ADDITIONAL STANDARDS FOR BONUS BENEFITS
(for Individual Adjustable Life Insurance Policies)

Scope standards apply to bonus benefits that are built into non-variable individual adjustable life insurance policies or individual variable adjustable life insurance policies or added to such policies by rider, endorsement or amendment. The bonus benefit can be an interest bonus, a premium bonus, a persistency bonus or any additional amounts/percentages credited to premiums paid, account values, cash values, or cash surrender values under a specified condition, other than benefits of the type described above that are provided through any pattern of non-level interest rate guarantees that may be similar to but are not specifically referred to as bonuses, additional credits, or enhancements.

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

Self-Certification: These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards, the following definitions apply:

The term "bonus benefit form" refers to a bonus that is either built into the policy or added by rider, endorsement or amendment on or after the date of issue of the policy.

§1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements apply:

(1) If a bonus 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 the bonus benefit form will be used, including the policy form numbers, the corresponding approval date for these policies and any filing identification number.
- (b) A statement as to whether the bonus benefit form will be made part of the policy at issue or is intended for use after the date of issue of a policy, or both.
- (c) A statement as to whether the bonus benefit form is intended for use with new issues and/or in force business.

(d) A description of the bonus benefit for all types of policy forms with which the benefit will be used.

(e) Any policy pages or provisions referenced in the bonus benefit form.

B. ACTUARIAL MEMORANDUM

(1) The actuarial memorandum required by the Individual Flexible Premium Adjustable Life Policy Standards, Individual Modified Single Premium Adjustable Life Insurance Policy Standards, Individual Flexible Premium Adjustable Life Insurance Policy Joint First To Die Standards, Individual Joint Last to Die Survivorship Flexible Premium Adjustable Life Insurance Policy Standards, Individual Flexible Premium Variable Adjustable Life Insurance Policy Standards, Individual Modified Single Premium Variable Life Insurance Policy Standards, Individual Modified Single Premium Joint First to Die Variable Life Insurance Policy Standards, or Individual Joint Last to Die Survivorship Flexible Premium Variable Adjustable Life Insurance Policy Standards to which these bonus benefit standards are attached, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following bonus benefit information concerning the calculation of the nonforfeiture values (including both cash surrender values and nonforfeiture values):

(a) A description of the bonus benefit, including any formulae or methodology used to determine the bonus benefit and any requirements for the amount of premiums received or the level of account value attained, or any other conditions that must be met to receive the bonus benefit;

(b) A description of any elements used in determining the bonus benefit and any guarantees or ranges associated with these elements;

(c) An example showing the derivation of the bonus benefit; and

(d) A demonstration that the values of the policy, including any guaranteed bonus benefit complies with the minimums required by this standard and, as applicable, Section 6A or Section 6B of the NAIC Universal Life Insurance Regulation, model #585 or by the NAIC Variable Life Insurance Regulation, model #270 using Actuarial Guideline XXIV.

<u>C. VARIABILITY OF INFORMATION</u>

(1) Guaranteed elements used in determining the bonus benefit may be changed for new issues without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for each guaranteed element. At issue a single value within the range filed for the guaranteed element shall be applicable for the life of the policy. Any change to the range filed for a guaranteed element requires a refiling for prior approval and shall be accompanied by a demonstration, if applicable, signed by a member of the American Academy of Actuaries, that the policies issued within the new range comply with

nonforfeiture minimums in, as applicable, Section 6A or Section 6B of the NAIC Universal Life Insurance Regulation, model #585 or by the NAIC Variable Life Insurance Regulation, model #270 using Actuarial Guideline XXIV.

(2) Any identifiable charge for the bonus benefit may be considered a variable item and marked to denote variability.

(3) A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval.

§2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

(1) If a bonus benefit is provided by attachment to the policy by rider, endorsement or amendment, the following shall be included on the cover page:

(a) At least one signature of a company officer if the bonus benefit form is added after the date of issue of a policy.

(b) A statement to the effect that the bonus benefit form is made a part of the policy and that its provisions apply in lieu of any policy provisions to the contrary.

(2) The bonus benefit form shall contain a brief description that shall appear in prominent print on the cover page of the bonus benefit form or is visible without opening the bonus benefit form. The brief description shall contain at least the following information:

(a) A caption stating that a bonus benefit is provided; for example, Individual Flexible Premium Adjustable Life Insurance Policy Standards policy with bonus provision.

B. SPECIFICATIONS PAGE

(1) The specifications page of the bonus benefit form shall include any guaranteed elements used in determining the bonus benefit and a statement, if applicable, that:

(a) The elements used in determining the bonus benefit are not guaranteed and can be changed by the company, subject to the guarantees in the bonus benefit form, and that any such changes can affect the account value.

(2) The specifications page of the bonus benefit form shall include any identifiable charge for the bonus benefit.

(3) For variations in types of bonuses or guaranteed elements for bonus features, these benefits can be shown through different specifications pages, with a generic cover page indicating a bonus is present. Alternatively, separate policy forms may be submitted to reflect the variations.

§3. POLICY PROVISIONS

A. BONUS BENEFIT

(1) The bonus benefit form shall describe any formulae or methodology used to determine the bonus benefit, including any requirements applicable to the amount of premiums received or the level of account value attained, or any other conditions that must be met to receive the bonus benefit.

(2) The bonus benefit form shall describe any elements used in determining the bonus benefit and any guarantees or ranges associated with these elements.

(3) The bonus benefit form shall describe the effect of any bonus benefit credited to the policy on all policy values. The bonus benefit form shall describe the date the bonus benefit is to be credited and the order in which the bonus benefit will be credited to the policy values, relative to other policy charges and credits that could be applied on the same date.

(4) If the bonus benefit is related to the premiums paid, the bonus benefit form shall disclose that the amount of the bonus benefit is not considered a premium payment but is considered part of interest earnings.

B. BONUS BENEFIT GUARANTEES

(1) The values of any elements used in determining the bonus benefit and stated in the bonus benefit form shall be guaranteed. Values of nonguaranteed elements shall not be included in the policy.

(2) The bonus benefit form shall indicate which elements are guaranteed and which may be changed at the discretion of the company. The bonus benefit form shall also indicate that the right to change any of these elements is subject to any guarantees with respect to the element and that any change shall be based on future anticipated experience.

C. NONFORFEITURE VALUES

For purposes of compliance with the nonforfeiture minimums in, as applicable, Section 6A or Section 6B of the NAIC Universal Life Insurance Regulation, model #585 or NAIC Variable Life Insurance Regulation, model #270 using Actuarial Guideline XXIV and as interpreted in the applicable standards to which the bonus benefits are attached:

(1) The bonus benefit shall be considered a component of the base policy;

(2) Any charge for the bonus benefit is an administrative charge;

(3) The bonus benefit must be included in determining the minimum cash surrender values;

(4) The guaranteed minimum bonus benefit must be included in determining the unamortized unused initial expense allowances;

Drafting Note: For an interest bonus or other bonus that may be converted to an interest bonus, the guaranteed interest rate used in determining the unamortized unused initial expense allowances must include the guaranteed minimum interest bonus. The actual bonus benefit must be credited to the account value or cash value.

E. RIGHT TO EXAMINE POLICY

(1) The policy shall disclose that if the policy is returned under the right to examine provision, any bonus benefit credited will not be returned.

F. TERMINATION

(1) A bonus benefit form that is attached to the policy by rider, endorsement or amendment shall include the following termination conditions:

(a) Upon written request from the owner;

(b) Upon termination of the policy; or

(c) Upon nonpayment of any identifiable charge.