

BULLETIN

Number 07-B-02

DATE: March 30, 2007
TO: Life Insurance Companies Licensed in North Carolina
RE: Return of Premium Endowment Benefits

It has come to the attention of this Department that companies may be using inappropriate methods to calculate nonforfeiture values for certain life insurance policies, when those policies provide return-of-premium endowment benefits that are scheduled to be paid prior to expiry of the policy.

An example of such a policy is one which provides level death benefits to an advanced age such as 95, with premiums that are level for an initial period such as 20 years, followed by premiums that increase annually thereafter. The policy also provides a return-of-premium endowment benefit at the end of the level premium period. There may be other life insurance policy designs with similar return-of-premium features.

It is the position of the Department that for products with the return-of-premium benefit the nonforfeiture values provided to the consumer during the policy years prior to an endowment benefit must grade to the endowment benefit in a manner that complies with North Carolina General Statute 58-58-55(f1). Insurance companies must provide with the product filing for any product with the return-of-premium benefit an actuarial demonstration of the consistency of the progression of cash surrender values to the amount of endowment.

Questions about this Bulletin should be addressed to:

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