TDI | Texas Department of Insurance

LAC023 | 0923

Return of Premium 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:

This checklist is to be used for return of premium provisions or riders designed for use with life policies which do not generate cash values.

Brief Description - 28 TAC Section 4.627

Page_____The brief description must describe the type of rider and may not be misleading or contradict the policy provisions.

General Provisions - TIC Chapter 1701 and 28 TAC Section 3.2(9)(C)

Page _____If applicable, the rider must describe:

- Any benefit amounts.
- Any changes to benefits.
- Any conditions for rider termination.

Note: The remaining items may not apply if the rider will always be attached at issue.

Page _____The rider must clarify the effective date.

Page _____The rider must clarify which provisions (or terms) apply, if there is a conflict between the policy and rider provisions.

Premium - TIC Chapter 1701 and 28 TAC Section 3.2(9)(C)

Page _____Any rider premium must be shown separately from the policy premium, either in the rider text or on a schedule page.

Required Provisions - TIC Chapter 1701 and 28 TAC Section 3.2(9)(C)

Page _____The amount to be returned must be clearly specified. The period when the return is credited must be clearly specified.

Page _____If the ROP is a provision in the policy, the cash values must reflect the addition of the guaranteed ROP.

- If the ROP is attached by rider, a sample return of premium cash value schedule page must be included.
- If the ROP is attached by rider, the mortality table and interest rate must be specified.
- The ROP cash value must be available for surrender.

Prohibited Provisions - TIC Section 1701.062 and 28 TAC Section 3.1202 and Section 3.1203

Page _____Discretionary clauses are prohibited.

Actuarial Memorandum - TIC Chapter 1105 and 28 TAC Section 7.18

Page _____The actuarial memorandum must include:

- A clear description of the benefit.
- A smoothness test demonstration is in compliance with Actuarial Guideline 45.

Page _____A numerical demonstration, which includes:

- Male, age 35 (unless minimum issue age is later),
- Mortality table and interest rate used,
- Mortality table function (curtate, continuous, or semi-continuous),
- Method of payment of insurance benefit (moment of death or end of year),
- Expense allowance,
- Risk class assumption,
- Death benefit equal to $1000,
- Annual premium for all policy years, including after the ROP endowment
- Nonforfeiture factors, if applicable,
- Nonforfeiture cash values,
- Actual ROP cash values
- Smoothness test compliance

If nonforfeiture factors are used, the demonstration must also include K test compliance.

Page _____The formula and definitions for each term used in the demonstration. An explanation for any adjustments to the nonforfeiture factor.

Page _____The demonstration must be for the longest time period or most restrictive scenario for forms which offer multiple return of premium options, (for example: 15, 20, or 30 years; or to age 65 or 95).

Page _____An actuarial certification, regarding all potential issue scenarios, that at any time a return of premium benefit is paid, the company will ensure the actual amount paid meets nonforfeiture and smoothness test requirements.

Note: The premiums cannot be artificially elevated after maturity of the endowment in order to lower the guaranteed cash values. This may be considered an unfair or deceptive act or practice in the business of insurance under TIC Section 541.003.