

11 NCAC 12 .1210 ACTUARIAL STANDARDS

(a) Financing Options:

- (1) The insurer may require a premium charge or cost of insurance charge for the accelerated benefit. These charges shall be based on sound actuarial principles. In the case of group insurance, the additional cost may also be reflected in experience rating.
- (2) The insurer may pay a present value of the face amount. The calculation shall be based on any applicable actuarial discount appropriate to the policy design. The interest rate or interest rate methodology used in the calculation shall be based on sound actuarial principles and disclosed in the contract or actuarial memorandum. The maximum interest rate used shall be no more than the greater of:
 - (A) The current yield on 90 day treasury bills; or
 - (B) The current maximum statutory adjustable policy loan interest rate.
- (3) The insurer may accrue an interest charge on the amount of the accelerated benefits. The interest rate or interest rate methodology used in the calculation shall be based on sound actuarial principles and disclosed in the contract or actuarial memorandum. The maximum interest rate used shall be no more than the greater of:
 - (A) The current yield on 90 day treasury bills; or
 - (B) The current maximum statutory adjustable policy loan interest rate.

The interest rate on the portion of the lien that is equal in amount to the cash value of the contract at the time of the benefit acceleration shall be no more than the policy loan interest rate stated in the contract.

(b) Effect on Cash Value:

- (1) Except as provided in Subparagraph (b)(2) of this Rule, when an accelerated benefit is payable, there shall be no more than a pro rata reduction in the cash value based on the percentage of death benefits accelerated to produce the accelerated benefit payment.
- (2) Alternatively, the payment of accelerated benefits, any administrative expense charges, any future premiums and any accrued interest can be considered a lien against the death benefit of the policy or rider and the access to the cash value may be restricted to any excess of the cash value over the sum of any other outstanding loans and the liens. Future access to additional policy loans may also be limited to any excess of the cash value over the sum of the lien and any other outstanding policy loans.

(c) **Effect of Any Outstanding Policy Loans on Accelerated Death Benefit Payment.** When payment of an accelerated benefit results in a pro rata reduction in the cash value, the payment may not be applied toward repaying an amount greater than a pro rata portion of any outstanding policy loans.

*History Note: Authority G.S. 58-2-40; 58-3-150; 58-7-15(1); 58-58-1;
Eff. March 1, 1992;*

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.