

The Universal Life Insurance Model Regulation, established by the National Association of Insurance Commissioners, provides a regulatory framework for universal life insurance policies, supplementing existing life insurance regulations. It defines key terms such as "cash surrender value," "fixed premium universal life insurance policy," and "flexible premium universal life insurance policy," distinguishing between policies based on premium payment flexibility. The regulation applies to individual universal life insurance policies, excluding variable universal life policies, and mandates that the minimum valuation standard for these policies be the Commissioners Reserve Valuation Method. It outlines the calculation of reserves, requiring that the terminal reserve for policies and associated benefits be determined based on net level premium reserves, considering future guaranteed benefits and premiums. Minimum cash surrender values for flexible premium policies must be calculated by deducting various charges from accumulated premiums, ensuring fair value upon surrender. The regulation emphasizes transparency through disclosure requirements, mandating periodic updates to policyowners regarding their policy status, and addresses nonforfeiture provisions to ensure access to minimum cash surrender values calculated fairly.

The insurance policy further details conditions for determining cash surrender values and expense allowances for fixed premium universal life insurance policies. The minimum cash surrender value is calculated by subtracting the present value of future adjusted premiums and other structural changes from the present value of all future guaranteed benefits, using interest and mortality rates as per the Standard Nonforfeiture Law for Life Insurance. If a policy provides for paid-up nonforfeiture benefits, the present value must be at least equal to the cash surrender value on the election date, adhering to favorable mortality and interest standards. The policy mandates periodic disclosures to the policyowner, including an annual report on the policy's status, cash surrender values, and any outstanding loans, while guaranteeing minimum interest credits and maximum mortality and expense charges. It includes provisions for grace periods, misstatements of age or sex, and changes in basic coverage, requiring written notice prior to termination of coverage. Interest-indexed universal life insurance policies must disclose how interest credits are determined,

including the index used and the insurer's investment policy.

Additionally, the document outlines requirements for interest-indexed universal life insurance policies, specifying that insurers must provide interest credits upon the expiration of a defined period and describe any interest guarantees that may supplement or replace the index. It mandates a description of maximum premium limitations and the conditions under which these limitations apply. Insurers are required to submit an annual Statement of Actuarial Opinion from their actuary, detailing the insurer's assets related to interest-indexed policies and any material changes in investment strategy or interest credit determination prior to implementation. The document emphasizes the importance of maintaining the insurer's ability to meet future contractual obligations, acknowledging that current valuation laws may not fully address the unique aspects of interest-indexed products. The focus is on cash flows and the quality of assets supporting indexed policy liabilities to mitigate associated risks. The Statement of Actuarial Opinion must confirm that anticipated insurance and investment cash flows are sufficient to meet contractual obligations and must be signed by a qualified actuary. The document also includes notes on maturity amounts, guaranteed maturity premiums, structural changes, and the evolving nature of the product, recommending flexibility in benefit charges to encourage development and market responsiveness.