State of Mississippi
Department of Insurance

March 7, 1980

BULLETIN NO. 1-80

RE: REVISED TEMPORARY GUIDELINES FOR SUBMISSION OF LIFE INSURANCE POLICIES WITH PROJECTED PREMIUM RATES LESS THAN OR EQUAL TO MAXIMUM PREMIUM RATES

This department has received several inquiries regarding life insurance policies which have maximum premium rates, but provide for the actual premium rates in effect to be established by the insurer provided that the premium rates charged shall not exceed the maximum premium rates stated in such policies. This type of policy appears to have a similar impact on the insured as a participating policy where dividends are applied to reduce premiums. Since such policies allow the insurer to pass through to the insured improvements in expense, mortality, and investment earnings over the assumptions underlying the maximum premium rates, which could result in the consumer being able to save money without giving up the benefits of life insurance, this Department feels that a public need exists for policies of this type.

The purpose of these guidelines is to assure the truthful and adequate disclosure of all material and relevant information in the filing and advertising of such policies. This purpose is to be accomplished by the establishment of and the adherence to the following guidelines:

Guideline One. (1) Every insurer writing such variable premium policies shall establish and maintain a system of control over the content, form and method of all filings and advertisements of such policies. All such filings and advertisements, regardless of-by whom written, created, designed or presented, shall be considered the product and responsibility of the insurer whose policies are so advertised.

(2) Such system of control, as herein described in Guideline (1), Section 1, shall be made a part of each and every filing made pursuant to these guidelines.
Guideline Two. All advertising and solicitation materials applicable to such contracts or policies must be filed with the Department for the Department's review before use. Such materials and any oral presentations shall give equal prominence to the maximum rate, the initial rate and the fact that future rates can increase or decrease provided that they do not exceed the maximum rates as stated in the policy.

Guideline Three. Any rate change contemplated by the company must be submitted to this Department for review at least 60 days before its proposed effective date. This filing should include all of the pricing assumptions of the gross premiums being charged as well as those being proposed and the justifications for any changes. Such data should be signed by the actuary responsible for such and an officer of the company.

Guideline Four. The contract shall specify at all times the initial rate, the maximum rate and the rate being charged. At any time the rate is changed the contract shall be modified by a legally executed endorsement. The contract shall give equal prominence to the fact that the rates can increase as well as decrease if the maximum is not exceeded.

Guideline Five. A detailed statement of the method of calculating the reserves and nonforfeiture values shall be filed when the contracts are originally submitted.

Guideline Six. The schedule of maximum premiums chargeable under the policy must be disclosed, in writing, to the prospect before or at the time of sale of such policy. At the time of the disclosure of the schedule of maximum premiums, the insurer and/or agent of such insurer must present, explain and execute a disclosure statement that shall be made a part of and attached to the application for insurance, which shall provide as follows:

CERTIFICATION

This is to certify that I, __________, agent for ____________, have on this the __________ day of __________, 19__, delivered, presented and explained a schedule showing both the current premiums chargeable and the maximum premiums chargeable under the provisions of this policy of insurance. (Form Number: _____________.) I further certify that for each redetermination of the premium charged during the life of such policy while I am an employee, agent or associated with, either directly or indirectly, with the company issuing the instant policy, that I will deliver or cause to be delivered to the named insured a summary of the basis and reasons for such such revision of premium. In the event that I sever my association with the company issuing the instant policy, I will inform said company
that it is said company's continuing obligation to comply with the requirements of this certification.

WITNESS MY SIGNATURE, this the ________ day of _________ 19___.

BY______________________________________

(Name of Agent)

This will certify that the above named agent delivered and explained to me the schedule of premiums chargeable under the provisions of my insurance policy.

WITNESS MY SIGNATURE, this the ________ day of _________ 19___.

______________________________________

(Applicant)

Said certification must be maintained by the company issuing such policy as part of their permanent records and such insurer shall supply the writing, servicing or producing agent a copy of any and all such certifications.

Guideline Seven. All submissions of this type policy shall be accompanied by a statement that the guidelines of this bulletin have been reviewed and that the submission is in compliance with these guidelines.

Any approval of policies of this type which have been previously given is hereby withdrawn until such time as the policies have been resubmitted in compliance with these guidelines and the Department has approved such policy forms for use.

George Dale, Commissioner of Insurance

**Guideline #6 has been rescinded effective March 1, 1983.**

George Dale, Commissioner of Insurance