



IIPRC-L-08-I-LB-OLP

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**ADDITIONAL STANDARDS FOR OVERLOAN PROTECTION BENEFIT CHECKLIST
(For use with Individual Adjustable Life and Individual Whole Life Insurance Policies)**

Effective Date: November 17, 2019

Scope: These standards apply to overloan protection benefits that are built into individual variable or non-variable adjustable life insurance policies and individual whole life insurance policies or added to such contracts by rider, endorsement or amendment. An overloan protection benefit prevents the policy from lapsing due to an excessive loan on the policy. If specified requirements are met, the benefit provides the owner with a paid up policy that remains in force without repayment of the loan. A benefit that solely reduces the loan interest rate to zero under specified circumstances is not considered an overloan protection benefit and is subject to the applicable life insurance Uniform Standards.

Mix and Match: These standards are available to be used in combination with State Product Components as described in § 111(b) of the *Operating Procedure for the Filing and Approval of Product Filings* (https://insurancecompact.org/compact_rlmkng_record.htm). Please note that this applies to the entire state or Compact approved forms and NOT to particular provisions contained within such forms. Submit the following:

1. STATEMENT OF INTENT indicating the intent to use one or more State Product Components with a Commission Product Component. The Statement of Intent must identify the Compacting State(s) wherein the combined Product Components will be offered or sold, and sufficiently identify for each of such Compacting State(s) the State Component(s) that will be used with the Commission Component by listing the form numbers and Compacting State approval dates; and
2. CERTIFICATION stating that the combination of a Commission Component and a State Component does not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, or exceptions or conditions that unreasonably affect the risk purported to be assumed. The Certification must be signed by a company officer. This Certification shall not give rise to any presumption that the combination of Product Components, in fact, meets this standard for purposes of any action by the Commissioner of a Compacting State to prohibit the combined use of a Commission Product Component with a State Product Component. https://insurancecompact.org/industry_resources.htm

Self-Certification: These standards are not available to be filed using the *Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission*.

Filing Information Notice (FIN) 2009-4 provides more guidance regarding the submission of filings using the “Mix and Match” process: <http://www.insurancecompact.org/fin.htm>

As used in these standards the following definitions apply:

“Benefit charge” means the one-time overloan protection benefit charge

“Benefit form” means the overloan protection benefit form

“Option 1 Death Benefit” means the greater of (i) the specified amount of the policy or (ii) a percentage of the policy’s cash value equal to the minimum necessary for the policy to qualify as life insurance under § 7702 of the Internal Revenue Code, as amended.

In addition to the Core Standards requirements for Individual Adjustable Life Insurance Policies or Individual Whole Life Insurance as applicable, the following standards, as appropriate, apply:

§ 1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

YES NA

		The following additional filing submission requirements shall apply:
		(1) Include a statement of the types of policy forms with which this benefit will be offered.

B. ACTUARIAL MEMORANDUM REQUIREMENTS

YES NA

		(1) Include an actuarial memorandum prepared, dated and signed by the member of the American Academy of Actuaries who provides the following information:
		(a) A numerical demonstration of how the overloan protection benefit functions and that any minimum benefit requirements applicable under the benefit are met, and that a non-zero death benefit is preserved until the benefit terminates.

C. VARIABILITY OF INFORMATION

YES NA

		(1) The company may identify product specifications that may be changed without prior approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items may include the benefit charge, the minimum loan indebtedness percentage, the guaranteed minimum loan indebtedness percentage, the maximum loan indebtedness percentage, and the minimum age/duration the policy must be in force before exercising the benefit.
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§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

YES NA

		(1) A brief description shall appear in prominent print on the cover page of the policy or benefit form or be visible without opening the policy or benefit form. The brief description shall contain at least the following information:
		(a) A caption of the type of coverage provided; for example, Overloan Protection Rider.

B. SPECIFICATIONS PAGE

YES NA

		(1) The specifications page shall show, if applicable, the benefit charge, the minimum loan indebtedness percentage, the guaranteed minimum loan indebtedness percentage, the maximum loan indebtedness percentage, the minimum and maximum age required before exercising the benefit, and the duration the policy must be in force before exercising the benefit. These items may be considered as variable items and marked to denote variability.
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§3. BENEFIT PROVISIONS

A. BENEFIT

YES NA

		(1) The benefit form shall state that if the benefit is exercised, the policy will not lapse and will automatically become paid up life insurance when: ,
		(a) For individual variable or non-variable adjustable life insurance policies, the policy’s cash surrender value or, if applicable, the account value less policy loan, is not sufficient to cover the monthly deduction charges of the policy due to loan indebtedness; or
		(b) For individual whole life insurance policies, the total loan indebtedness including interest due and accrued equals or exceeds the cash value of the policy plus the cash value of any dividend additions.
		(2) The benefit form shall describe the conditions that must be met in order for the owner to be able to exercise the benefit. The conditions may include:
		(a) That the policy is in effect for a specified number of years.
		(b) That the insured (or which insured, if this is a joint last to die survivorship policy) is at or above a specified minimum age or under a specified maximum age.
		(c) That the federal qualification for life insurance is the Guideline Premium Test and that Death Benefit Option 1 is in effect.
		(d) That the loan value or the loan value plus accrued interest exceeds the specified amount of the policy in effect at the time the benefit is exercised.
		(e) That the loan value or the loan value plus accrued interest is no more than the maximum loan indebtedness percentage of the policy’s cash value after deduction of the benefit charge.
		(f) That the loan value or loan value plus accrued interest is more than or equal to a minimum loan indebtedness percentage of the policy’s cash value after the deductions of the surrender charge and the benefit charge. The minimum loan indebtedness percentage may be specified in the benefit form or may be guaranteed not to be lower than the guaranteed minimum loan indebtedness percentage.
		(g) That exercising this benefit cannot cause the policy to violate the federal Guideline Premium Test under § 7702 of the Internal Revenue Code, as amended, at any duration and would not cause the policy to become a Modified Endowment Contract under § 7702 of the Internal Revenue Code, as amended.
		(h) That the cumulative partial withdrawals must be no less than the total premiums paid on the policy.

		(i) That there must be sufficient cash value in the policy to cover the benefit charge.
		(3) The benefit form or specifications page shall state how any benefit charge is calculated, and the fact that there is no charge if the benefit is never exercised.
		(4) The benefit form shall either:
		(a) State that the benefit will be exercised automatically once the conditions specified in the benefit form are met, or
		(b) Provide a procedure for notifying the owner when the benefit can be exercised and obtaining the approval to exercise the benefit from the owner. The procedure shall include the following:
		(i) Written notice at least thirty-one (31) days before the end of the policy's grace period that the benefit can be exercised and, if applicable, the availability of a traditional reduced paid-up benefit.
		(ii) That the owner must notify the company in writing within a specified period of time that is no less than the end of the policy's grace period that the owner wants to exercise the benefit.
		(iii) If the owner receives written notice less than thirty-one (31) days before the end of the grace period, then an owner who wants to exercise the benefit must notify the company in writing within a specified period of time that is no less than thirty (30) days after receiving the written notice.
		(5) The benefit form shall describe the changes that will be made to the policy after the benefit is exercised, which may include the following as applicable:
		(a) Any changes to the specified amount. For example, the new specified amount is the account value remaining after the benefit charge, multiplied by the applicable percentage shown in the policy for compliance with § 7702 of the Internal Revenue Code, as amended
		(b) Any changes to the death benefit amount. For example, the new death benefit, as of the date of the insured's death, is the greater of (a) the new specified amount and (b) the greater of the account value and the loan indebtedness, multiplied by the applicable percentage shown in the policy for compliance with § 7702 of the Internal Revenue Code, as amended.
		(i) If under § 7702 of the Internal Revenue Code, as amended, the Death Benefit Option 1 is not in effect, the benefit form may allow it to be permanently changed to Option 1 and to change the death benefit to an amount that exceeds the policy's cash value to comply with § 7702 of the Internal Revenue Code, as amended.
		(c) Any account value not offset by the loan that is not invested in the general account will be transferred to the general account.
		(d) Specified riders attached to the policy will end.
		(e) No further policy changes, premium payments, transfers, partial surrenders, or full surrenders will be allowed.
		(f) No additional loans will be permitted.
		(g) Loan interest will continue to accrue.

		(h) Loan repayments may be prohibited or expressly permitted. If loan repayments are permitted, any qualifications, such as being allocated only to the general account, shall be described.
		(i) How future monthly deductions will be handled (e.g. discontinued immediately or discontinued when the account value becomes insufficient).
		(6) Once the benefit is exercised, indebtedness which continues to accrue interest and which would cause the policy to overloan and lapse without value or remain in force without a death benefit is not permitted.
		(7) The benefit form shall state that, once the benefit is exercised, the owner will be notified of the changes to the policy.
		(8) The benefit form shall describe the treatment of any dividends, dividend accumulations, and paid-up additions.

B. NONFORFEITURE VALUES

YES NA

		(1) If the form is issued as an attachment to the policy, the form shall state that it does not have cash values or loan values.
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C. REINSTATMENT

YES NA

		(1) The benefit form shall disclose whether the benefit form may be reinstated and under what conditions.
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D. TERMINATION

YES NA

		(1) The benefit form shall include the following termination condition:
		(a) Upon termination of the policy.
		(2) The benefit form may also include the following termination conditions:
		(a) Upon written request; or
		(b) The date the insured reaches the age when monthly deductions end or no further premiums can be paid under the policy or the date the younger insured reaches the age when monthly deductions end or no further premiums can be paid under a last to die survivorship policy.

The Reviewer Checklist is intended for the sole purpose of assisting a company product filer ("User") in understanding the requirements of the applicable Uniform Standard(s) for IIPRC product filings. Users are hereby notified not to rely solely upon the Reviewer Checklist in preparing a product filing or in complying with the IIPRC Uniform Standards, Rules and Operating Procedures. The User also acknowledges there is a possibility of human, mechanical or technical error in the development, presentation or use of the Reviewer Checklist. The Interstate Insurance Product Regulation Commission (Commission) accepts no liability for any loss, cost or damage caused by use of this tool, including without limitation, direct or indirect, incidental, special, consequential or exemplary or punitive damages arising out of the use or inability to use the Reviewer Checklist. There are no warranties either express or implied and User specifically acknowledges the Commission does not warrant the truth, accuracy or completeness of the Reviewer Checklist.