AMENDMENT TO STANDARDS FOR ACCELERATED DEATH BENEFITS

1. Date Adopted:

2. Purpose and Scope: The purpose of this amendment is to revise the Standards for Accelerated Death Benefits for individual life insurance in accordance with the 5-year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission. The procedures adopted by the Management Committee in March 2012 for implementing the 5-year review process limit the scope of review under Section 119 to identifying “the need for continuation, repeal or amendment of the rule based primarily on whether circumstances or underlying assumptions have changed since the last time the rule was adopted, amended or reviewed.”

3. Rules Repealed, Amended or Suspended by the Rule: This rule would amend the Standards for Accelerated Death Benefits, IIPRC-L-08-LB-I-AD-3, originally adopted on February 28, 2007. This rule would amend the Standards for Accelerated Death Benefits. The amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments.

4. Statutory Authority: Among the primary purposes and powers of the Interstate Insurance Product Regulation Commission (“IIPRC”) is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact (“Compact”), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.

5. Required Findings: Pursuant to the Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission, comments from interested parties and the IIPRC Office present circumstances supporting amendment of the existing Standards for Accelerated Death Benefits as specified in the attached draft.

6. Effective Date:
ADDITIONAL STANDARDS FOR ACCELERATED DEATH BENEFITS FOR INDIVIDUAL LIFE INSURANCE POLICIES

Scope: These standards apply to accelerated death benefits that are built into individual life insurance policy forms or added to such policy forms by rider, endorsement or amendment. These standards shall not apply to long-term care insurance or products providing long-term care benefits as provided in the Interstate Insurance Product Regulation Commission standards for long-term care insurance.

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the payment of accelerated death benefit is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

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 using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards the following definitions apply:

A. "Accelerated death benefit" means the advance payment of some or all of the death proceeds payable under a life insurance policy:
   (1) To the owner, during the lifetime of the insured at the time of a qualifying event;
   (2) That reduces the death benefit otherwise payable under the policy through a present value payment or imposition of a lien upon the death benefits; and
   (3) That are payable upon the occurrence of any single qualifying event with respect to the insured resulting in the payment of a benefit amount fixed at the time of acceleration.

B. "Form" means a policy, or a rider, endorsement or amendment attached to a policy, that provides the accelerated death benefit.

C. "Qualifying event" means the following:
   (1)(a) Terminal Illness. A medical condition that is reasonably expected to result in a drastically limited life span for the insured. The company’s definition of a drastically limited life span shall have a minimum of “6 months or less” and a maximum of “24 months or less”, and shall be specified in the form;
and, at the option of the company, may include one or more of the following:

(b2) A medical condition that requires extraordinary medical intervention, such as major organ transplant or continuous artificial life support, without which the insured would die;

(c) A condition that is reasonably expected to require continuous confinement in an institution, as defined in the form, and the insured is expected to remain there for the rest of his or her life. The term “institution” shall be defined in the form;

(d) A specified medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span; or

(e) (i) A chronic illness defined as permanent inability to perform, without substantial assistance from another individual, a specified number of activities of daily living (bathing, continence, dressing, eating, toileting and transferring), and/or permanent severe cognitive impairment and similar forms of dementia. The company’s definition of chronic illness shall not require the inability to perform more than two activities of daily living.

(ii) For the purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(e) (“federal requirements”), chronic illness may also be defined as prescribed in these federal requirements, such as:

(I) For activities of daily living, requiring the inability to perform such activities to be for a period of at least 90 days;

(II) For Periodic payments, requiring that within the preceding 12-month benefit period a licensed health care practitioner has certified that the insured meets the requirements of IRC Section 7702B(c)(2)(A); and

(III) For cognitive impairment, requiring substantial supervision.

A Terminal Illness qualifying event must always be included. The company may also provide accelerated benefits upon the occurrence of other qualifying events. If the accelerated death benefit provides multiple qualifying events, the insured meeting the conditions of any one specified qualifying event shall be sufficient to entitle the owner to accelerate the death benefit.

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL
The following additional filing submission requirements shall apply:

1. **Include a** statement of the types of policy forms with which this benefit will be offered, any underwriting restrictions involving face amount, benefit amounts or age, and whether the benefit is intended for use with new issues and/or in force business.

2. Include a specimen issue of the statement required by item 1, as applicable, and Item 2 of the Section 3.C entitled Effect of Benefit Payment on Other Benefit Provisions, provided to the owner prior to or concurrent with the election of the accelerated death benefit option, and an explanation of how and when the statement will be provided.

**ACTUARIAL SUBMISSION REQUIREMENTS**

3. Include an actuarial memorandum prepared, dated and signed by a member of the American Academy of Actuaries who provides the following information:

   a. A description of the accelerated death benefit, including the effects of payment of the accelerated death benefit on all policy benefits, premium payments, cost of insurance rates, and values, including any outstanding loan, if applicable, for all types of forms with which the accelerated death benefit will be used;

   b. A description of and justification for expense charges associated with the accelerated death benefit and the maximum expense charges. If such charges exceed $250, include a detailed explanation;

   c. A description of the interest rate or interest rate methodology used in any present value calculation or in accruing interest on the amount of the accelerated death benefit. The maximum interest rate shall not exceed the greater of:

   i. The current yield on 90-day treasury bills available on the date of application or accelerated payment; or

   ii. A variable rate determined in accordance with the current maximum adjustable policy loan interest rate based on the Moody’s Corporate Bond Yield Averages – Monthly Average Corporates published by Moody’s Investor Service, Inc., or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill (#590);

   d. A description of the mortality basis and methodology, including the period of time applicable to any mortality discount, used in any present value calculation of the accelerated death benefit;
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(e) A description of the mortality and morbidity basis and methodology used in the
determination of any separate premium or costs of insurance (COI) for the accelerated
death benefit;

(f) The formula used to determine the accelerated death benefit, including any limitations on
the amount of the benefit, and the formula used to determine the post-acceleration
premium;

(g) A sample calculation of the accelerated death benefit. If the policy contains a loan
provision, the example shall assume that there is an outstanding loan at date of
acceleration. All policy benefits, premium payments, COI charges and values, including
the outstanding loan, if applicable, immediately before and immediately after acceleration
must be shown in the example;

(h) If an accelerated death benefit may be paid in installments made in periodic payments, the
basis used in the calculation of the minimum periodic payment for the payment period
and a sample calculation of a minimum periodic payment. Identify the basis used and
provide a sample calculation of the lump sum payable if the insured dies before all
periodic payments for the payment period are made; and

(i) For any accelerated death benefit of the type described in items 2, 3, 4 and 5 of the
“Qualifying event” definition contained in these standards, a certification that the
value and premium of the accelerated death benefit is incidental to the life coverage, as
per the Incidental Value and Premium/Cost of Insurance Rate Relationship Certification
shown in Appendix A.

§ 2 GENERAL FORM REQUIREMENTS

A. COVER PAGE OR FIRST PAGE

(1) The cover page of the form, or the cover page of the policy if the benefit is built into the policy,
or the first page of the rider, endorsement, or amendment shall include the following in
prominent print:

(a) The term “accelerated death benefit” shall be included in the brief description or
descriptive title of the form.

(b) A clear statement that the death benefit and any accumulation values and cash values,
and, if applicable, premium payments or COI charges, will be reduced if an accelerated
death benefit is paid.

(c) A clear statement that the owner should seek additional information from his personal tax
advisor about the tax status of the accelerated death benefit payment.

“Prominent print” means, for example, all capital letters, contrasting color, underlined or
otherwise differentiated from the other type on the form.
As recommended by the Product Standards Committee

B. FAIRNESS

(1) The form shall not contain provisions that unfairly discriminate among insureds with differing qualifying events covered under the form, or among insureds with similar qualifying events covered under the form.

(2) Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits.

§ 3 ACCELERATED DEATH BENEFIT PROVISIONS

A. BENEFIT AMOUNT

(1) The form may limit the percentage or dollar amount of the policy death benefit that may be accelerated. Any minimum or maximum limit shall be specified in the form.

B. BENEFIT DESIGN OPTIONS

(1) The form shall describe the accelerated death benefit option or options that are available to the owner, such as the payment of all of the death benefit of the policy, the payment of part of the death benefit of the policy, or a lien on the death benefit of the policy.

(2) If the form allows for the present value calculation, the form shall:

(a) Specify the amount of the death benefit of the policy that may be accelerated by the owner;

(b) State that the company may apply a portion of the accelerated death benefit to repay an outstanding policy loan but only up to the amount of the outstanding policy loan multiplied by the percentage of the policy death benefit that has been accelerated;

(c) State that the premium shall be reduced to the premium that would apply had the policy been issued at the reduced amount, and may be further reduced according to some defined formula, such as pro rata reduction, or become paid-up;

(d) State that the company may pay the owner a present value of the policy death benefit that is being accelerated. The interest rate or interest rate methodology used in the calculation shall be disclosed in the form; and

(e) State that the policy cash value, if any, shall be reduced by the same percentage as the policy death benefit.

(3) If the form allows the payment to the owner of the accelerated death benefit to be treated as a lien on the death benefits of the policy, the form shall state that:

(a) The lien may be applied only against the policy death benefit, not against any policy cash value;
(b) Interest bearing liens are permitted. The interest rate accrued on the portion of the lien which is equal to the cash value of the policy at the time of acceleration shall be no more than the policy loan interest rate stated in the policy. For the amount of the lien in excess of such cash value, the interest rate or interest rate methodology shall be disclosed in the form;

c) Expense charges may be added to the lien;

d) Due and unpaid premiums may be included in the lien after the automatic premium loan, if available, is exercised; and

e) Access to the policy cash value may be restricted to the excess of the cash value over the sum of the lien and any other outstanding policy loans.

(4) The form shall disclose any premium charge or cost of insurance charge for the accelerated death benefit. A premium charge or cost of insurance charge is prohibited for a qualifying event of the type described in item 1 of the “qualifying event” definition contained in these standards.

(5) The company may deduct a reasonable expense charge for accelerating the death benefit and shall state the maximum expense charge in the form.

(6) The form shall provide that if any index used in determining the accelerated death benefit is discontinued, the company will use an appropriate substitute index subject to the approval of the Interstate Insurance Product Regulation Commission.

(7) The form shall not require that, upon acceleration of part of the policy death benefit, the insured forfeits the remainder of the policy death benefit.

(8) The form shall not include an aggregate limit provision that caps the accelerated death benefits payable for all policies issued by the company and its subsidiaries and affiliates.

(9) The form shall not require that the accelerated death benefit will be provided only if the policy would remain in force for a specific period of time following acceleration. However, the option may exclude from acceleration any term insurance coverage scheduled to terminate prior to the end of the period used to define a qualifying event of the type described in item 1 of the “qualifying event” definition contained in these standards.

(10) The form shall not contain any restrictions on the use of the accelerated death benefit proceeds.

(11) If an accelerated death benefit is included in a form, the form may include an option at the time of acceleration to reduce the accelerated death benefit payment by an amount actuarially determined to pay the any remaining premiums or an option to continue to pay premiums to keep the policy in force.
EFFECT OF BENEFIT PAYMENT ON OTHER BENEFIT PROVISIONS

(1) For forms delivered or issued for delivery in a state that may require pursuant to state law that a statement be provided to the applicant at the time of application for a form containing accelerated death benefits, the content of such a written statement shall comply with these uniform standards for accelerated death benefits approved by the Interstate Insurance Product Regulation Commission. The written statement shall include, but not necessarily be limited to, the following elements and shall be provided to the applicant at the time of application for accelerated death benefits:

(a) A brief description of the accelerated death benefit;

(b) A description of all qualifying events that can trigger the payment of the accelerated death benefit;

(c) A description of any premium cost of insurance charge for the accelerated benefit;

(d) A description of the effect of payment of the accelerated benefits on the policy’s cash value, accumulation amount, death benefit, premium, policy loans and policy liens, as applicable;

(e) A statement that an administrative expense charge and an interest charge may apply at the time of acceleration.

(f) A statement whether the accelerated benefits are intended to qualify for favorable tax treatment;

(g) A statement that there are circumstances when receipt of accelerated benefit payment may be taxable and assistance should be sought from a personal tax advisor.

(h) A statement that receipt of accelerated benefits may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements; and

(i) A statement that the accelerated benefits do not and are not intended to qualify as long-term care insurance.

Drafting Note: The Interstate Insurance Product Regulation Commission will maintain a comprehensive listing of states where state law may require a written statement to be provided to the applicant at the time of application for accelerated death benefits, based on information reported by Member States, and such statement shall comply with these uniform standards for accelerated death benefits approved by the Interstate Insurance Product Regulation Commission.

(+) The form shall state that prior to or concurrent with the election(a) upon a request to accelerate the policy death benefits and (b) upon the payment of the accelerated death benefit, the owner and any irrevocable beneficiary will be given a statement demonstrating the effect of the acceleration of the payment of death benefits on the cash value, death benefit, premium, COI charges, and policy loans (including policy liens) of the particular policy
involved. The statement shall display any premium or COI charges necessary to continue any remaining coverage following the acceleration, and shall disclose all expense and interest charges associated with accelerating the death benefit. Statements for use with liens shall say that future due and unpaid premiums or COI charges may be included in the lien if the provision so provides. The statement shall be based only on guaranteed values. No projected or nonguaranteed values or benefits may be shown. The statement shall include a disclosure that receipt of an accelerated death benefit may affect eligibility for Medicaid or other government benefits or entitlements and may have income tax consequences.

(23) The form shall describe the effect of acceleration on premiums, COI charges, cash values and loan values, as applicable.

(34) The form shall describe the effect that acceleration will have on coverage on another insured under the policy.

(5) The form may state that the owner cannot be required to apply for the accelerated death benefit before qualifying for Medicaid, or be required by creditors to apply for the accelerated death benefit.

(46) When a part of the death benefit remains after payment of the accelerated death benefit, the following requirements shall apply:

(a) Where the accelerated death benefit is paid under a present value calculation, the policy shall be modified by an endorsement, which includes a statement of cash values, policy loans, premiums, COI charges, and death benefits following acceleration;

(b) The dividends or non-guaranteed elements credited shall not discriminate between policies whose death benefits have been reduced through acceleration and policies originally issued in the amount of the reduced death benefits; and

(c) The accidental death benefit provision, if any, in the policy shall not be affected by the payment of the accelerated death benefit.

D. EXCLUSIONS/RESTRICTIONS

(1) The form shall not contain exclusions or restrictions for an accelerated death benefit that are not also exclusions or restrictions in the policy.
As recommended by the Product Standards Committee

**E. EXPENSE CHARGES**

(1) The company may deduct one expense charge for each acceleration of the death benefit, as applicable, and if an expense charge will be deducted, the company shall state the maximum expense charge in the form.

(2) The form shall provide that if any index used in determining interest or expense charges is discontinued, the company will use an appropriate substitute index subject to the approval of the Interstate Insurance Product Regulation Commission.

**F. INCONTESTABILITY**

(1) The form shall be incontestable on the same, or a more favorable basis, as the individual policy.

**G. PAYMENT OPTIONS**

(1) The form shall describe the payment options available to the owner. The description shall include the option to receive the accelerated death benefit payment in a lump sum, and may include an option to receive the benefit in periodic payments for a period certain only. (Periodic payments based on the continued survival or institutional confinement of the insured are prohibited.)

(a) The amount of the accelerated death benefit cannot be conditioned on the amount of time a policyholder is expected to be confined in an institution or expected to survive.

(a)(b) An option to receive the benefit in periodic payments shall include a description of how such periodic payment will reduce the death benefit.

(2) The form shall state that the amount payable as a lump sum shall be at least equal to the acceleration percentage multiplied by the difference between the current policy cash value and any outstanding policy loans. The current policy cash value shall include any termination dividend payable on the surrender of the policy.

(3) The form shall specify what occurs if the insured dies before all payments of the accelerated death benefit are made. If the present value of remaining payments is paid, the interest rate used to calculate any present value of the settlement option shall be that assumed in calculating the original payments.

(4) The form shall state that if the insured dies after the owner elects to receive accelerated death benefits but before any such benefits are received, the election shall be cancelled and the death benefit paid pursuant to the policy.

(3) For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”),

(a) Periodic payments may be subject to the per diem specifications of the federal requirements to avoid unfavorable tax consequences. If the application of the federal
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requirements results in a reduced accelerated benefit from that requested, the remaining
death benefit that can be accelerated will be available for acceleration in future months.

(b) Lump sum payments may be subject to the per diem specifications of the federal
requirements to avoid unfavorable tax consequences. In this situation, the per diem
payments are annualized to the maximum lump sum amount payable every 12
months. If the application of the federal requirement results in a reduced accelerated
benefit from that requested, the remaining death benefit that can be accelerated shall be
available for acceleration in future months.

(c) If, before the payment of the full acceleration benefit, whether periodic or lump sum, the
insured dies, the payments shall cease and the remaining accelerated benefit shall be paid
as a death benefit pursuant to the policy.

(d) If, before the payment of the full acceleration benefit, the insured is not re-certified as
having met the federal requirements for chronic illness, the remaining accelerated benefit
will be returned to the policy death benefit.

(4) After an accelerated death benefit is paid, the premium may either be reduced to the premium
that would apply for the remaining death benefit under the policy or the premium may remain the
same, depending on how the accelerated death benefit amount is calculated. The form shall state
how premiums will be affected.

(5) The company may include a waiver of premium benefit for the accelerated death benefit. The
form shall explain any continuing premium requirements to keep the policy in force.

H. PAYMENT PROCEDURES

(1) The form shall specify the procedures required to accelerate the death benefit of the policy. The
procedures shall be at least as favorable as the following:

(a) If the form states that the company requires the filing of a proof of eligibility claim form,
the company shall provide the claim form within 15 days of the acceleration request. If
the claim form is not furnished within 15 days, it is considered that the claimant complied
with the claim requirements if the claimant submits written proof covering the
occurrence, the character and the extent of the occurrence for which claim is made;

(b) The form shall not provide for a time frame within which proof of eligibility must be
provided;

(c) The form may state that the company has the right to require a second or third medical
opinion to confirm benefit eligibility. The form shall state that the second or third
medical opinions are at the company’s expense. The second medical opinion may include
a physical examination by a physician designated by the company. In the case of
conflicting opinions, eligibility for the accelerated death benefits shall be determined by a
third medical opinion that is provided by a physician that is mutually acceptable to the
insured and the company;
(d) The form shall state that the accelerated death benefit is paid to the owner or owner’s estate while the insured is living, unless the benefit has been otherwise assigned or designated by the owner;

(e) The form shall state that prior to the payment of the accelerated death benefit, the company shall obtain from any assignee or irrevocable beneficiary a signed acknowledgement of concurrence for payout. If the company paying the accelerated death benefit is itself the assignee under the policy, no acknowledgement is required; and

(f) The form shall state that payment of the accelerated death benefit is due immediately upon receipt of the due written proof of eligibility. Companies are subject to the requirements of the Death Benefit Proceeds standards with respect to any delay in processing requests to accelerate the payment of death benefits.

(2) The form shall specify what occurs if the insured dies before all payments of the accelerated death benefit are made. If the present value of remaining payments is paid, the interest rate used to calculate any present value of the settlement option shall be that assumed in calculating the original payments.

(3) The form shall state that if the insured dies after the owner elects to receive accelerated death benefits but before any such benefits are received, the election shall be cancelled and the death benefit paid pursuant to the policy.

I. QUALIFYING EVENTS

(1) The form shall specify the terms and conditions applicable to each qualifying event.

(2) The form shall not require that the cause of a qualifying event first manifest itself or be diagnosed after issuance of the individual policy or form.

(3) The form shall not include a waiting period requirement. “Waiting period” means a period of time following the date of issue of the accelerated death benefit during which the benefit is not in effect. A requirement that the individual policy or form be in force past the incontestable period is prohibited.

(4) The form may include an elimination period for the qualifying events described in items (c) and (e) of the qualifying event definition in these standards, other than chronic illness as defined for purposes of complying with the requirements of Internal Revenue Code sections 7702B and 101g. The term “elimination period” means a specified period of time not to exceed 90 days during which the insured owner meets the terms of the qualifying event. The elimination period begins on the first day that the insured owner meets the terms of the qualifying event and ends at the end of the specified period. If the insured owner meets the terms of multiple qualifying events that are subject to elimination periods on the same day, the elimination periods for each applicable qualifying event shall run concurrently. During the elimination period, the insured owner is required to continuously meet the terms of the qualifying event without interruption. If
at the end of the elimination period the insured owner continues to meet the terms of the qualifying event, the owner may apply for the accelerated death benefit.

**J. REINSTATEMENT**

(1) The form shall include a reinstatement provision on the same, or more favorable, terms as contained in the policy.

**K. TERMINATION**

(1) The form shall include the following termination conditions: state that the accelerated death benefit shall end at the earliest of:

(a) Upon written request from the owner;

(b) Upon termination of the policy; or

(c) Upon nonpayment of any separate premium or COI charge for the accelerated death benefit, in accordance with the provisions of the form or the policy.

(2) The form may state that the accelerated death benefit may terminate when a nonforfeiture benefit becomes effective under the policy.

(3) The form shall state that termination—if the accelerated death benefit ends, this—shall not prejudice the payment of benefits for any qualifying event that occurred while the form was in force.
APPENDIX A

PROPOSED ACCELERATED DEATH BENEFIT (ACCDB) INCIDENTAL VALUE AND PREMIUM/COST OF INSURANCE RATE RELATIONSHIP CERTIFICATION

I, ______________________ of ___________________________ am a Member in good standing of the American Academy of Actuaries and am qualified to provide this Certification with respect to the ACCDB benefit described in the Actuarial Memorandum to which this Certification is attached.

I certify that:

(1) The value of the benefits provided, on an aggregated basis, in respect of the filed ACCDB, determined according to the formula below applied over a range of underwriting classes and plans at which the benefit is being made available, is not in any case greater than 10%.

\[
\frac{(\text{NSP2} - \text{NSP1})}{\text{NSP1}}
\]

Where:

(a) NSP1 and NSP2 are determined using an effective annual interest rate of 6%.
(b) NSP1 is the net single premium for the base policy benefits assuming there is no accelerated death benefit.
(c) NSP2 is the net single premium for the base policy benefits assuming that the full death benefit is paid at time of death or the occurrence of the non-death ACCDB trigger.

(2) In developing the assumptions, other than the interest assumption, used in calculating NSP1 and NSP2, I have complied with all applicable laws, regulations, and Actuarial Standards of Practice (ASOPs). The assumptions used represent anticipated experience factors, as defined in actuarial literature and by generally accepted actuarial practice.

(3) The assumptions, other than the interest assumption, used in calculating NSP1 and NSP2 will be reviewed at least annually by the Company to ensure that the value of the ACCDB provided, as defined in (1) above, continues to be incidental. If, after such review and while this ACCDB is being actively issued, the value of the benefits provided by this benefit are no longer incidental based on then current anticipated experience factors, the Company will discontinue offering the ACCDB which is no longer incidental.

(4) If a separate premium or cost of insurance (COI) charge is being charged for the ACCDB provided, the ratio of the present value of the ACCDB premiums or COI charges over the life of the policy to the present value of the policy premiums or COI charges exclusive of any riders, does not exceed 10%. The present values in this item (4) are determined using an effective annual interest rate of 6%.