

**BULLETIN 90-4**  
**UNIVERSAL LIFE AND INTEREST SENSITIVE**  
**LIFE POLICY FORMS**

This bulletin supersedes Bulletin 82-8.

The purpose of this Bulletin is to clarify the Department's position regarding the marketing and filing of "universal life" and similar life insurance products. The Department is concerned about the disclosure provided to prospective purchasers, the credibility of sales illustrations, and the information provided in the annual reports. When sales presentations emphasize future "savings" with little mention of penalties, consumers develop optimistic expectations of investment returns rather than a clear understanding of the long term nature of the life insurance policy. Consumers complain that the marketing illustrations project incredibly high values that do not materialize, illustrate high interest rates that are lowered after the first year, and fail to clearly disclose the surrender charge penalties.

It is the Department's position that consumers must be provided realistic projections with clear disclosure of charges and penalties so they can make an informed purchase decision. After the policy is issued, the policy owner needs to be provided a report at least once a year showing the status of the policy.

This bulletin clarifies the procedures that should be followed by all licensed insurers writing universal life and interest sensitive life policies in submitting policy forms in compliance with Utah Code 31A-21-201. The Bulletin further clarifies the requirements of Utah Insurance Department Rule R590-79 (Solicitation Rule) and Utah Insurance Department Rule R590-130 (Advertising Rule) regarding those aspects of universal life and interest sensitive life insurance policies.

**Policy Forms Must Clearly Describe the Type of Coverage**

To be in compliance with Utah Code 31A-21-201, all universal life and interest sensitive life insurance policy forms filed in the State of Utah must clearly describe the nature of the life insurance coverage and the provisions of the policy. A universal life or interest sensitive life policy form is considered misleading when there is not clear and prominent disclosure of surrender charges, front-end and back-end loads, fees and expenses. The policy must describe the variable nature of the nonguaranteed features.

An interest sensitive life policy that provides a death benefit that will decrease at a future recalculation date unless illustrated interest rates continue is considered misleading if the policy is presented as "whole life" insurance. The policy must clearly disclose the guaranteed death benefit amount and that continuation of the level death benefit beyond the recalculation date(s) is dependent on nonguaranteed factors. If the policy provides for continuation of the level death benefit after the recalculation date(s) by payment of an increased premium, then the policy must disclose the amount of such premium.

**Information in the Policy Submission**

The following information must be included when filing a universal life or interest sensitive life insurance policy:

1. A clear and detailed description of the policy characteristics, any particular features of the policy and the focus of the sales presentation.
2. A description of the particular segment of the Utah population that will be targeted in marketing the policy.

### **Items to be Included with the Filing**

The following items must be included in the submission of a universal life or interest sensitive life insurance policy filing:

1. A sample copy of the policy summary as required by Utah Solicitation Rule R590-79. The John Doe policy summary should be filled in with valid calculations indicative of the market intended.
2. A sample of the periodic report that will be provided to the policyholder as described in the policy. The report should at least show the current interest rates and charges declared by the company that affect the status of the policy.

Note: If at some time in the future the policy will lapse under the guaranteed assumptions unless a premium higher than the planned premium is paid, then that fact must be disclosed and the date, policy duration, or attained age of such lapse must be disclosed in the policy summary and the periodic report.

### **Disclosure to Consumers**

For compliance with Utah Insurance Department Rules R590-79 and R590-130, the policy summary, the illustrations and all other sales materials must provide clear and truthful disclosure of the benefits, limitations and exclusions of universal life and interest sensitive life policies. The disclosure forms must comply with the following

1. The advertising materials used in connection with universal life and interest sensitive life policies must not exaggerate statistics or imply benefits through omission of pertinent facts. The Department may request that advertising and marketing materials be submitted for filing with the policy.
2. Any illustration of the policy value must be accompanied by and in close proximity to the corresponding net cash surrender value. Illustrations must clearly show that the policy contains surrender charges, expenses, and penalties for withdrawals.
3. If the guaranteed cost factors would result in the policy values becoming exhausted prior to the scheduled maturity date, a notice that the coverage will terminate in such circumstances must be disclosed.
4. If it is the company's practice to declare a high interest rate on new money and a lower rate in later durations, then the illustrations must clearly state the company's experience of declaring interest rates.

DATED this 24th day of December, 1990.

Insurance Commissioner

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