

**Return of Premium Life Insurance**

The purpose of the call was to discuss life insurance with return of premium (ROP) provisions and how the Standard Nonforfeiture Law (SNL) and the Standard Valuation Law (SVL) should apply to these products.

Actuaries from 15 states were on the call and at least 25 interested parties listened.

Many regulators were not aware of the product and its variations, since in many states the actuary is not involved in the filing process. LHATF spent most of the call hearing some of its members describe the product and its cash values.

The most basic form of ROP is a level premium, level benefit term portion with ROP at the end of the level period as a surrender benefit, followed by relatively high premiums after that if not surrendered. The ROP benefit can be inherent in the base policy or available as a rider. Companies in some cases try to apply the SNL on a "unitary" basis, which results in low or nonexistent cash values in the level term period because of the steep slope of premiums.

NY, UT and WA will not approve such policies on the basis that the ROP is an endowment whose cash value must be pre-funded. MN will sometimes disapprove on the basis that premiums are not reasonable in relation to benefits. LHATF members discussed elements of the SNL that might apply to these products, such as the deposit term provision and the smooth cash value requirement. There was little discussion of reserves.

LHATF members closed the call by agreeing to discuss the issue at the December meeting in Anaheim. Members were asked to bring examples of such products if possible, to consider how to apply the current provisions of the SNL and to consider if an Actuarial Guideline is needed. Some members remarked that this product demonstrates the need for a new nonforfeiture law.

Donald P. Maves, FSA, MAAA

13 November, 2003

