

## 215 ILCS 5/229.2(4c) Non-forfeiture and cash surrender values

Sec. 229.2. Standard Non-forfeiture Law for Life Insurance. (1) No policy of life insurance, except as stated in subsection (8), shall be delivered or issued for delivery in this State unless it contains in substance the following provisions or corresponding provisions which in the opinion of the Director are at least as favorable to the defaulting or surrendering policyholder and are essentially in compliance with subsection (7) of this law:

(4c)(a) This subsection shall apply to all policies issued on or after its operative date. Except as provided in paragraph (g), the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefits of the policy, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) 1% of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and (iii) 125% of the nonforfeiture net level premium as hereinafter defined. In applying the percentage specified in (iii), however, no nonforfeiture net level premium shall exceed 4% of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. The date of issue of a policy for the purpose of this subsection is the date as of which the rated age of the insured is determined.

(b) The nonforfeiture net level premium equals the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium falls due.

(c) In the case of a policy which causes, on a basis guaranteed in such policy, unscheduled changes in benefits or premiums, or which provides an option for changes in benefits or premiums other than a change to a new policy, adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of such policy. At the time of any such change in the benefits or premiums, the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by such policy immediately after the change.

(d) Except as otherwise provided in paragraph (g), the recalculated future adjusted premiums for any policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards and any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of (A) the sum of (i) the then present value of the then future guaranteed benefits provided for by the policy and (ii) the additional expense allowance, if any, over (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

(e) The additional expense allowance at the time of the change to the newly defined benefits or premiums shall be the sum of (i) 1% of the excess, if positive, of the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first 10 policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and (ii) 125% of the increase, if positive, in the nonforfeiture net level premium.

(f) The recalculated nonforfeiture net level premium equals the result obtained by dividing X by Y, where

(i) X equals the sum of

(A) the nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred, and

(B) the present value of the increase in future guaranteed benefits provided for by the policy; and

(ii) Y equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

(g) Notwithstanding any other provisions of this subsection to the contrary, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, such policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for such substandard policy may be calculated as if it were issued to provide such higher uniform amounts of insurance on the standard basis.

(h) All adjusted premiums and present values referred to in this Section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors. All adjusted premiums and present values referred to in this Section shall for all policies of Industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All adjusted premiums and present values referred to in this Section for all policies issued in a particular calendar year shall be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this subsection for policies issued in that calendar year. The provisions of this paragraph are subject to the provisions set forth in subparagraphs (i) through (vii).

(i) At the option of the company, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this subsection, for policies issued in the immediately preceding calendar year.

(ii) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection (1), shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any.

(iii) A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit, including any paid-up additions under the policy, on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values.

(iv) In calculating the present value of any paid-up term insurance with an accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioner 1961 Industrial Extended Term Insurance Table for policies of industrial insurance.

(v) For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriated modifications of the aforementioned tables.

(vi) Any ordinary mortality tables adopted after 1980 by the National Association of Insurance Commissioners and approved by regulations promulgated by the Director for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary

Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table.

(vii) Any industrial mortality tables adopted after 1980 by the National Association of Insurance Commissioners and approved by regulations promulgated by the Director for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table.

(i) The nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to 125% of the calendar year statutory valuation interest rate for such policy, as defined in the Standard Valuation Law, rounded to the nearest .25%.

(j) Notwithstanding any other provision in this Code to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

(k) After the effective date of this subsection, any company may, with respect to any category of insurance, file with the Director a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1989. That date shall be the operative date of this subsection for that category of insurance for such company. If a company makes no such election, the operative date of this subsection for that category of insurance issued by such company shall be January 1, 1989.

( P.A. 83-1465.)