

**ADDITIONAL STANDARDS FOR INTERMEDIATE PERIOD ENDOWMENT
BENEFIT FEATURES FOR INDIVIDUAL LIFE INSURANCE POLICIES
(INCLUDING RETURN OF PREMIUM)**

Scope: These standards apply to individual life insurance policies, other than variable and non-variable adjustable life policies and current assumption whole life policies, that provide for an endowment benefit payable at a known intermediate duration during a longer period of life insurance protection. The premium rate scale during the endowment period must be guaranteed. The endowment benefit can be built-in or added to such policies at issue by rider, amendment or endorsement.

As used in these standards the following definitions apply:

The term “endowment benefit” refers to an intermediate period endowment life benefit that is either built into the policy or added at issue by rider, endorsement or amendment.

“Incremental death benefits” are the death benefits during the endowment period in excess of the lowest death benefit provided under the policy during the endowment period.

In addition to the Core Standards requirements for Term Life and Whole Life Insurance Policies, the following standards, as appropriate, apply:

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

- (1) If the endowment benefit is provided by attachment to the policy by rider, endorsement or amendment, the following shall be included:
 - (a) A listing by filing jurisdiction of the types of policies with which this endowment benefit will be used, including the policy form numbers, the corresponding approval date for these policies and any filing identification number.
 - (b) A statement that the endowment benefit will be made part of the contract at issue. Riders, endorsements or amendments for intermediate period endowment life benefits cannot be added after issue of the policy.
 - (c) Any policy pages or provisions referenced in the policy form.

B. ACTUARIAL MEMORANDUM REQUIREMENTS

- (1) An actuarial memorandum shall be prepared, dated and signed by the Member of the American Academy of Actuaries who provides the following information concerning the determination of the nonforfeiture values:

(a) A demonstration that the values of the policy comply at issue with the provisions of the NAIC Standard Nonforfeiture Law for Life Insurance, model #808, as interpreted by Actuarial Guideline XLV, taking into account the endowment benefit and any incremental death benefits. The demonstration for each endowment period shall be per \$1000 amount of insurance, for each year of the endowment period, for representative issue ages, gender, underwriting classes, and rider/policy combinations. The demonstration shall be presented in the format prescribed in the Intermediate Period Endowment Life Benefit Appendix of these standards and described in the GUIDELINES FOR NONFORFEITURE MINIMUM COMPLIANCE.

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(b) Certification as to compliance with the NAIC Standard Nonforfeiture Law for Life Insurance, model #808 and NAIC Actuarial Guideline XLV. The certification shall be based on testing of an adequate number of scenarios to ensure compliance for any given endowment period, at all ages, genders, underwriting classes, face amount bands and rider/policy combinations.

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(c) If the endowment benefit amount is based on premiums paid including riders, a sample calculation showing the change to the minimum cash values and policy cash value schedule if the rider is dropped.

(d) The range of issue ages and endowment periods for which the endowment benefit will be issued. The endowment period shall not exceed 30 years and the combination of issue age and endowment period shall not allow an endowment age beyond 80.

(e) A statement that the endowment benefit is materially less than the policy face amount. This benefit will be deemed to satisfy this requirement if the company can show that the endowment benefit does not exceed:

(i) The net single premium, as of the insured's attained age at the endowment date, for a whole life policy with a level death benefit equal to the lowest death benefit provided during the endowment period. The net single premium is calculated using an interest rate that is the greater of 4% and the rate guaranteed in the contract and the nonforfeiture mortality basis applicable to the insured; or

(ii) The single premium necessary to comply with the federal Cash Value Accumulation Test, as applicable for the plan.

§ 2 GENERAL FORM REQUIREMENTS

A. COVER PAGE

- (1) A brief description shall appear in prominent print on the cover page of the policy or endowment benefit form or be visible without opening the policy or endowment benefit form.

The brief description shall contain at least the following information:

- (a) A caption of the type of intermediate period endowment life benefits provided; for example, annually renewable term life insurance to age 95 with an intermediate endowment benefit payable after 30 years.
- (b) An endowment benefit may not be described as “Return of Premium Benefit” on the cover page.

B. SPECIFICATIONS PAGE

- (1) The specifications page of the endowment benefit form shall specify the endowment period, which shall not exceed the period from issue to the earlier of the insured’s age 80 or 30 years.
- (2) The specifications page of the endowment benefit form shall specify the endowment amount. The dollar amount of the endowment benefit must be a fixed amount, based on policy benefits included at issue. If the endowment amount changes due to a policy change at the request of the owner or the death of an insured covered under an attached rider, the specifications page shall be replaced with a new specifications page. The one exception is a change in the modal premium which causes a change in the endowment amount. This policy change will not require a new specifications page, but the BENEFIT description in the policy shall clarify that the change in mode will alter the endowment amount payable.
- (3) Cash values shall be shown on the specifications page of the endowment benefit form as a dollar amount based on policy benefits included at issue. In addition to the dollar amount, cash values may be shown as a percentage of cumulative premiums to be paid. If the cash value schedule is updated due to a policy change at the request of the owner or the death of an insured covered under an attached rider, the specifications page shall be replaced with a new specifications page. The one exception is a change in the modal premium which causes a change in the endowment amount. This policy change will not require a new specifications page, but the BENEFIT description in the policy shall clarify that the change in mode will alter the cash values payable.
- (4) The specifications page of the endowment benefit form shall include any identifiable charge for the endowment benefit.

These items may be considered as variable items and marked to denote variability.

§ 3 BENEFIT PROVISIONS

A. BENEFIT

- (1) The endowment benefit form shall describe the endowment benefit.
- (2) For a return of premium endowment benefit, the endowment benefit form shall state which premiums will be returned as described below.
 - (a) For a return of premium endowment benefit that includes only guaranteed premiums that will not change, the endowment benefit form shall define the return of premium benefit to include only those premiums initially scheduled to be paid and would be unaffected by any policy changes at the request of the owner (i.e. eligible premiums shall exclude modal loadings, substandard extra premiums, riders, etc. unless those benefits cannot be terminated).
 - (b) For a return of premium endowment benefit that includes guaranteed premiums that can change if policy changes are made either at the request of the owner (e.g. dropping a rider or changing a mode) or by the death of an insured covered under an attached rider, the endowment benefit form shall state that the endowment benefit amount and schedule of cash values will change accordingly.
- (3) The endowment benefit form shall state, if applicable, that if the policy death benefit is paid during the endowment period, the endowment benefit will not be paid. The policy shall also state that payment of death benefits on any insured covered under an attached rider will not trigger the termination of the endowment benefit or the policy.
- (4) If an accelerated death benefit is attached or built in to the policy, the endowment benefit form shall state that the endowment benefit amount, cash values and premiums will be reduced if an accelerated death benefit is paid, and the reduction will be consistent with the terms of the accelerated death benefit form. If the accelerated death benefit form does not address endowments, then the reduction in the endowment benefit amount shall be consistent with the requirement for the reduction in policy cash values. Such reduction in benefit amount is not to exceed the endowment benefit amount.
- (5) The endowment benefit shall not be reduced by benefit or claim payments or waived premiums under the policy or any rider.
- (6) The endowment benefit form shall state that the endowment benefit amount will be paid as a cash benefit at the end of the endowment period. If there are any options to receive the endowment benefit in an actuarially equivalent form other than cash, the option, how

it will be elected, and any conditions shall be explained. Actuarial equivalence shall be based only on nonforfeiture mortality and interest applicable to the policy.

- (7) The endowment benefit form shall state that if the policy stays in force until the end of the endowment period, when the cash endowment benefit is paid the policy will continue in force as long as the required premiums are paid. The election of an actuarially equivalent paid-up benefit at the end of the endowment period may be subject to the condition that the policy not continue in force.
- (8) The endowment benefit form shall state whether or not the endowment benefit may be terminated without the policy being terminated.

B. INCONTESTABILITY

- (1) If the endowment benefit is provided as an attachment to the contract, the form may state that the company shall not contest the form after it has been in force during the lifetime of the insured for two years from the date of issue of the form except for fraud in the procurement of the form, when permitted by applicable law in the state where the contract is delivered or issued for delivery.

C. LOANS

- (1) The endowment benefit form shall provide for loans during the endowment period. The endowment benefit form may require that the endowment benefit payable at the end of the endowment period will be reduced by any indebtedness.
- (2) If the owner elects a paid-up nonforfeiture benefit during the endowment period, the endowment benefit shall state whether or not cash value will be reduced by any indebtedness at that time and whether or not the opportunity to take out any new loans will end.
- (3) If the policy develops cash values beyond the endowment period, the loan provision may extend beyond the endowment period.
- (4) The endowment benefit form shall contain the conditions of a loan, including all conditions for policies that provide loans required in the Individual Term Life and Whole Life Insurance Policy Standards, to which these endowment benefit standards are attached.

D. NONFORFEITURE VALUES—POLICY PROVISIONS

- (1) A statement that the cash values available under the policy or the rider, amendment or endorsement are not less than the minimum values required by or pursuant to the NAIC Standard Nonforfeiture Law for Life Insurance, model #808 and Actuarial Guideline XLV.

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- (2) If the endowment benefit is a “return of premium endowment benefit” of the type which can change if policy changes are made: (a) at the request of the owner; or (b) by the death of an insured covered under an attached rider, a statement that cash values that are revised due to changes to the premiums will not be less than the minimum values required by or pursuant to the NAIC Standard Nonforfeiture Law for Life Insurance, model #808 and Actuarial Guideline XLV.
- (3) The endowment benefit form shall provide for payment of a cash surrender value upon surrender during the endowment period. In lieu of a cash surrender value, the endowment benefit form shall provide, upon request, the option of a paid-up nonforfeiture benefit during the endowment period. The endowment benefit form may also provide, upon request, a paid-up benefit in lieu of a cash endowment benefit at the end of the endowment period.
- (4) The nonforfeiture provision shall be at least as favorable to the defaulting or surrendering owner as required for policies that provide nonforfeiture benefits in the Individual Term Life and Whole Life Insurance Policy Standards, to which these endowment benefit standards are attached. The paid-up nonforfeiture benefit shall be such that its present value shall be at least equal to the cash surrender value provided by the policy including the endowment benefit. If there is only one paid-up nonforfeiture option, it shall be for reduced paid up insurance.
- (5) If the endowment benefit is provided by attachment to the policy by rider, endorsement or amendment, or if the endowment benefit is built-in, but is provided for by an identifiable charge, the endowment benefit form may allow termination of the endowment benefit without termination of the policy. If the endowment benefit terminates without termination of the policy, the endowment benefit form shall provide for a cash surrender value (or paid-up nonforfeiture benefit) at least equal to the excess of (a) the cash surrender value as if both the policy and the endowment benefit form were terminated together over (b) the cash surrender value of the policy after termination of the endowment benefit.
- (6) If the insurance policy terminates after the payment of the cash surrender value or a request for a paid-up nonforfeiture benefit, the endowment benefit form shall so state.

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E. REINSTATEMENT

- (1) If the endowment benefit is provided by attachment to the contract by rider, endorsement or amendment:
- (a) The endowment benefit form shall include a reinstatement provision on the same or more favorable terms as contained in the policy.
- (b) The company may have a requirement that the policy and the rider cannot be reinstated separately.

F. TERMINATION

- (1) If the endowment benefit is provided by attachment to the contract by rider, endorsement or amendment, the form shall include only the following termination conditions:
 - (a) When the endowment benefit is paid or a nonforfeiture option is elected;
 - (b) Upon the death of the insured;
 - (c) Upon surrender of the policy and the rider, endorsement or amendment for its cash surrender value;
 - (d) Upon surrender of the rider, endorsement or amendment for its cash surrender value without surrendering the policy (if permitted under the terms of the endowment benefit form);
 - (e) Upon lapse of the policy or the rider, endorsement or amendment; or
 - (f) Upon conversion of the policy.

Intermediate Period Endowment Life Appendix

GUIDANCE FOR NONFORFEITURE MINIMUM VALUE COMPLIANCE

1. The demonstration shall:
 - (a) Be done for representative issue ages, gender, underwriting class, including issue age 35 male nonsmoker if within the issue age range, and a male nonsmoker of the highest issue age;
 - (b) Be done for all endowment periods that are offered; and
 - (c) If the endowment benefit amount is based on premiums paid including rider premiums, be done to include at least one rider.
2. The Death Benefit Amount should be shown for every duration so that the incremental death benefits in excess of the lowest death benefit provided under the policy during the endowment period can be determined.
3. The endowment age is the age at which the endowment period ends. This can be no later than the earlier of age 80 or the end of a 30 year endowment.
4. The Minimum Nonforfeiture Interest Rate is the interest rate used for minimum cash value compliance under the NAIC Standard Nonforfeiture Law for Life Insurance, model #808, considering the entire period death benefits are guaranteed available under the policy, subject only to the payment of required premiums.
5. The Mortality Rates are those from the mortality table used for minimum cash value compliance under the NAIC Standard Nonforfeiture Law for Life Insurance, model #808, considering the entire period death benefits are guaranteed available under the policy, subject only to the payment of required premiums.
6. Section C of Actuarial Guideline XLV requires that actual cash values for the policy must also satisfy the consistency of progression of cash values test (smoothness test) contained in Section 8 of the Law, considering guaranteed benefits and premiums during the entire period death benefits are available under the policy. For the purpose of this test, the unitary adjusted premiums should be used (i.e. those defined in Section 5c of the Law, for all durations over the life of the policy, as a constant percentage of the gross premium).

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Date: 2/23/09

Under consideration by the Management Committee

Highlighting indicates suggestions from Industry Advisory Committee

Intermediate Period Endowment Life Appendix

Issue Age PV of Incremental Death Benefit at Issue

Gender [M/F] PV of Endowment Benefit at Issue

Smoker [S/N/C] PV of Annuity Due Over Endowment Period

Endowment Period n Adjusted premium

Endowment age

Death benefit

Endowment Amount¹

Minimum NF Interest rate

Policy Year	Age x	Mortality Rate	v	\ddot{a}_x	PV of Adjusted Premium	Incrmtal Death Benefit	PV of Incrmtal Death Benefit	PV of End Benefit	Guideline Cash Value ²	Minimum Cash Value Under Unitary Approach ³	Policy Cash Value ⁴
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1											
2											
3											
.....											
N											

¹ Explain derivation of endowment amount, if applicable (e.g. includes basic premiums plus ADB rider premium for n years)

² Minimum cash value as calculated under Section A of Guideline XLV

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³ The minimum cash value that results from the application of the methods described in Sections 3 and 5c of the Nonforfeiture Law considering guaranteed benefits and premiums during the entire period death benefits are guaranteed available under the policy.

⁴ Cash value to be paid out upon surrender of the policy. Values in column (11) are after the smoothness test and are, at each duration, at least as great as the greater of columns (9) and (10).