

**TITLE 50: INSURANCE**  
**PART 1451 VARIABLE CONTRACTS**  
**CHAPTER I: DEPARTMENT OF INSURANCE**

**Section 1451.60 Contracts Providing for Variable Benefits**

- a) Illustrations of benefits payable under any variable contract shall not include projections of past investment experience into the future or attempted predictions of future investment experience; provided, however, that the form of illustration found in Appendix A of this Part may be utilized by companies in the sale of immediate variable annuities only.
- b) No individual variable annuity contract calling for the payment of periodic stipulated payments shall be delivered or issued for delivery in this State unless it contains in substance the following provisions or provisions which in the opinion of the Director are more favorable to the holders of such contracts:
  - 1) A provision that there shall be a period of grace of 30 days or of one month, within which any stipulated payment to the insurer falling due after the first may be made, during which period of grace the contract shall continue in force. The contract may include a statement of the basis for determining the date as of which any such payment received during the period of grace shall be applied to produce the values under the contract arising therefrom;
  - 2) A provision that, at any time within 1 year from the date of default, in making periodic stipulated payments to the insurer during the life of the annuitant and unless the cash surrender value has been paid, the contract may be reinstated upon payment to the insurer of such overdue payments as required by the contract, and of all indebtedness to the insurer on the contract, including interest. The contract may include a statement of the basis for determining the date as of which the amount to cover such overdue payments and indebtedness shall be applied to produce the values under the contract arising therefrom;
  - 3) A provision specifying the options available in the event of default in a periodic stipulated payment. Such options may include an option to surrender the contract for a cash value as determined by the contract, and shall include an option to receive a paid-up annuity if the contract is not surrendered for cash, the amount of such paid-up annuity being determined by applying the value of the contract at the annuity commencement date in accordance with the terms of the contract.
- c) No individual variable life insurance policy shall be delivered or issued for delivery in this State unless it contains in substance the following provisions or provisions which in the opinion of the Director are more favorable to the holders of such policies:
  - 1) A provision that there shall be a period of grace of 30 days or of one month, within which payment of any premium after the first may be made, during which period of grace the policy shall continue in force, but if a claim arises under the policy during such period of grace before the overdue premiums or the deferred premiums of the current policy year, if any, are paid, the amount of such premiums, together with interest not in excess of 6% per annum, may be deducted from any amount payable under the policy in settlement. The policy may contain a statement of the basis for determining any variation in benefits that may occur as a result of the payment of premium during the period of grace.
  - 2) A provision that the policy will be reinstated at any time within 3 years from the date of default, unless the cash surrender value has been paid or unless the period of extended insurance has expired, upon the application of the insured

and the production of evidence of insurability, including good health, satisfactory to the insurer and the payment of an amount not exceeding the greater of:

- A) all overdue premiums and the payment of any other indebtedness to the insurer upon said policy with interest at a rate not exceeding 6% per annum compounded annually, or
  - B) 110% of the increase in cash surrender value resulting from reinstatement.
- 3) A provision for cash surrender values and paid-up insurance benefits available as non-forfeiture options under the policy in the event of default in a premium payment after premiums have been paid for a specified period.
- A) If the policy does not include a table of figures for the options so available, the policy shall provide that the company will furnish at least once in each policy year a statement showing the cash value as of a date no earlier than the prior policy anniversary.
  - B) The method of computation of cash values and other non-forfeiture benefits, as described either in the policy or in a statement filed with the Commissioner, Director or Superintendent of the jurisdiction in which the policy is delivered, shall be in accordance with actuarial procedures that recognize the variable nature of the policy. The method of computation must be such that, if the net investment return credited to the contract at all times from the date of issue should be equal to the assumed investment increment factor if the contract provides for such a factor, or 3½% if not, with premiums and benefits determined accordingly under the terms of the policy, the resulting cash values and other non-forfeiture benefits would be at least equal to the minimum values required by Section 229.2 of the Illinois Insurance Code [215 ILCS 5/229.2] for a fixed dollar policy with such premiums and benefits. The method of computation may disregard incidental minimum guarantees as to the dollar amounts payable. Incidental minimum guarantees include, for example, but are not to be limited to, a guarantee under a policy which provides for an assumed investment increment factor that the amount payable at death or maturity shall be at least equal to the amount that otherwise would have been payable if the net investment return credited to the contract at all times from the date of issue had been equal to such factor.
- d) Any variable annuity contract delivered or issued for delivery in this State shall stipulate the investment increment factors to be used in computing the dollar amount of variable benefits or other variable contractual payments or values thereunder, and may guarantee that expense and/or mortality results shall not adversely affect such dollar amounts. In the case of an individual variable annuity contract under which the expense and mortality results may adversely affect the dollar amount of benefits, the expense and mortality factors shall be stipulated in the contract.
- 1) In computing the dollar amount of variable benefits or other contractual payments or values under an individual variable annuity contract:
    - A) The annual net investment increment assumption shall not exceed 5%, except with the approval of the Director;

- B) To the extent that the level of benefits may be affected by future mortality results, the mortality factor shall be determined from the 1983 Table "a" or any modification of that table not having a lower life-expectancy at any age, or, if approved by the Director, from another table.
- 2) "Expense," as used in subsection (d) of this Section, may exclude some or all taxes, as stipulated in the contract.
- e) Any individual variable life insurance policy delivered or issued for delivery in this State shall stipulate the investment increment factor to be used in computing the dollar amount of variable benefits or other variable contractual payments or values thereunder and shall guarantee that expense and mortality results shall not adversely affect such dollar amounts.
- f) The reverse liability for variable contracts shall be established pursuant to the requirements of Section 223 of the Illinois Insurance Code [215 ILCS 5/223] in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees, provided such actuarial procedures meet the approval of the Director.

(Source: Amended at 25 Ill. Reg. 4208, effective March 5, 2001)