

11 NCAC 12 .0441 REPORTS TO POLICYHOLDERS

Any insurer delivering or issuing for delivery in this state any variable life insurance policies shall mail to each variable life insurance policyholder at his or her last known address the following reports:

- (1) within 30 days after each anniversary of the policy, a statement or statements of the cash surrender value, death benefit, any partial withdrawal or policy loan, any interest charge, and any optional payments allowed pursuant to .0436(4) of this Section under the policy computed as of the policy anniversary date; provided, however, that such statement may be furnished within 30 days after a specified date in each policy year so long as the information contained therein is computed as of a date not more than 45 days prior to the mailing of such notice; This statement shall state in contrasting color or distinctive type that, in accordance with the investment experience of the separate account, the cash values and the variable death benefit may increase or decrease, and shall prominently identify any value described therein which may be recomputed prior to the next statement required by this Rule. If the policy guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in such statement, the statement shall be modified to so indicate;
- (2) annually, if not already required by the Securities and Exchange Commission, a statement or statements including:
 - (a) a summary of the financial statement of the separate account based on the annual statement last filed with the commissioner;
 - (b) the net investment return of the separate account for the last year and, for each year after the first, a comparison of the investment rate of the separate account during the last year with the investment rate during prior years, up to a total of five years where available;
 - (c) a list of investments held by the separate account as of a date not earlier than the end of the last year for which an annual statement was filed with the commissioner;
 - (d) any charges, taxes, and brokerage fees determined on an accrual basis payable by the separate account during the previous year, each expressed as a dollar amount and a percentage and the total expressed as a dollar amount and as a percentage of the assets of the separate account;
 - (e) a statement of the portfolio turnover rate as defined herein during the preceding fiscal year of investments allocated to the separate account:
 - (i) The rate shall be calculated by dividing "A," the lesser of purchases or sales of portfolio securities for the particular fiscal year, by "B," the monthly average of the value of the portfolio securities owned by the separate account during the particular fiscal year. Such monthly average shall be calculated by totaling the values of the portfolio securities as of the beginning and end of the first month of the particular fiscal year and as the end of each of the succeeding 11 months, and dividing the sum by 13, except that the average value of securities for which market quotations are not available may be based upon the value of such securities as of the end of the preceding fiscal quarters.
 - (ii) For the purposes of this Rule, there shall be excluded from both the numerator and the denominator all U.S. Government securities (short-term and long-term) and all other securities whose maturities at the time of acquisition were one year or less. Purchases shall also include any cash paid upon the conversion of one portfolio security into another. Purchases shall also include the cost of rights or warrants purchased. Sales shall include the net proceeds of the sale of rights or warrants. Sales shall also include the net proceeds of redemptions of portfolio securities by call or maturity.
 - (iii) The insurer shall show, in addition to the calculated portfolio turnover rate, both the amount of the purchases and the amount of the sales [calculated as prescribed in (2)(e)(ii) of this Rule] and the monthly average (but not the individual monthly figures) of the value of the portfolio securities owned by the separate account during the fiscal year.
 - (iv) The insurer may, if it wishes, make any statement or explanation with respect to any significant variations in the portfolio turnover rate during the three fiscal years next preceding.

- (f) a statement of any change, since the last report, in the investment objective and orientation of the separate account, in any investment restriction or material quantitative or qualitative investment requirement applicable to the separate account, or in the investment adviser or the separate account;
 - (g) the name of each broker or dealer handling portfolio transactions on behalf of the separate account in which the insurer or an affiliate has any material direct or indirect interest and the nature of such transactions and the amount of compensation received by each such broker or dealer from business originating with the separate account during the preceding fiscal year;
 - (h) the names and principal occupations of each principal executive officer and each director of the insurer; and
 - (i) the names of all parents of the insurer and the basis of control of the insurer, and the name of any person who is known to own, of record or beneficially, 10 percent or more of the outstanding voting securities of the company
- (3) monthly, a report which describes the value of the insured's death benefits to policyholders whose policies, while in force do not provide a death benefit at least equal to the amount specified at issue or at the most recent policy change requested by the policyholder.

History Note: Authority G.S. 58-2-40(1); 58-7-95;
Eff. January 1, 1978;
Readopted Eff. September 26, 1978;
Amended Eff. April 1, 1989;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.