carolyn Johnson prepare an opinion on whether the disclosure requirements would conflict with SEC rules on the issue of variable life sales. The working group voted to present only the universal life and indeterminate premium life disclosure forms for adoption in June and to recommend to its parent committee that further work and consultation with the SEC be undertaken before adopting a disclosure rule for variable life.

The advisory committee favored requiring the disclosure statement at the time of delivery of the policy. The working group felt disclosure at the time of solicitation was the most valuable, but decided to require disclosure no later than the time of application, as proposed in a Little Rock (March 1989) draft.

The working group decided to accept the advisory committee recommendation and exempt direct marketing sales from the regulation. A recommendation will be made to the parent committee to revisit the issue in June 1991 and remove the exemption if abuses are found.

The working group also decided to continue use of the format standards for disclosure now contained in the Life Insurance Disclosure Model Regulation instead of prescribing a specific format because the models already give authority to prevent abuse, and the advisory committee had urged a flexible format to avoid reprogramming costs.

The working group also instructed Mr. Becker to make revisions to the form to include years 11-20 in the chart to add information on how the rate paid on a universal policy is determined and to revise the instructions in the version exposed in Little Rock to help insurers fill out the form. NAIC counsel was instructed to draft modifications to the Universal Life Insurance and Life Insurance Disclosure Model Regulations to reflect the decisions made by the working group. The meeting adjourned at 1:30 p.m.

ATTACHMENT TWO-A

April 14, 1989

For: Working Group on Consumer Disclosure Issues of the Product Development Task Force of the
Life Insurance (A) Committee
From: Advisory Committee

On behalf of the Advisory Committee, we urge that the following comments be considered and acted upon by the Working Group:

1. Both regulators and industry have concluded that the drafts would be a disaster for consumers. They are too lengthy, too verbose and too complicated.
2. The length and verbosity is partly attributable to the fact that definitions and instructions are interspersed with factual information. The current disclosure system was developed first through a regulation and then a model format for compliance (the policy summary). However, before the regulation was developed, certain goals had to be agreed upon in order that there be focus on the mechanics of achieving what was intended. That is lacking here.
3. The industry has no objection to providing the basic data in the form of useful disclosure information. We agreed to that in the original NAIC Model Cost Disclosure Regulation and policy summary. We believe there exist no objections now to expanding the information to be provided to consumers. The problem exists in agreeing on how much information can be furnished at time of application. Much of the information required in the draft disclosure forms simply cannot be provided at time of application without forcing prospective insureds to delay their purchase, perhaps at the very time when they need life insurance protection the most.
4. Variable life insurance should not be included in this proposal. Another layer of regulation on top of Securities Exchange Commission disclosures—especially inconsistent requirements—and existing state insurance regulations would be an intolerable burden.
5. Rigidity of format serves no purpose other than to preclude addition of other useful information and to impose on companies the expense of re-programming systems to accommodate it. Companies should be allowed to format the information to be consistent with their current systems.

We sincerely believe that a workable disclosure system can be arrived at with a minimal amount of controversy, if the Working Group would enunciate more explicitly the objectives it hopes to achieve. In doing so, it should also recognize the limits to the type and amount of information that agents can reasonably be expected to produce on their own at time of application. By building on the existing system, it seems to us we can add whatever data is meaningful and helpful to the consumer. In addition, Equitable's comments on the existing exposure drafts ought to be considered to be the information from the final document.

ATTACHMENT TWO-B

Advisory Committee draft 4-18-89

XYZ Life Insurance Company
St. Louis, Missouri

POLICY INFORMATION FOR APPLICANT

Name of Insured _____ Joint Life Policy ☐ YES ☐ NO
Date of Application _____
Name of Agent _____ Agent's Telephone Number (____) _____
Agent's Address _____

Type of Life Insurance Policy:

☐ Universal Life Flexible Premium
☐ Universal Life Fixed Premium

☐ Indeterminate Premium Life
☐ Variable Life

Policy Name: _____
Form Number: _____

Coverage Applied For and Premium NOTE: This information does not include any extra benefit riders which you may apply for with this policy. Riders may affect your premium and cash values. Ask your agent for a full explanation of any riders.

Death Benefit Applied For: _____
Annual Premium: _____
If premium is not paid once a year, state the frequency of and the amount of the periodic premium: _____

Risk Classification Information (as applied for):

M _____ F _____ Smoker _____ Non-Smoker _____
Age _____ Other _____

ILLUSTRATION OF POLICY VALUES

Chart A: The following values are based on the interest rates which are guaranteed by the company and based on your timely payment of the premiums in Column 1.

YEAR	1 ANNUAL PREMIUM	2 DEATH BENEFIT	3 INTEREST RATE	4 SURRENDER VALUE AT YEAR END
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____
6	_____	_____	_____	_____
7	_____	_____	_____	_____
8	_____	_____	_____	_____
9	_____	_____	_____	_____
10	_____	_____	_____	_____
20	_____	_____	_____	_____
Age 60	_____	_____	_____	_____
Age 65	_____	_____	_____	_____
Age _____	_____	_____	_____	_____

Chart B: The following values are based on the interest rates which the company is currently crediting on this policy form. Interest rates may increase or decrease from this rate. Also this chart assumes you pay the premiums shown in Column 1.

1 ANNUAL PREMIUM	2 DEATH BENEFIT	3 INTEREST RATE	4 SURRENDER VALUE AT YEAR END	YEAR
_____	_____	_____	_____	1
_____	_____	_____	_____	2
_____	_____	_____	_____	3
_____	_____	_____	_____	4
_____	_____	_____	_____	5
_____	_____	_____	_____	6
_____	_____	_____	_____	7
_____	_____	_____	_____	8
_____	_____	_____	_____	9
_____	_____	_____	_____	10
_____	_____	_____	_____	20
_____	_____	_____	_____	Age 60
_____	_____	_____	_____	Age 65
_____	_____	_____	_____	Age _____

Level Annual Premium Required to Provide the Initial Death Benefit to Maturity Age on a Guaranteed Basis _____
(Flexible Premium Policies Only).

The company will pay an endowment benefit to the insured if the insured is living and attains the age of _____.

OTHER IMPORTANT INFORMATION ABOUT THIS POLICY

The company has the right to change the interest rates credited to amounts paid in to this policy. The company reviews interest rates every _____.

The mortality charge, which is the amount used to fund the death benefit, may also change. The company reviews mortality charges every _____.

The maximum mortality charge is _____.

The current mortality charge is _____.

The company (does/does not) charge a fee for administration of this policy. The fee may change from time to time. The current fee is _____.

The maximum fee that can be charged is _____.

This policy's interest rate (is/is not) interest/indexed. This means that we charge an interest rate credited to the amounts paid in to the policy based on changes in the _____ (Bond Index). We make these changes every _____. We may adjust our credited interest rate by more or less than the change in the index.

Expense Deductions (front end loads):

Maximum _____ Current _____

Surrender Charges (back end loads):

Maximum _____ Current _____

Disclaimer Notice Regarding Tax Law

The information in this "Policy Information for Applicant" is not intended to be used in tax planning nor is it intended for the purpose of providing tax advice. The possibility of future changes in tax laws must be recognized and taken into consideration.

ATTACHMENT THREE

Product Development (A) Task Force Little Rock, Arkansas March 21, 1989

The Product Development (A) Task Force met in Salon B of the Excelsior Hotel in Little Rock, Ark., at 1 p.m. on March 21, 1989. A quorum was present and William D. Hager (Iowa) chaired the meeting. The following task force members or their representatives were present: Robert D. Haase (Wis.); Theodore "Ted" Kulongoski, Vice Chair (Ore.); John E. Washburn (Ill.); Gerald Grimes (Okla.); Edwin J. Smith, Jr. (Texas); and Harold C. Yancey (Utah).

The task force went directly to the report of the Consumer Disclosure Issues Working Group and called upon Ted Becker (Texas) to deliver said report. Mr. Becker reported that the working group had met on March 1, 1989, in Kansas City at the NAIC offices, and the minutes of that meeting are Attachment Three-A. Mr. Becker stated that in executive session the working group had agreed that there was a need to require disclosure for all types of life insurance plans as well as universal and variable. He stated that after meeting he returned to Austin and redrafted the disclosures and retitled them to be consistent with the NAIC Life Insurance Disclosure Regulation. Mr. Becker stated that the documents were much longer than he originally hoped and that it was his wish that the task force could find a way to shorten them. He noted that Myriam Bailey (American Association of Retired Persons-AARP) had made suggestions regarding utilizing a simplified language approach but that his efforts to follow up with Myriam had been unsuccessful to date.

Commissioner William D. Hager (Iowa) noted that the working group should plan on one additional interim meeting to consider comments on the exposure draft. He directed that the comments be made to the advisory committee chair, John Hurley (Equitable Life).

Commissioner Harold C. Yancey (Utah) stated that he had the same concerns as previously expressed by Mr. Becker as to the length of the documents. It was his opinion that the focus of the working group should now be on streamlining the document as much as possible. Commissioner Hager agreed and noted that it was his desire to see an operative document that shows in tab form the development of the policy in language simple enough that those without actuarial experience will be able to understand. He stated that he would prefer to sacrifice actuarial depth in the interest of increasing the understanding of the consumers. Commissioner Hager again noted that he was committed to producing a final product by June 1989.

After a motion and second, the task force voted to expose the drafts presented by Mr. Becker and they are included herein as an attachment to the March 1 task force minutes.

Having no further business, the Product Development (A) Task Force adjourned at 1:30 p.m.

ATTACHMENT THREE-A

Consumer Disclosure Issues Working Group
of the Product Development (A) Task Force
March 1, 1989
Kansas City, Missouri

The Consumer Disclosure Issues Working Group of the Product Development (A) Task Force met on March 1, 1989, in Kansas City at 9 a.m. Tony Higgins (N.C.), Roger Strauss (Iowa), Dave Heineck (Wis.), Ted Becker (Texas) and John Montgomery (Calif.) attended the meeting which was chaired by Commissioner William D. Hager (Iowa).

The purpose of the meeting was to hear comments on the sample disclosure statements prepared by Ted Becker (Texas). (Attachment Three-A1) Commissioner William D. Hager (Iowa) emphasized his goal of having a product ready to distribute as an exposure draft at the Little Rock (March 1989) meeting with adoption in June. It is the intent of the working group that these disclosure statements address a number of perceived problems and identified the following:

1. Illustrations with outrageous interest rate assumptions,
2. Current rate illustrations based on a different rate than the one currently being paid,
3. Non-guaranteed elements built into the calculations,
4. Assumptions that are unrealistic, such as increasing interest, decreasing mortality,
5. Illustrations which include things not even in the contract.

Commissioner Hager first asked for general comments from the advisory committee members, which he appointed at the December 1988 NAIC meeting. Appointed were: William N. Albus (National Association of Life Underwriters), Jon Ogg (National Association of Life Companies), Myriam Marquez Bailey (American Association of Retired Persons), John R. Hurley (Equitable Life) and Anthony T. Spano (American Council of Life Insurance).

The advisory committee expressed the opinion that most customer complaints come from a lack of understanding, because in most cases they are already getting a tremendous amount of information. There was also concern about the timing of the disclosure. Computer software could be readily modified to produce a document such as the committee was contemplating, but if it were required at the time of initial contact, the risk classification would be unknown. Smaller companies without computer capabilities might also have trouble complying with such a requirement. It is typically their practice to make an initial contact to gather information and then return later with computer generated illustrations. Tony Higgins (N.C.) emphasized the committee's position that the disclosure statements be provided at the time an application is taken and found no conflict with the procedure described.

The advisory committee also suggested that the disclosure statement be included with all types of policies, not just those that are interest sensitive; limited disclosure might be viewed by the consumer as focusing unduly on interest-sensitive products. They recommended building on the policy summary requirements in the existing Life Insurance Disclosure Model Regulation and keeping the provision in the Variable Life Model Regulation which states that a prospectus required by the Securities Act would satisfy the model's requirements. They also suggested that the illustration be for the policy being purchased, rather than a generic policy. Riders would affect the resulting numbers so a generic disclosure statement could be misleading.

Mr. Becker said his proposed disclosure statements were designed so that a purchaser could take several basic policies and lay them side by side to compare; this couldn't be done if each had different riders. However, he had no objection to the idea of two illustrations, so that agents could show what the consumer was contemplating and a general policy for comparison.

Myriam Bailey (AARP) emphasized the need for clear disclosure. Because insurance is now touted as an investment vehicle, consumers need to be able to compare this product with others. She recommended changes in wording to make the disclosure statements more readable and less technical and stressed the need for uniformity of format. Tony Spano (ACLI), representing the industry viewpoint, spoke against a rigid format.

Commissioner Hager then asked for technical comments and requested that these also be forwarded in writing to Mr. Becker. The comments received included: incorporating disclaimer language pointing out the possibility of tax law changes, specific suggestions on substitute wording that would be easier to understand and eliminating the column in the discussion draft which illustrated the accumulation value. Mr. Spano stated that it was of little use to know that figure because the consumer couldn't get it, and it served to confuse buyers. He also spoke in favor of disclosure of front-end loads, surrender charges and other similar expenses in the same place on the form so that more importance was not given to one type of expense.

The advisory committee was thanked for its input and the working group moved into executive session. They found merit in the suggestion to include more than interest-sensitive products in the disclosure requirements, but since the charge was only to develop the statement for interest-sensitive products, that would be the limit of the exposure draft.

They also discussed the suggestion to allow variable life disclosure requirements to be met by distribution of a prospectus. It was the consensus of the group that the prospectus was too complex and would not allow the kind of easy comparison by consumers that was the goal of the working group.

The NAIC staff support was directed to prepare a summary of the elements to be included in the exposure draft documents for Little Rock.

Having no further business, the working group adjourned at 2 p.m.

LIFE INSURANCE DISCLOSURE MODEL REGULATION
Draft 3/7/89

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Section 4. Definition

M. Policy Summary. The Policy Summary is a written statement describing the elements of the policy, including, but not limited to:

- (1) A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.
- (2) The name and address of the insurance agent or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.
- (3) The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.
- (4) The Generic Name of the basic policy and each rider.
- (5) The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns; including, but not necessarily limited to, the years for which Cost Comparison Indexes are displayed and the earlier of at least one age from sixty through sixty-five and policy maturity:
 - (a) The annual premium for the basic policy;
 - (b) The annual premium for each optional rider;
 - (c) The amount payable upon death at the beginning of the policy year regardless of the cause of death, other than suicide or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider; with benefits provided under the basic policy and each rider shown separately;
 - (d) The total cash surrender values at the end of the year with values shown separately for the basic policy and each rider;
 - (e) The Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider (Dividends need not be displayed beyond the twentieth policy year);
 - (f) Any endowment amounts payable under the policy which are not included under cash surrender values above;
 - (g) If the policy has a Non-guaranteed Factor, the maximum premium, minimum amount payable upon death, minimum cash value, and minimum endowment amounts allowed by the policy. These amounts may be shown in addition on the basis of the Company's Current Rate Schedule and Current Dividend Scale.

(6) The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is adjustable, the Policy Summary shall also indicate that the annual percentage rate will be determined by the company in accordance with the provisions of the policy and the applicable law.

(7) The Cost Comparison Indexes for ten and twenty years but in no case beyond the premium-paying period. Indexes shall be shown on the Guaranteed Basis as defined in Sections 4J(2) and 4J(4) and, if there are dividends or a Non-guaranteed Factor, shall also be shown on the Illustrated Basis as defined in Sections 4J(1) and 4J(3). Separate indexes shall be displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits; such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than twelve months and guaranteed insurability benefits; nor for any basic policies or optional riders covering more than one life.

(8) A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's Current Dividend Scale and are not guaranteed.

(9) If the policy has a Non-guaranteed Factor, a statement indicating that the insurer reserves the right to change the Non-guaranteed Factor at any time and for any reason. However, if the insurer has agreed to limit this right in any way; such as, for example, if it has agreed to change a Non-guaranteed Factor only at certain intervals or only if there is a change in the insurer's current or anticipated experience; the statement may indicate any such limitation on the insurer's right.

(10) This statement in close proximity to the Cost Comparison Indexes:

"An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide."

(11) The date on which the Policy Summary is prepared.

(12) The Policy Summary for a universal life, indeterminate life, or variable life policy shall be in the format illustrated in Appendix D.

The Policy Summary must consist of a separate document. All information required to be disclosed must be set out in such a manner as not to minimize or render any portion thereof obscure. Any amounts which remain level for two or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in Item (5) of this section shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider, death benefits shall be displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as a blank space.

* * * *

Section 5. Duties of Insurers

A. Requirements Applicable Generally

(1) The insurer shall provide, to all prospective purchasers, a Buyer's Guide and a Policy Summary prior to accepting the applicant's ~~initial premium or premium deposit application~~; provided, however, that:

(a) If the policy for which application is made or its Policy Summary contains an unconditional refund provision of at least ten days, the Buyer's Guide and Policy Summary must be delivered with the policy or prior to delivery of the policy, except in the case of interest-sensitive products, for which the Policy Summary in Appendix D must be delivered at the time of application. If the policy subsequently delivered varies from that illustrated, a second Policy Summary for interest-sensitive products must be provided for that policy.

(b) If the Equivalent Level Death Benefit of the policy for which application is made does not exceed \$5,000, the requirement for providing a Policy Summary will be satisfied by delivery of a written statement containing the information described in Section 4M, Items (2), (3), (4), (5a), (5b), (5c), (6), (7), (9), (10), and (11).

(2) If any prospective purchaser requests a Buyer's Guide, a Policy Summary or Policy Data, the insurer shall provide the item or material requested. Unless otherwise requested, the Policy Data shall be provided for policy years one through twenty, except interest-sensitive products shall conform to the illustration in Appendix D.

Variable Life Insurance Regulation

ARTICLE VII: INFORMATION FURNISHED TO APPLICANTS

An insurer delivering or issuing for delivery in this state any variable life insurance policies shall deliver to the applicant for such policy, and obtain a written acknowledgement of receipt from such applicant coincident with or prior to the execution of the application, the following information. The requirements of this Article ~~shall be deemed to have been satisfied to the~~

extent that a disclosure containing information required by this Article is delivered, either in the form of ~~are in addition to any disclosure in the form of~~ (1) a prospectus included in the requirements of the Securities Act of 1933 and which was declared effective by the Securities Exchange Commission; or (2) all information and reports required by the Employee Retirement Income Security Act of 1974 if the policies are exempted from the registration requirements of the Securities Act of 1933 pursuant to Section 3(a)(2) thereof.

1. A summary explanation, in non-technical terms, of the principal features of the policy, including a description of the manner in which the variable benefits will reflect the investment experience of the separate account and the factors which affect such variation. Such explanation must include notices of the provision required by Article IV, Sections 3a(5) and 3f;
2. A statement of the investment policy of the separate account, including:
 - a. A description of the investment objectives intended for the separate account and the principal types of investments intended to be made; and
 - b. Any restrictions or limitations on the manner in which the operations of the separate account are intended to be conducted;
 3. A statement of the net investment return of the separate account for each of the last ten years or such lesser period as the separate account has been in existence;
 4. A statement of the charges levied against the separate account during the previous year;
 5. A summary of the method to be used in valuing assets held by the separate account;
 6. A summary of the federal income tax aspects of the policy applicable to the insured, the policyholder and the beneficiary;
 7. Illustrations of benefits payable under the variable life insurance contract. Such illustrations shall be prepared by the insurer and shall not include projections of past investment experience into the future or attempted predictions of future investments experience, provided that nothing contained herein prohibits use of hypothetical assumed rates of return to illustrate possible levels of benefits if it is made clear that such assumed rates are hypothetical only. The illustration shall be in the format attached as Appendix A. If the policy actually delivered varies from that for which application was made, a second illustration shall be provided using the policy actually delivered.

ATTACHMENT THREE A-1

SUMMARY OF THE CONSUMER DISCLOSURE WORKING GROUP EXPOSURE DRAFTS

The working group has developed the attached disclosure statements designed for distribution in connection with the sale of interest-sensitive life insurance products. These are intended to assist the consumer in comparing different types of life products, and in comparing the policies of different companies. The group recommends that its charge be expanded to cover the issuance of these disclosure statements for non-interest sensitive products also.

The specific format shown must be followed. This will enable consumers to easily compare different policies. No other illustrations should accompany this disclosure, to avoid overwhelming the purchaser with so much information that he doesn't know what is important. If the purchaser is considering riders which would affect the basic calculations, an illustration shall be prepared for the basic policy without the riders and also one for the policy with the rider(s).

The Statement of Policy Cost and Benefit Information contains a cover page which will quickly and easily identify the policy form and the assumptions being used in the illustration. The second page contains a chart illustrating the policy premium, death benefit, interest rate and cash value for each specified year using both the current interest rate and the guaranteed rate, based on a yearly premium payment. A third page illustrates the actual policy being considered, with any riders or alternate modes of payment. Following this are notes which will reveal expense charges, surrender charges and non-guaranteed elements; and which explain the terms used and the importance of that information to the consumer.

Changes will also be necessary to the model regulations dealing with life insurance disclosure, universal life and variable life. The amendments will make clear that the consumer disclosure documents must be provided at the time the application is received, with a modified form provided at delivery if the policy actually delivered differs from the one first illustrated.

If the disclosure is being provided for a variable life policy, the Statement of Policy Cost and Benefits Information shall be prepared in addition to any documents which might be required by the Securities Act of 1933 or the Employment Retirement Income Security Act of 1974.

UNIVERSAL LIFE INSURANCE MODEL REGULATION
Draft 3/9/89

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Section 8. Disclosure Requirements.

A. Initial Disclosure.

In connection with any advertising, solicitation, ~~or~~ negotiation, ~~or procurement~~ of a universal life insurance policy:

1. Any statement of policy cost factors or benefits shall contain:
 - a. The corresponding guaranteed policy cost factors or benefits, clearly identified.
 - b. A statement explaining the non-guaranteed nature of any current interest rates, charges, or other fees applied to the policy, including the insurer's rights to alter any of these factors.
 - c. Any limitations on the crediting of interest, including identification of those portions of the policy to which a specified interest rate shall be credited.

(Note: Policy cost factors are those amounts which affect the price per thousand of life insurance coverage or other benefits. They include: interest, mortality, expense charges and fees, including any surrender or withdrawal charges, but not persistency assumptions.)

2. Any illustration of the policy value shall be accompanied by the corresponding net cash surrender value.
3. Any statement regarding the crediting of a specific current interest rate shall also contain the frequency and timing by which such rate is determined.
4. If any statement refers to the policy being interest-indexed, the index shall be described. In addition, a description shall be given of the frequency and timing of determining the interest rate and of any adjustments made to the index in arriving at the interest rate credited under the policy.
5. Any illustrated benefits based upon non-guaranteed interest, mortality, or expense factors shall be accompanied by a statement indicating that these benefits are not guaranteed.
6. If the guaranteed cost factors or initial policy cost factor assumptions would result in policy values becoming exhausted prior to the policy's maturity date, such fact shall be disclosed, including notice that coverage will terminate under such circumstances.
7. These requirements may be met by the use of the disclosure statement defined in Section 8B below.

(Note: It is not intended that this section conflict with or supersede the Model Act on Unfair Trade Practices or model regulations on advertising and solicitation. This section supplements those models to the extent that they do not contemplate universal life insurance policy forms and covers those areas which appear to be most subject to misunderstandings by the public.)

B. Disclosure at Time of Sale.

At the time the agent takes an application for a policy, he shall furnish to the applicant a Statement of Policy Cost and Benefit Information in the format illustrated in Appendix A and obtain a written acknowledgement of receipt from such applicant.

1. The illustration of policy premium, death benefit and cash value shall be shown for the current interest rate actually being paid on existing policies in force, and for the interest rate guaranteed in the policy. No interest rates other than these may be illustrated.

2. If the policy for which application is being considered contains riders affecting costs, an illustration shall be prepared for the basic policy and for the policy with riders.

3. If the policy actually delivered is different than that illustrated, a second Statement of Policy Cost and Benefit Information illustrating the policy actually purchased shall be provided at the time of delivery.

State Board of Insurance
1110 San Jacinto
Austin, Texas 78701-1998

March 17, 1989

William D. Hager, Commissioner
State of Iowa Department of Insurance
Lucas State Office Building
Des Moines, Iowa 50319

Re: NAIC Product Development Task Force Consumer Disclosure Working Group
March 1, 1989 Meeting

Dear Commissioner Hager:

Enclosed are new revised drafts of the disclosure statements for universal life policies, indeterminate premium life policies and variable life policies. I have tried to prepare them in accordance with my instructions at our March 1, 1989, meeting.

These disclosure sheets have been prepared under the assumption that they would be presented to the applicant at the time of application. It is contemplated that they would be the only disclosure sheets required under the NAIC "Life Insurance Disclosure Model Regulation," for the universal life policies and the indeterminate premium life policies.

These disclosure sheets have been retitled as "Statement of Policy Cost and Benefit Information," so as to use the title stated in that NAIC Model Regulation.

These disclosure sheets ran much longer than I had hoped. Also, the changes that were required from the documents exposed in December 1988 were very extensive.

Please let me know how I should proceed with this project.

Yours very truly,
Ted Becker

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

Specifications - For Any of the Life Insurance Plans Listed Below

Name of Insured: _____
 Name of Second Insured: _____
 (The name of the second insured should be filled in only if the policy is a "Joint Life" policy as indicated below)

Name of Company: _____
 Company's Address: _____
 Date on which this Disclosure Statement was prepared _____

Is there an agent involved in this application? Yes ___ No ___ (Check one)

If "yes" is checked, the following three questions must be answered.

Name of Agent: _____
 Agent's Address: _____
 Agent's Telephone Number: _____

If "no" is checked, describe the procedures for making inquiries concerning this "Statement of Policy Cost and Benefit Information"

Type of Life Insurance Policy:

- ___ Universal Life Flexible Premium
 ___ Universal Life Fixed Premium
 ___ Indeterminate Premium Life
 ___ Variable Life

Policy Form Marketing Name: _____
 Policy Form Number: _____

Coverage And Premium Specifications (Leave out any extra benefit riders which require an additional premium or an additional periodic charge. Any such riders are described on Page ____):

Initial Death Benefit: _____
 Initial Premium: _____
 Premium Frequency Selected At Issue: _____
 Equivalent Initial Annual Premium: _____

(This amount is equal to the "Initial Premium" if the premium frequency selected at issue is annual; otherwise fill in the annual premium which is equivalent to the "Initial Premium").

Status Specifications:
 ___ Single Life ___ Joint Life (Check one)

Additional Specifications If Single Life is Checked

___ Issue Age
 ___ Sex
 Risk Classification Applied for _____

(Disclose such classifications as standard or substandard, smoker or nonsmoker status, degree of substandard rating if applicable, and any other classifications which would affect premium or surrender values)

Additional Specifications If Joint Life is Checked

___ Joint First To Die Plan ___ Joint Last Survivor Plan
 (Check one of the two plans above)

First Joint Insured
 ___ Issue Age
 ___ Sex
 Risk Classification Applied For _____

Second Joint Insured
 ___ Issue Age
 ___ Sex
 Risk Classification Applied For _____

STATEMENT OF POLICY COST AND BENEFIT INFORMATION Page 1
(Use Only for Universal Life Flexible Premium and Universal Life Fixed Premium Policies)

ILLUSTRATION SHEET I: FOR COMPARISON WITH OTHER POLICIES
See Note (2) on Page 4. Policy values do not include certain riders.
Policy Values Based on Both Guaranteed and Current Assumptions

===== Guaranteed Assumptions =====					
	(1)	(2)	(3)	(4)	
Year	Annual Premium	Death Benefit	Interest Rate	Surrender Value At End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

===== Current Assumptions =====					
	(1)	(2)	(3)	(4)	
Year	Annual Premium	Death Benefit	Interest Rate	Surrender Value At End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

STATEMENT OF POLICY COST AND BENEFIT INFORMATION Page 2
 (Use Only for Universal Life Flexible Premium and Universal Life Fixed
 Premium Policies)
 ILLUSTRATION SHEET II: FOR THE POLICY APPLIED FOR, AS IT IS EXPECTED TO BE USED
 See Note (3) on Page 4. Policy values include riders.
 Policy Values Based on Both Guaranteed and Current Assumptions

===== Guaranteed Assumptions =====					
	(1)	(2)	(3)	(4)	
Year	Sum of Premiums During Year	Death Benefit	Interest Rate	Surrender Value At End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

===== Current Assumptions =====					
	(1)	(2)	(3)	(4)	
Year	Sum of Premiums During Year	Death Benefit	Interest Rate	Surrender Value At End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

NOTES TO USER:

- (1) Pages 2 and 3 contain two different illustration sheets. Please see Notes (2) and (3) below for descriptions of these two sheets.
- (2) Illustration Sheet I, on Page 2, is to be used for comparison with other policies. Illustration Sheet I is based on a policy with level annual premiums and level death benefits, and which does not contain any extra benefit riders that require an additional premium or additional periodic charge. The fill-in on Page 9 will indicate if any such extra benefit riders have been applied for. If there are such riders, the policy values under both "Guaranteed Assumptions" and "Current Assumptions" can give an appearance that death benefit coverage will continue for a longer period of time than is actually the case.
- (3) Illustration Sheet II, on Page 3, is to be based on the policy applied for, if it is used as expected. Illustration Sheet II differs from Illustration Sheet I in three important respects. First, Illustration Sheet II does take into account any extra benefit riders that require an additional premium or periodic charge. Second, Illustration Sheet II takes into account any variations in the amount of premium or death benefit in years after the first year, which are expected when the policy is applied for. Third, Illustration Sheet II takes into account the expected actual frequency of premium payments, which may not be annual. See Page 9 for additional information on the assumptions under which the blanks for "Sum of Premiums During Year" and "Death Benefits" are filled in. The inclusion of extra benefit riders in Illustration Sheet II causes the policy values under both "Guaranteed Assumptions" and "Current Assumptions" to give a more accurate picture as to when death benefit coverage under the policy would cease than Illustration Sheet I, if the policy applied for contains such riders.
- (4) In both Illustration Sheet I and Illustration Sheet II, the policy values shown under "Current Assumptions" are based on non-guaranteed interest rates, mortality charges and other charges and fees, as described on page 10. The company has the right to change these amounts, to the extent described in the policy language.
- (5) In both Illustration Sheet I and Illustration Sheet II, there are references to "Age 60," "Age 65" and "Age ____" in the "Year" columns. "Age 60" refers to the year such that the insured would have attained age 60 at the end of that year. For example, if the issue age filled in on Page 1 is 34, "Age 60" would refer to the 26th year. Similarly, "Age 65" refers to the year such that the insured would have attained age 65 at the end of that year. If the issue age is 34, "Age 65" would refer to the 31st year. Finally, "Age ____" refers to the year on which the insured would attain the age when an endowment would be paid by the company, if the insured is still living. The blank should be filled in to show that age. If no such age is specified in the policy, 100 should be used in this blank. In the case of a Universal Life Flexible Premium policy, the fill-in in this blank should be consistent with the Maturity Age shown in the fill-in on Page 11. Assuming that 100 is the Maturity Age and assuming that the issue age is 34, "Age 100" would refer to the 66th year.
- (6) In Illustration Sheet II, under certain conditions, the policy values shown may require written election of an option contained in the policy language, at a certain time in the future. See Page 9 for information as to whether such written election is necessary in the case of the policy applied for.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

Page 5

(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Instructions for Illustration Sheet I on Page 2 of "Statement of Policy Cost and Benefit Information"

The following are pertinent to the values shown in Illustration Sheet I under "Guaranteed Assumptions" for Universal Life Flexible Premium policies:

- (1) The "Annual Premium" must be a level amount equal to the "Equivalent Initial Annual Premium" shown, except that the "Annual Premium" must be shown as zero if there is no death benefit provided by the policy during that year.
- (2) The "Death Benefit" shall be an amount equal to the "Initial Death Benefit" (but increased if the amount earning interest under the policy is so large that an increase in death benefit is generated by the policy language). However, if a death benefit equal to the "Initial Death Benefit" can not be provided for the entire year, the death benefit for that year shall be filled in as the "Initial Death Benefit" followed by a slash mark and a zero. The company may provide, at its option, an explanatory footnote to indicate how long into that particular year the "Initial Death Benefit" could be provided. The "Death Benefit" shall be shown as zero for any subsequent years.
- (3) The "Interest Rate" column must disclose the applicable guaranteed interest rate, used in calculating the "Surrender Value at End of Year" in Column 4. These guaranteed interest rates must be consistent with the guaranteed interest rates described in the policy.
- (4) The "Surrender Value at End of Year" is the amount which would actually be paid as a cash surrender value.
- (5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these three lines.

The following are pertinent to the values shown in Illustration Sheet I under "Current Assumptions" for Universal Life Flexible Premium policies:

- (1) The "Annual Premium" must be a level amount equal to the "Equivalent Initial Annual Premium" shown, except that the "Annual Premium" must be shown as zero if there is no death benefit provided by the policy during that year. Note that these amounts of annual premium are calculated using current assumptions.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

Page 6

(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Instructions for Illustration Sheet I on Page 2 of "Statement of Policy Cost and Benefit Information" (Continued)

- (2) The "Death Benefit" shall be an amount equal to the "Initial Death Benefit" (but increased if the amount earning interest under the policy is so large that an increase in death benefit is generated by the policy language). Note that these amounts of death benefit are calculated using current assumptions. However, if a death benefit equal to the "Initial Death Benefit" can not be provided for the entire year, the death benefit for that year shall be filled in as the "Initial Death Benefit" followed by a slash mark and a zero. The company may provide, at its option, an explanatory footnote to indicate how long into that particular year the "Initial Death Benefit" could be provided. The "Death Benefit" shall be shown as zero for any subsequent years.

- (3) The "Interest Rate" column must disclose the applicable interest rate, used in calculating the "Surrender Value at End of Year" amounts in Column 4.

- (4) The "Surrender Value at End of Year" is the amount which would actually be paid as a cash surrender value. No enhancement or increment can be illustrated in Column 4 unless it is specifically described in the policy language.

- (5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these three lines.

In the case of a Universal Life Fixed Premium policy, as in a Universal Life Flexible Premium policy, first assume that all extra benefit riders requiring an additional premium or an additional periodic charge are left out. Having done this, all of the columns in Illustration Sheet I shall be filled in consistently using the same principles described above for a Universal Life Flexible Premium Policy with the following two exceptions. First, the "Annual Premium" shown in column 1 for both "Guaranteed Assumptions" and "Current Assumptions" shall be filled in using annual premiums actually described in the Universal Life Fixed Premium policy, without the extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of premiums. Second, the "Death Benefit" shown in column 2 for both "Guaranteed Assumptions" and "Current Assumptions" shall be the appropriate actual death benefit provided under the policy in each year, without the extra benefit riders, and assuming that the policy owner does not exercise any option to change the amounts of death benefits and also that premiums are paid consistent with the amounts of premiums shown in column 1.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

Page 7

(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Instructions for Illustration Sheet II on Page 3 of "Statement of Policy Cost and Benefit Information"

The intended differences between Illustration Sheet II on Page 3 and Illustration Sheet I on Page 2 are stated in Note (3) of the "Notes to User" on Page 4. The assumptions made in filling in the "Sum of Premiums During Year" and the "Death Benefits" columns in Illustration Sheet II must be consistent with the assumptions described on Page 9. Illustration Sheet II must not be filled in under the assumption that an option is elected, that requires the consent of the company or that requires evidence that the insured will still be considered insurable by the company.

The following are pertinent to the values shown in Illustration Sheet II under "Guaranteed Assumptions" for Universal Life Flexible Premium policies.

- (1) The "Sum of Premiums During Year" must be filled in for the total amount which is actually expected to be paid during the year, for each year that this sheet requires to be illustrated. Thus, if a premium of \$100 is expected to be paid monthly, the blank in this column for Year 1 would be filled in as \$1,200, which is 12 times \$100. (No adjustment is made in the amount filled in if the total amount of premiums is paid in installments during the year.) The "Sum of Premiums During Year" must be shown as zero if there is no death benefit provided by the policy during the year.

- (2) The "Death Benefit" must be filled in for the total amount which is actually expected to be paid as a death benefit at the beginning of the year, for each year that this sheet requires to be illustrated. The death benefit must include any amount payable on the death of the insured, including death benefits payable as a rider. However, any amount payable only as an accidental death benefit must be left out. The death benefit filled in for Year 1 would be equal to the "Initial Death Benefit," shown on Page 1, plus the amount of any death benefit on the insured provided under an extra benefit rider (except for an accidental death benefit). If the death benefit, which would otherwise be filled in as the expected death benefit for the year, can not be provided for the entire year, then the death benefit for that year shall be filled in as the amount of death benefit payable at the beginning of the year followed by a slash mark and a zero. The company may provide, at its option, an

explanatory footnote to indicate how long into that particular year that amount of death benefit could be provided. The "Death Benefit" shall be shown as zero for any subsequent years.

(3) The "Interest Rate" column must disclose the applicable guaranteed interest rate, used in calculating the "Surrender Value at End of Year" in Column 4. These guaranteed interest rates must be consistent with the guaranteed interest rates described in the policy.

(4) The "Surrender Value at End of Year" is the amount which would actually be paid as a cash surrender value.

(5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these three lines.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Page 8

Instructions for Illustration Sheet II on Page 3 of "Statement of Policy Cost and Benefit Information" (Continued)

The following are pertinent to the values shown in Illustration Sheet II under "Current Assumptions."

(1) The "Sum of Premiums During Year" column must be filled in consistently with the same column under "Guaranteed Assumptions," with no differences except those that can be directly attributed to the use of current assumptions rather than guaranteed assumptions.

(2) The "Death Benefit" column must be filled in consistently with the same column under "Guaranteed Assumptions," with no differences except those that can be directly attributed to the use of current assumptions rather than guaranteed assumptions.

(3) The "Interest Rate" column must disclose the applicable interest rate, used in calculating the "Surrender Value at End of Year" amounts in Column 4.

(4) The "Surrender Value at End of Year" is the amount which would actually be paid as a cash surrender value. No enhancement or increment can be illustrated in Column 4 unless it is specifically described in the policy language.

(5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these lines.

In the case of a Universal Life Fixed Premium policy, all of the columns in Illustration Sheet II shall be filled in consistently using the same principles described above for a Universal Life Flexible Premium policy, with one exception. The "Sum of Premiums During Year" column must be filled in under the assumption that the frequency of premium payment (annual, semiannual, quarterly or monthly) will not be changed after the policy is issued, regardless of how the policy is expected to actually be used.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Page 9

Additional Information Required:

Are any extra benefit riders being applied for, which require an additional premium or an additional periodic charge? ____ Yes
____ No (Check one)

If "yes" is checked, fill in the following table using a separate line for each such rider.

Rider Form Marketing Name	Rider Form Number	Brief Description of Rider Benefits
_____	_____	_____
_____	_____	_____
_____	_____	_____

Are there any differences between the policy values shown in Illustration Sheet I on Page 2 and Illustration Sheet II on Page 3, other than differences resulting from the inclusion of such extra benefit riders?

____ Yes ____ No

(Check one)

If "yes" is checked, describe these differences and explain how they affect the fill in for "premiums and death benefits" in Columns 1 and 2 on the two illustration sheets.

If "yes" is checked, also explain if the fill-in for Illustration 2 on Page 3 requires the written election of an option contained in the policy language at a certain time in the future. ____ Yes ____ No (Check one)

If "yes" is checked in the immediately preceding line, identify the option and explain the requirements in the policy language for electing it.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Page 10

Additional Information Required (Continued)

Describe the non-guaranteed nature of any interest rates (including the company's rights to change interest rates) _____

Describe the non-guaranteed nature of any mortality charges (including the company's rights to change mortality charges) _____

Describe the non-guaranteed nature of any charges or other fees applied to the policy (including the company's rights to change such charges or fees) _____

Describe the amounts under the policy to which interest at a specified interest rate shall be credited _____

How often is the current interest rate reviewed for the purpose of possible change by the company? _____

Is the policy interest indexed? ____ Yes ____ No (Check one) If "yes," is checked, describe the index and give a description of the frequency and timing of determining the interest rate. Also describe any adjustments made to the index in obtaining the interest rate credited under the policy.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Page 11

Additional Information Required (Continued)

Expense deductions while the policy is in force (sometimes called "Front End Loads")

(Include all deductions described in the policy, other than mortality deductions or deductions for benefits under extra benefit riders, which are applied to premiums paid or which are made as a periodic charge against the amount which earns interest.)

Deductions made if surrender of the policy is requested or in determining when the policy will expire without value (sometimes called "Back End Loads.") _____

(Describe all deductions described in the policy, which are applied against the amount which earns interest under the policy at such time as surrender of the policy is requested or in determining when the policy will expire without value.)

If the policy is a Universal Life Fixed Premium plan, is there a numerical minimum for the surrender value each year, so long as premiums are paid when due or within the grace period? ____ Yes ____ No (Check one)

If "yes" is checked, does this provision affect any of the "Surrender Value at End of Year" amounts shown in either Illustration Sheet I on Page 2 or Illustration Sheet II on Page 3. ____ Yes ____ No (Check one)

What is the Maturity Age? _____ (This is the attained age at which an endowment will be paid by the company if the insured is still living. Use "100" if no age is specified in the policy. In the case of a joint policy, enter the maturity age of the younger person.)

Level Annual Premium Required to Provide the Initial Death Benefit to Maturity Age on a Guaranteed Basis

(To be filled in only for Universal Life Flexible Premium policies)

Would the guaranteed cost factors or initial policy cost factor assumptions result in policy values becoming exhausted prior to the policy's maturity date? ____ Yes ____ No (Check one)

If "yes" is checked, the policyholder should note that death benefit coverage would also cease under such circumstances. Based on guaranteed interest rates, guaranteed mortality charges, and the payment of scheduled premiums, death benefit coverage will end on _____.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Universal Life Flexible Premium And Universal Life Fixed Premium Policies)

Page 12

Additional Information Required (Continued)

Policy Loan Interest Information:

What is the percentage rate of interest credited by the company on any amounts which are security for a policy loan?
_____ %

The percentage rate of interest is ____ Fixed ____ Subject to Change (Check one)

If the percentage loan interest rate is fixed, what rate is stated in the policy? _____ %

Is this loan interest rate applied in advance? ____ Yes ____ No (Check one)

If "yes" is checked, what is the effective rate of interest? _____

If the percentage loan interest rate is subject to change, the annual percentage rate will be determined by the company in accordance with the policy language and applicable state law.

Disclaimer Notice Regarding Tax Law

The information in this "Statement of Policy Cost and Benefit Information" is not intended to be used in tax planning nor is it intended for the purpose of providing tax advice. The possibility of future changes in tax laws must be recognized and taken into consideration.

Cost Comparison Indices Under Current and Guaranteed Assumptions
(Explanations of the intended use of the following indexes are provided in the Life Insurance Buyer's Guide)

	Net Payment Cost Index		Surrender Cost Index	
	Guaranteed	Current	Guaranteed	Current
Year 10	_____	_____	_____	_____
Year 20	_____	_____	_____	_____

(Drafting Note: States which use the Yield Index instead of the Cost Comparison Index should substitute the appropriate references to the Yield Index.)

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
Specifications - For Any of the Life Insurance Plans Listed Below

Page 1

Name of Insured: _____
 Name of Second Insured: _____
 (The name of the second insured should be filled in only if the policy is a "Joint Life" policy as indicated below)

Name of Company: _____
 Company's Address: _____
 Date on which this Disclosure Statement was prepared: _____

Is there an agent involved in this application? Yes ___ No ___ (Check one)
 If "yes" is checked, the following three questions must be answered.

Name of Agent: _____
 Agent's Address: _____
 Agent's Telephone Number: _____
 If "no" is checked, describe the procedures for making inquiries concerning this "Statement of Policy Cost and Benefit Information"

Type of Life Insurance Policy:

- ___ Universal Life Flexible Premium
 ___ Universal Life Fixed Premium
 ___ Indeterminate Premium Life
 ___ Variable Life

Policy Form Marketing Name: _____
 Policy Form Number: _____

Coverage And Premium Specifications (Leave out any extra benefit riders which require an additional premium or an additional periodic charge. Any such riders are described on Page ___):

Initial Death Benefit: _____
 Initial Premium: _____
 Premium Frequency Selected At Issue: _____
 Equivalent Initial Annual Premium: _____
 (This amount is equal to the "Initial Premium" if the premium frequency selected at issue is annual; otherwise fill in the annual premium which is equivalent to the "Initial Premium")

Status Specifications:

___ Single Life ___ Joint Life (Check one)

Additional Specifications If Single Life is Checked

___ Issue Age
 ___ Sex
 Risk Classification Applied for _____
 (Disclose such classifications as standard or substandard, smoker or nonsmoker status, degree of substandard rating if applicable, and any other classifications which would affect premium or surrender values)

Additional Specifications If Joint Life is Checked

___ Joint First To Die Plan ___ Joint Last Survivor Plan

(Check one of the two plans above)

First Joint Insured

___ Issue Age

___ Sex

Risk Classification Applied For _____

Second Joint Insured

___ Issue Age

___ Sex

Risk Classification Applied For _____

(Refer to comments for single life "Risk Classification Applied For" above)

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Indeterminate Premium Life Policies)

Page 2

ILLUSTRATION I: BASIC POLICY APPLIED FOR, WITHOUT EXTRA-BENEFIT RIDERS

Year	(1) Maximum Annual Premium (Guaranteed Assumptions)	(2) Possible Annual Premium (Current Assumptions)	(3) Death Benefit	(4) Surrender Value at End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

ILLUSTRATION II: BASIC POLICY APPLIED FOR, WITHOUT EXTRA-BENEFIT RIDERS

Illustration II is not required to be filled-in unless the fill-in on Page 5 indicates that one or more extra benefit riders have been applied for, requiring an extra premium.

Year	(1) Maximum Annual Premium (Guaranteed Assumptions)	(2) Possible Annual Premium (Current Assumptions)	(3) Death Benefit	(4) Surrender Value at End of Year	Year
1			%		1
2			%		2
3			%		3
4			%		4
5			%		5
6			%		6
7			%		7
8			%		8
9			%		9
10			%		10
11			%		11
12			%		12
13			%		13
14			%		14
15			%		15
20			%		20
At least one of the three lines immediately below must be filled in.					
Age 60			%		Age 60
Age 65			%		Age 65
Age			%		Age

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Indeterminate Premium Life Plans)

Page 3

NOTES TO USER:

- (1) Page 2 contains two different illustrations. Please see Notes (2) and (3) below for descriptions of these two illustrations.
- (2) Illustration I, is to be used for comparison with other policies. Illustration I is based on a policy with does not contain any extra benefit riders that require an additional premium. The fill-in on Page 5 will indicate if any such extra benefit riders have been applied for.
- (3) Illustration II, is to be based on the policy applied for, including any extra benefit riders that require an additional premium. Illustration II is not required to be filled in, unless one or more such riders are applied for. If there are no such riders, Illustration II would be identical to Illustration I.
- (4) In both Illustration I and Illustration II, there are references to "Age 60," "Age 65" and "Age ____" in the "Year" columns. "Age 60" refers to the year such that the insured would have attained age 60 at the end of that year. For example, if the issue age filled in on Page 1 is 34, "Age 60" would refer to the 26th year. Similarly, "Age 65" refers to the year such that the insured would have attained age 65 at the end of that year. If the issue age is 34, "Age 65" would refer to the 31st year. Finally, "Age ____" refers to the year on which the insured would attain the age when an endowment would be paid by the company, if the insured is still living. The blank should be filled in to show that age. If no such age is specified in the policy, 100 should be used in this blank. Assuming that 100 is the Maturity Age and assuming that the issue age is 34, "Age 100" would refer to the 66th year.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Indeterminate Premium Life Plans)

Page 4

Instructions for Illustrations I and II on Page 2 of "Statement of Policy Cost and Benefit Information"

The following are pertinent to the values shown in Illustration I.

- (1) The "Maximum Annual Premium (Guaranteed Assumptions)" must be the maximum premium which is allowed under the policy language for the basic policy language for the basic policy, but not including the additional premium for any extra benefit riders. For Year 1, this must be identical to the "Equivalent Initial Annual Premium" shown on Page 1.
- (2) The "Possible Annual Premium (Current Assumptions)" shall be the amount of annual premium which would be charged under the company's current non-guaranteed premium rate schedule, but not including the additional premium for any extra benefit riders. For Year 1, this premium must be identical to the "Equivalent Initial Annual Premium" shown on Page 1.
- (3) The "Death Benefit" shall be the amount of death benefit provided at the beginning of the year under the basic policy, but not including the death benefit under any extra benefit riders that require an additional premium. For Year 1, this must be identical to the "Initial Death Benefit" shown on Page 1.
- (4) The "Surrender Value at End of Year" is the amount which would actually be paid as a cash surrender value, under the basic policy. The cash surrender of any extra benefit riders, requiring an extra premium is not included.
- (5) At least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these three lines.

The following are pertinent to the values shown in Illustration II.

- (1) Illustration II is not required to be filled in, unless the policy applied for would contain one or more extra benefit riders requiring an extra premium. See Page 5 for information as to whether there are any such riders.
- (2) If there are extra benefit riders requiring an additional premium, the policy values in the "Maximum Annual Premium (Guaranteed Assumptions)," "Possible Annual Premium (Current Assumptions)," "Death Benefit" and "Surrender Value at End of Year" columns must be reviewed and increased appropriately. The amount of "Death Benefit" shall not be increased on account of a death benefit which is paid only in the event of accidental death. Certain other riders, such as waiver of premium disability benefit riders, will not affect the "Death Benefit" column.
- (3) If Illustration II is required to be filled in, at least one of the three lines for "Age 60," "Age 65" and "Age ____" must be filled in. Please see Note (5) under "Notes to User" for additional information concerning these three lines.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Indeterminate Premium Life Policies)

Page 5

Additional Information Required:

Are any extra benefit riders being applied for, which require an additional premium or an additional periodic charge?
☐ Yes ☐ No (Check one) If "yes" is checked, fill in the following table using a separate line for each such rider.

Rider Form Marketing Name	Rider Form Number	Brief Description of Rider Benefits	Maximum Annual	Possible Annual
			Premium for Rider (Guaranteed) Assumptions	Premium for Rider (Current Assumptions)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Are there any differences between the "Surrender Values at End of Year" shown in Illustration I and Illustration II on Page 2, resulting from the inclusion of such extra benefit riders?

☐ Yes ☐ No (Check one)

If "yes" is checked, identify any of the riders described above which develop their own surrender values in addition to those developed under the basic policy.

Describe the non-guaranteed nature of any premiums (including any limitation on the company's right to change premium rates).

Is the policy participating in dividends? ☐ Yes ☐ No (Check one)

If "yes" is checked, there may be nominal dividends paid to the policy owner. The policy values shown in Illustrations I and II on Page 2 do not include any dividends.

STATEMENT OF POLICY COST AND BENEFIT INFORMATION
(Use Only For Indeterminate Premium Life Policies)

Page 6

Policy Loan Interest Information:

The percentage rate of interest is ☐ Fixed ☐ Subject to Change (Check one)

If the percentage loan interest rate is fixed, what rate is stated in the policy? _____%

Is this loan interest rate applied in advance? ☐ Yes ☐ No (Check one)

If "yes" is checked, what is the effective rate of interest? _____

If the percentage loan interest rate is subject to change, the annual percentage rate will be determined by the company in accordance with the policy language and applicable state law.

Disclaimer Notice Regarding Tax Law

The information in this "Statement of Policy Cost and Benefit Information" is not intended to be used in tax planning nor is it intended for the purpose of providing tax advice. The possibility of future changes in tax laws must be recognized and taken into consideration.

Cost Comparison Indices Under Current and Guaranteed Assumptions

(Explanations of the intended use of the following indexes are provided in the Life Insurance Buyer's Guide)

	Net Payment Cost Index		Surrender Cost Index	
	Guaranteed	Current	Guaranteed	Current
Year 10	_____	_____	_____	_____
Year 20	_____	_____	_____	_____

(Drafting Note: States which use the Yield Index instead of the Cost Comparison Index should substitute the appropriate references to the Yield Index.)

SAMPLE DISCLOSURE STATEMENT
(Use Only For Variable Life Policies)

Additional Information Required

Table of Surrender Charges. These deductions are used if surrender of the policy is requested or in determining when the policy will expire without value. (These deductions are sometimes called "Back End Loads")

Year	Surrender Charge	Year	Surrender Charge
1	_____	11	_____
2	_____	12	_____
3	_____	13	_____
4	_____	14	_____
5	_____	15	_____
6	_____	16	_____
7	_____	17	_____
8	_____	18	_____
9	_____	19	_____
10	_____	20	_____

Are there any surrender charges for years after the twentieth ?
☐ Yes ☐ No (Check one)

If "yes" is checked, describe the surrender charges for these later years.

Expense Deductions while the policy is in force (These deductions are sometimes called "Front End Loads")

(Include all deductions described in the policy, other than mortality deductions or deductions for benefits under extra benefit riders which are applied to premiums paid or which are made as a period charge against the amount which earns interest.)

Describe the non-guaranteed nature of the death benefits _____

(Disclose any guarantees of death benefits provided in the policy.)

Is the policy applied for structured such that an insured can lose his or her entire investment even though the insured has paid the scheduled premiums? ☐ Yes ☐ No
 (Check one)

If "yes" is checked, describe briefly how this could happen. Also, explain what the affect would be on any death benefit guarantees (if any) as provided above if such a loss of the insured's investment would occur.

Is The Premium In The Policy Fixed or Guaranteed? ☐ Yes ☐ No
 (Check one)

STATEMENT OF POLICY COST AND BENEFIT INFORMATION

(Use Only for Variable Life Policies)

Additional Information Required (Continued)

Are any extra benefit riders being applied for, which require an additional premium or an additional periodic charge ? ☐ Yes ☐ No (Check one)

If "yes" is checked, fill in the following table using a separate line for each such rider.

Rider Form Marketing Name	Rider Form Number	Brief Description of Rider Benefits
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Policy Loan Interest Information:

Describe the maximum amount which is available as security for a policy loan. _____

What is the percentage rate of interest credited by the company on any amounts which are security for a policy loan ? _____ %

The percentage rate of interest is
☐ Fixed ☐ Subject to Change (Check one)

If the percentage loan interest rate is fixed, what rate is stated in the policy ? _____ %

Is this loan interest rate applied in advance ? ☐ Yes ☐ No (Check one)

If "yes" is checked, what is the effective rate of interest ? _____

If the percentage loan interest rate is subject to change, the annual percentage rate will be determined by the company in accordance with the policy language and applicable state law.

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