

## Variable 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:

Variable life policies must also meet the requirements in the Term and Whole Life Checklist, Universal Life Checklist, and Group Life Checklist, when applicable.

### Insurance Contract and Filing Requirements - [28 TAC Section 4.1504](#)

Page \_\_\_\_\_ : The variable life insurance contract must be filed with a comparison table that compares the cash surrender values to the minimum cash values. Such comparison table must be based on the following assumptions:

- Minimum initial face amount for a male age 35;
- Maximum maturity date;
- Premiums that will allow the contract to mature at the maturity date and approximately endow for the face amount;
- Guaranteed maximum charges and a specified minimum guaranteed interest rate not exceeding the maximum interest rate permitted by the [TIC Chapter 1105](#). If the policy does not have a fixed account, use an assumed investment rate as defined in [Chapter 1105](#).

Page \_\_\_\_\_ : The Comparison Table must display columns for:

- The Guaranteed Death Benefits;
- Guaranteed Accumulated Values;
- Cash Surrender Values;
- Reserves set up for the policy; and
- Statutory Minimum Cash Values

Page \_\_\_\_\_ : An actuarial description which sets forth maximum expense charges, loads and surrender charges, at issue and upon a change in the basic coverage for all issue ages and classes.

Page \_\_\_\_\_ : An actuarial certification stating that the cash values under the policy will always be at least equal to or greater than the minimum required by law when the cost of riders is deducted from the policy value.

## **Investment Divisions / Variable Subaccounts** - [28 TAC Section 3.6\(d\)](#) and [Section 3.4\(e\)](#)

Page \_\_\_\_\_ : Must be on a form provided at the point of sale and submitted with the filing for informational purposes.

Page \_\_\_\_\_ : Investment divisions/subaccounts may be bracketed as variable material.

Page \_\_\_\_\_ : Fixed accounts may not be filed as variable material.

## **Mandatory Requirements** - [28 TAC Section 4.1504\(2\)](#)

Page \_\_\_\_\_ : All charges must be stated in the contract and the maximum monthly cost of insurance charges must not exceed those as defined in the basis of values provision.

Page \_\_\_\_\_ : For scheduled premium contracts, a minimum death benefit must be provided in an amount at least equal to the initial face amount as long as premiums are paid.

Page \_\_\_\_\_ : The contract must reflect the investment experience of one or more separate accounts; and the full amount of the net investment return credited to the benefit base must be defined.

Page \_\_\_\_\_ : Death benefit changes must be determined at least annually.

Page \_\_\_\_\_ : Cash surrender values must be determined at least monthly.

**Note:** The method of computation of cash surrender values and other nonforfeiture benefits must be in accordance with recognized actuarial procedures that recognize the variable nature of the contract.

Page \_\_\_\_\_ : For the guaranteed interest division, the cash surrender values and other nonforfeiture benefits must be at least equal to the minimum values required by [TIC Section 1105.004](#), for a fixed account contract.

## **Mandatory Contract Provisions** - [28 TAC Section 4.1504\(3\)\(A\)](#)

The cover page or pages corresponding to the cover page of each contract shall contain:

Page \_\_\_\_\_ : A prominent statement in either contrasting color or boldface type that the amount or duration of death benefit may be variable or fixed under specified conditions.

- A prominent statement in either contrasting color or boldface type that cash surrender values may increase or decrease in accordance with the investment experience of the separate account, subject to minimum guarantees.

Page \_\_\_\_\_ : A statement describing any minimum death benefit (applies to variable whole life with scheduled premiums).

Page \_\_\_\_\_ : A statement describing the method, or a reference to the contract provision which describes the method, for determining the amount of insurance payable at death.

Page \_\_\_\_\_ : A provision that the contractholder may return the variable life contract within 10 days of receipt of the contract by the contract holder and receive a refund equal to the premiums paid.

Page \_\_\_\_\_ : A list of items currently required for fixed benefit life contracts.

### **Grace Period** - [28 TAC Section 4.1504\(3\)\(B\)](#)

Page \_\_\_\_\_ : For required premium contracts, a provision for a grace period of 31 days. For flexible premium contracts, a provision for a grace period of 61 days.

Page \_\_\_\_\_ : The death benefit payable during the grace period must equal the death benefit in effect immediately prior to such period less any overdue charges.

Page \_\_\_\_\_ : If the contract processing days occur monthly, the insurer may require payment of an amount equal to the greater of:

- Not more than three times the charges which were due on the contract processing day; or,
- The amount necessary to keep such contract in force for a period of three calendar months from the contract processing day.

### **Reinstatement** - [28 TAC Section 4.1504\(3\)\(C\)](#)

Page \_\_\_\_\_ : For scheduled premium contracts, reinstatement must be provided within two years from the date of default upon the written application, evidence of insurability, good health satisfactory to the insurer, payment of any outstanding indebtedness arising subsequent to the end of the grace period following the date of default, plus accrued interest there on to the date of reinstatement, and payment of an amount not exceeding the greater of:

- All overdue premiums at an interest rate not exceeding the contract loan interest rate and any indebtedness with interest at a rate not exceeding the contract loan interest rate; or
- 110% of the increase in cash surrender value resulting from reinstatement plus all overdue premiums for incidental insurance benefits with interest at a rate not exceeding the contract loan interest rate in effect for the period during and after the lapse of the contract.

### **Method of Calculation** - [28 TAC Section 4.1504\(3\)\(D\)](#)

Page \_\_\_\_\_ : A full description of the benefit base and of the method of calculation application of any factors used to adjust variable benefits under the contract.

## **Separate Account** - [28 TAC Section 4.1504\(3\)\(E\)](#)

Page \_\_\_\_\_ : The insurer must specify the name of the separate account to be used and state that:

- The assets of such separate account must be available to cover the liabilities of the general account of the insurer only to the extent that the assets of the separate account exceed the liabilities of the separate account arising under the variable life insurance contracts supported by the separate account (must be separate from the insurer's other assets); and
- The assets of such separate account must be valued at least monthly.

**Note:** The name of a separate account may be bracketed as variable material. A limited refiling which indicates only changes to the separate account for variable products will be required for all new issues. The separate account(s) named in the contract on the date of issue must be available to all issues of a particular contract. [28 TAC Sections 3.2\(6\)\(D\)](#) and [3.4004\(a\)\(6\)](#).

## **Investment Policy** - [28 TAC Section 4.1504\(3\)\(M\)](#)

Page \_\_\_\_\_ : The policy must contain a provision stating that the investment policy of the separate account must not be changed without the approval of the insurance commissioner of the state of domicile of the insurer, and that the approval process is on file with the commissioner of this state.

## **Deferral of Payment** - [28 TAC Section 4.1504\(3\)\(N\)](#)

Page \_\_\_\_\_ : The policy must contain a provision which states that the payment of variable death benefits in excess of any minimum death benefits, cash surrender values, contract loans, or partial withdrawals (except when used to pay the premiums) or partial surrenders may be deferred:

- For up to two months for death benefit payments or six months for all other payments from the date of request for fixed accounts; or
- For any period during which the New York Stock Exchange is closed for trading (except for normal holiday closing) or when the Securities and Exchange Commission has determined that a state of emergency exists which may make such payment impractical.

## **Settlement Options** - [28 TAC Section 4.1504\(3\)\(O\)](#)

Page \_\_\_\_\_ : If settlement options are provided; at least one such option shall be provided on a fixed basis only.

## **Contract Value** - [28 TAC Section 4.1504\(3\)\(P\)](#)

Page \_\_\_\_\_ : The policy must contain a detailed and complete definition of the basis for computing the contract value and the cash surrender value of the contract. For flexible premium variable life insurance contracts, the definition must include the following:

- The guaranteed maximum expense charges and loads;
- Any limitation on the crediting of additional interest. Interest credits must not remain conditional for a period longer than 12 months;
- The minimum guaranteed interest rate for any fixed division. The assumed investment rate for a variable division will be specified in the actuarial comparison table;
- The guaranteed maximum mortality charges (cost of insurance rates);
- Any other guaranteed charges;
- Any surrender or partial withdrawal charges.

**Benefit Premium Charges** - [28 TAC Section 4.1504\(3\)\(Q\)](#)

Page \_\_\_\_\_ : Premiums or charges for incidental insurance benefits must be stated separately.

**Nonforfeiture Benefits** - [28 TAC Section 4.1504\(3\)\(T\)](#)

Page \_\_\_\_\_ : The policy must contain a provision for nonforfeiture insurance benefits in which either a reasonable minimum cash surrender value amount or a reasonable death benefit may be established.

**Maturity Date Premium** - [28 TAC Section 4.1504\(3\)\(U\)](#)

Page \_\_\_\_\_ : If a flexible premium contract does not provide for a guarantee of death benefit coverage, but does provide for a "maturity date," "end date," or similar date, then the contract must also contain a statement, near that date, that it is possible that the coverage may not continue to the maturity date even if scheduled premiums are paid in a timely manner.

**Contract Loan Provisions** - [28 TAC Section 4.1504\(4\)](#)

Page \_\_\_\_\_ : A provision for contract loans after the contract has been in force for one full year which provides the following:

- At least 75% of the contract's cash surrender value plus any dividends may be borrowed;
- The amount borrowed must bear interest at a rate not to exceed that permitted by [TIC Section 1110.004](#);
- Any indebtedness must be deducted from the proceeds payable on death;
- Any indebtedness must be deducted from the cash surrender value upon surrender or in determining any nonforfeiture benefit.

Page \_\_\_\_\_ : The loan provision must also meet the requirements of [TIC Section 1101.009](#).

Page \_\_\_\_\_ : For scheduled premium contracts, whenever the indebtedness exceeds the cash surrender value, the insurer must give notice of any intent to cancel the contract if the excess indebtedness is not repaid within 31 days after the date of mailing of such notice.

Page \_\_\_\_\_ : For flexible premium contracts, whenever the total charges authorized by the contract that are necessary to keep the contract in force until the next following contract processing day exceed the amounts available under the contract to pay such charges, a report must be sent to the contractholder containing the information specified by [28 TAC Section 4.1509\(3\)](#).

Page \_\_\_\_\_ : If the variable death benefit is less than it would have been if no loan or withdrawal had ever been made, and premiums are duly paid, the contractholder may increase the variable death benefit up to what it would have been if there had been no loan or withdrawal by paying an amount not exceeding 110% of the corresponding increase in cash surrender values and by furnishing evidence of insurability as required.

Page \_\_\_\_\_ : The contract may specify a reasonable minimum amount that may be borrowed but the minimum shall not apply to any automatic premium loan provision.

Page \_\_\_\_\_ : No contract loan provision shall be required if the contract is under an extended insurance nonforfeiture option.

Page \_\_\_\_\_ : The contract loan provisions shall not disadvantage the variable life insurance contractholders when they have not exercised the loan provision.

Page \_\_\_\_\_ : Amounts paid through the loan provision shall be withdrawn from the separate account and shall be returned to the separate account upon repayment except that a stock insurer may provide the amounts for contract loans from the general account.

### **Other Contract Provisions - [28 TAC Section 4.1504\(5\)](#)**

Page \_\_\_\_\_ : Within two years of the issue date of the contract provided, however, that to the extent of the increased death benefits only, the contract may provide an exclusion for suicide within two years of any increase in death benefits which result from an application or request of the owner subsequent to the contract issue date.

Page \_\_\_\_\_ : Incidental insurance benefits may be offered on a fixed or variable basis.

Page \_\_\_\_\_ : Contracts issued on a participating basis shall offer to pay dividend amounts in cash. In addition, the contracts may offer the following dividend options:

- The amount of the dividend may be credited against premium payments;
- The amount of the dividend may be applied to provide amounts of additional fixed or variable benefit life insurance;

- The amount of the dividend may be deposited in the general account at a specified minimum rate of interest;
- The amount of the dividend may be applied to provide paid-up amounts of fixed benefit one-year term insurance; or
- The amount of the dividend may be deposited as a variable deposit in the separate account(s).

Page \_\_\_\_\_ : A provision allowing the contractholder to elect in writing in the application for the contract or thereafter an automatic premium loan on a basis not less favorable than that required of contract loans under [28 TAC Section 4.1504\(4\)](#).

Page \_\_\_\_\_ : A provision allowing the contractholder to make partial withdrawals.

### **Reserve Liabilities for Variable Life Insurance** - [28 TAC Section 4.1505](#)

Page \_\_\_\_\_ : Reserve liabilities shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

### **Separate Account Charges** - [28 TAC Section 4.1506\(7\)](#)

Page \_\_\_\_\_ : The insurer must disclose all charges that may be made against the separate account, including, but not limited to, the following:

- (A) taxes or reserves for taxes attributable to investment gains and income of the separate account;
- (B) actual cost of reasonable brokerage fees and similar direct acquisition and sale costs incurred in the purchase or sale of separate account assets;
- (C) actuarially determined costs of insurance (tabular costs) and the release of separate account liabilities;
- (D) charges for administrative expenses and investment management expenses, including internal costs attributable to the investment management of assets of the separate account;
- (E) a charge for mortality and expense guarantees;
- (F) any amounts in excess of those required to be held in the separate accounts; or
- (G) charges for incidental insurance benefits.

Page \_\_\_\_\_ : Maximum transfer charge upon transfer of amounts between the investment divisions of the separate account or between the separate account and the fixed account.

**Note:** A transfer provision which contains language allowing the insurer to reserve the right to deny a transfer that would be to the disadvantage of other Contract Owners is acceptable providing that the provision will be administered in a manner that will not be unfairly

discriminatory pursuant to [TIC Section 541.057](#).

**Disclosure of Guaranty Fund Nonparticipation** - [28 TAC Section 1.1001](#)

Page \_\_\_\_\_ : The first page of the policy must contain in no less than 10-point type a Disclosure of Guaranty Fund Nonparticipation applicable to the separate account.

**Dollar Cost Averaging (DCA) Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : A DCA account provision must be provided if the application and/or actuarial make reference to a DCA account.

- An explanation of what happens at the end of a DCA term.
- Clarification as to whether the allocation of premium payments may be changed during a DCA term.
- A copy of the document (for example, the application, schedule page, form) used to specify a DCA account.