

TITLE 50: INSURANCE
PART 1411 UNIVERSAL LIFE INSURANCE
CHAPTER I: DEPARTMENT OF INSURANCE

Section 1411.30 Valuation

a) Requirements

The minimum valuation standard for individual and group universal life insurance policies shall be the Commissioners Reserve Valuation Method, as described in this Section for such policies, and the tables and interest rates specified in this Section. The terminal reserve for the basic policy or group certificate and any benefits and/or riders for which premiums are not paid separately as of any policy or group certificate anniversary shall be equal to the net level premium reserves less subsection (a)(1)(C) and less subsection (a)(1)(D) of this Section, where reserves by the net level premium method shall be equal to $((A)-(B))r$ where (A), (B) and "r" are as defined in subsections (a)(1)(A) and (a)(1)(B) of this Section:

1) (A) is the present value of all future guaranteed benefits at the date of valuation.

2) (B) is the quantity $(PVFB)(a_{x+t})/a_x$

A) Where PVFB is the present value of all benefits guaranteed at issue assuming future guaranteed maturity premiums are paid by the policyowner or group certificateholder and taking into account all guarantees contained in the policy or declared by the insurer.

B) a_x and a_{x+t} are present values of an annuity of 1 per year payable on policy or group certificate anniversaries beginning at ages x and $x+t$, respectively, and continuing until the highest attained age at which a premium may be paid under the policy. The letter "x" is defined as the issue age and the letter "t" is defined as the duration of the policy or group certificate.

C) The guaranteed maturity premium for flexible premium universal life insurance policies shall be that level gross premium, paid at issue and periodically thereafter over the period during which premiums are allowed to be paid, which will mature the policy or group certificate on the latest maturity date, if any, permitted under the policy or group certificate (otherwise at the highest age in the valuation mortality table), for an amount that is in accordance with the policy or group certificate structure. (The maturity amount shall be the initial death benefit where the death benefit is level over the lifetime of the policy or group certificate except for the existence of a minimum-death-benefit corridor, or shall be the specified amount where the death benefit equals a specified amount plus the policy value or cash surrender value except for the existence of a minimum-death-benefit corridor.) The guaranteed maturity premium is calculated at issue based on all policy guarantees at issue (excluding guarantees linked to an external referent). The guaranteed maturity premium for fixed premium universal life insurance policies shall be the premium defined in the policy or group certificate that at issue provides the minimum policy or group certificate guarantees. (The guaranteed maturity premium for both flexible and fixed premium policies shall be adjusted for death benefit corridors provided by the policy. The guaranteed maturity premium may be less than the premium necessary to pay all charges. This can especially happen in the first year for policies or group certificates with large first year expense charges.)

- D) The letter "r" is equal to 1, unless the policy is a flexible premium policy and the policy value is less than the guaranteed maturity fund, in which case "r" is the ratio of the policy value to the guaranteed maturity fund.
 - E) The guaranteed maturity fund at any duration is that amount which, together with future guaranteed maturity premiums, will mature the policy or group certificate based on all policy or group certificate guarantees at issue.
- 3) (C) is the quantity $((a)-(b))(a_{x+t})(r)/a_x$ where (a)-(b) is as described in Section 223 of the Code for the plan of insurance defined at issue by the guaranteed maturity premiums and all guarantees contained in the policy or group certificate or declared by the insurer. a_{x+t} and a_x are defined in subsection (a)(1)(B) of this Section.
- 4) (D) is the sum of any additional quantities analogous to subsection (a)(1)(C) of this Section that arise because of structural changes in the policy or group certificate, with each such quantity being determined on a basis consistent with that of subsection (a)(1)(C) using the maturity date in effect at the time of the change. (Structural changes are those changes which are separate from the automatic workings of the policy or group certificate. Such changes usually would be initiated by the policyholder or group certificateholder and include changes in the guaranteed benefits, changes in latest maturity date, or changes in allowable premium payment period. For fixed premium universal life policies with redetermination of all credits and charges no more frequently than annually, on policy or group certificate anniversaries, structural changes also include changes in guaranteed benefits, or in fixed premiums, unanticipated by the guaranteed maturity premium for such policies or group certificates at the date of issue, even if such changes arise from automatic workings of the policy or group certificate. The recomputation of subsection (a)(1)(B) of this Section, for fixed premium universal life structural changes, shall exclude from PVFB, the present value of future guaranteed benefits, those guaranteed benefits which are funded by the excess of the insurer's declared guarantees of interest, mortality and expenses, over the guarantees contained in the policy or group certificate at the date of issue.)
- 5) The guaranteed maturity premium, the guaranteed maturity fund and subsection (a)(1)(B) of this Section shall be recalculated to reflect any structural changes in the policy or group certificate. This recalculation shall be done in a manner consistent with the descriptions above.
- 6) Future guaranteed benefits are determined by:
- A) Projecting the greater of the guaranteed maturity fund and the policy value, taking into account future guaranteed maturity premiums, if any, and using all guarantees of interest, mortality, expense deductions, etc., contained in the policy or group certificate or declared by the insurer; and
 - B) Taking into account any benefits guaranteed in the policy or group certificate or by declaration that do not depend on the policy value.
- 7) All present values shall be determined using:
- A) An interest rate (or rates) specified by Section 223 of the Code for policies or group certificates issued in the same year;

- B) The mortality rates specified by Section 223 for policies or group certificates issued in the same year or contained in such other table as may be approved by the Director for this purpose; and
- C) Any other tables needed to value supplementary benefits provided by a rider which is being valued together with the policy or group certificate.

b) Alternative Minimum Reserves

- 1) If, in any policy year, the guaranteed maturity premium on any universal life insurance policy is less than the valuation net premium for such policy or group certificate, calculated by the valuation method actually used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such contract shall be the greater of subsection (b)(1)(A) or (b)(1)(B) of this Section.
 - A) The reserve calculated according to the method, the mortality table, and the rate of interest actually used.
 - B) The reserve calculated according to the method actually used but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the guaranteed maturity premium in each policy year for which the valuation net premium exceeds the guaranteed maturity premium.
- 2) For universal life insurance reserves on a net level premium basis, the valuation net premium is $PVFB/a_x$ and for reserves on a Commissioners Reserve Valuation Method, the valuation net premium is $(PVFB/a_x) + ((a)-(b))/a_x$.