

## Universal Life Insurance Checklist

Every effort has been made to ensure the accuracy of the information in this document. All parties should consult the Texas Insurance Code (TIC), the Texas Administrative Code (TAC), and other applicable laws.

### Important Note:

Universal life policies must also meet the requirements in the Term and Whole Life Checklist, Variable Life Checklist, and Group Life Checklist, when applicable. This checklist may also be used for Interest Sensitive Whole Life.

### Grace Period - [TIC Section 1105.004\(b\)](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : A universal life policy must provide a 60-day grace period within which to pay a premium sufficient to maintain coverage in force.

### Maturity Disclosure of Premiums Required - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The policy must contain a disclosure statement which states that coverage may expire prior to the maturity date if premiums paid are insufficient to continue the coverage to such date.

### Maturity Date Defined - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The policy must define the Maturity Date and the amount payable upon the Maturity Date.

### Minimum Face Amount - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : If a minimum face amount is required to maintain the policy in force, then it must be defined in the policy.

### Cash Surrender Value Definition - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The definition must include the:

- Net Premium Factors;
- Maximum Surrender Charges;
- Guaranteed Minimum Interest Rate;
- Guaranteed Maximum Cost of Insurance Rates;
- Net Amount at Risk; and

- Any Additional Charges Applicable to Optional Increased Amounts of Insurance.

**Guaranteed Maximum Cost-of-Insurance Rates** - [TIC Section 1105.004\(d\)](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The policy must contain a table of guaranteed maximum cost-of-insurance rates for all attained ages of the insured based upon the mortality basis of the insured's risk class at issue.

**Actuarial Certification** - [28 TAC Section 3.4\(q\)](#)

Page \_\_\_\_\_ : An actuarial certification stating that the cash value under the policy will always be at least equal to or greater than the minimum required by [TIC Section 1105.004](#), when the cost of riders is deducted from the policy value.

**Tables of Maximum Costs and Expenses** - [28 TAC Section 3.4\(q\)](#)

Page \_\_\_\_\_ : Tables of all maximum Cost of Insurance Rates for all available issue ages and risk classes.

Page \_\_\_\_\_ : Tables of all maximum expense charges and/or surrender charges applicable for the original and increased face amounts.

**Actuarial Demonstration** - [28 TAC Section 3.4\(q\)](#)

Page \_\_\_\_\_ : A Comparison Table for issue age 35 that displays columns of:

- The Guaranteed Death Benefits;
- Guaranteed Accumulated Values;
- Cash Surrender Values;
- Reserves for the policy; and
- Standard Nonforfeiture Law Minimum Cash Values based on a premium which will provide coverage to the latest available maturity date for the minimum issue amount using the minimum guaranteed interest rates, maximum guaranteed cost of insurance rates and maximum guaranteed charges for a specimen policy issue age of 35.

Page \_\_\_\_\_ : Itemized monthly universal life calculations for the 1st and 50th years showing the beginning values, maximum expense charges, maximum cost-of-insurance deductions, monthly expense and/or policy fees, interest accumulations and the ending values for the specimen policy.

Page \_\_\_\_\_ : The actuarial memorandum must uniquely define the basis of the minimum cash surrender values required by [TIC Chapter 1105](#).

Page \_\_\_\_\_ : A definition of the reserve method and interest rate for the policy values.

## **Blended Mortality Tables** - [28 TAC Section 4.1703](#) and [Section 4.1704](#)

**Note:** An insurer shall not use the blended mortality tables in subsection (b) of this section unless the Norris decision is known to apply to the policies involved, or unless there exists a bona fide concern on the part of the insurer that the Norris decision might reasonably be construed to apply by a court having jurisdiction.

Page \_\_\_\_\_ : An actuarial certification that the market for the plan of insurance is anticipated to be 90% or more of one sex or the other must be provided, if the mortality table used is the 2001 CSO Table A or G.

## **Binding Arbitration and Waiver of Jury Trial** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(c\)](#)

Page \_\_\_\_\_ : The Texas Department of Insurance is required to verify that approved forms allow consumers all statutory protections granted by the legislature, including rights, benefits, and remedies relating to court access in insurance actions. Mandatory binding arbitration and waiver of jury trial clauses are prohibited because they deny consumers statutorily guaranteed access to courts. Statutory consumer protections include: [TIC Chapters 541](#), [542](#), and [544](#).

## **Prohibited Provisions** - [TIC Section 1701.062](#) and [28 TAC Section 3.1202-Section 3.1203](#)

Page \_\_\_\_\_ : Discretionary clauses are prohibited.

## **Guaranteed Bonus** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The guaranteed bonus must address the amount of the increase and any conditions or limitations.

## **Non-Guaranteed Persistency Bonus** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(c\)](#)

Page \_\_\_\_\_ : The non-guaranteed bonus must address the method of determining the increase after a specified period of years.

Page \_\_\_\_\_ : The non-guaranteed bonus must provide that once credited, the bonus is considered earned.

## **Banded or Tiered Interest Rates** - [TIC Section 1105.004\(d\)](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The tiers are uniquely described in the contract, and the declared interest rate will increase in accordance with the increase in accumulated values.

## **Asset Based Charges** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The maximum charge and the timing of the charge must be clearly described in the policy.

Page \_\_\_\_\_ : A disclosure on the face page that states the charge will reduce the effective interest rate credited to the policy.

### **Bailout Benefits** - [28 TAC Section 3.4\(q\)](#)

Page \_\_\_\_\_ : An actuarial memorandum that shows reserves are at least equal to the accumulation value rather than the surrender value.

### **Extension of Maturity Date** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : Describe:

- How the policy account value and death benefit are calculated.
- Whether premiums are required or accepted.
- The latest maturity date.

Page \_\_\_\_\_ : A **prominent disclosure statement**, which substantially states:

- The policy may not qualify as life insurance after the maturity date.
- The policy may be subject to tax consequences; and a tax advisor should be consulted prior to making such election.

### **No-Lapse Guarantee Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : A disclosure statement that the policy value at the end of the no-lapse guarantee period may be insufficient to keep the policy in force unless an additional payment is made.

Page \_\_\_\_\_ : The no-lapse guarantee must define the no-lapse term period(s) or be clear the no-lapse guarantee is the policy maturity date.

Page \_\_\_\_\_ : The no-lapse guarantee must provide a grace period to keep the no-lapse guarantee from terminating.

Page \_\_\_\_\_ : The no-lapse guarantee must provide a written notice to the policy owner if premiums paid are insufficient to maintain the no-lapse guarantee.

Page \_\_\_\_\_ : The no-lapse guarantee may include policy changes, death benefit option changes, or changes in termination.

Page \_\_\_\_\_ : If the no-lapse guarantee allows a policy to stay in force with a negative account value, then no interest may be credited to that account value (resulting in an interest charge).

Page \_\_\_\_\_ : A no-lapse guarantee must provide for reinstatement upon reinstatement of the policy, if it was in effect at the time the policy lapsed. Reinstatement is not required for an optional rider.

Page \_\_\_\_\_ : The annual report must include the remaining no-lapse guarantee period. If the no lapse guarantee is based on a secondary accumulation value (shadow account), that amount must be provided.

**No-Lapse Actuarial Requirements** - [28 TAC Section 3.4\(q\)](#) and [Section 7.18](#)

Page \_\_\_\_\_ : The methodology and assumptions used to provide reserves.

**Overloan Protection Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The provision / rider must describe:

- What the benefit is.
- When the benefit is available.
- Minimum indebtedness required to trigger availability of the benefit.
- Exercise of the benefit must be either at the owners' option **or** may be automatic, once certain triggers are met.
- A clear description of any limitations or termination of any other policy benefits or riders triggered by exercise of the benefit.
- Any effect on the amount of the death benefit.
- Any change in the availability of the death benefit option.
- Any charge, fee, or transaction charge.

**Overloan Actuarial Requirements** - [28 TAC Section 3.4\(q\)](#) and [Section 7.18](#)

Page \_\_\_\_\_ : Provide a numerical demonstration of how the overloan protection provision functions.

**Additional Submission Requirements for Optional Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

**Note:** For riders, endorsements and amendments refer to the [Life and Annuity Riders, Endorsements, and Amendments Checklist](#).