



ADMINISTRATIVE RULES OF MONTANA



6.6.704 DEFINITIONS

For the purposes of this subchapter:

- (1) " Actuarial Standards Board" means the board established by the American academy of actuaries to develop and promulgate standards of actuarial practice.
- (2) " Contract premium" means the gross premium that is required to be paid under a fixed premium policy, including the premium for a rider for which benefits are shown in the illustration.
- (3) "Currently payable scale" means a scale of non-guaranteed elements in effect for a policy form as of the preparation date of the illustration or declared to become effective within the next 95 days.
- (4) "Disciplined current scale " means a scale of non-guaranteed elements constituting a limit on illustrations currently being illustrated by an insurer that is based on actual recent historical experience, as certified annually by an illustration actuary designated by the insurer. Further guidance in determining the disciplined current scale as contained in standards established by the actuarial standards board may be relied upon if the standards:
 - (a) are consistent with all provisions of this subchapter;
 - (b) limit a disciplined current scale to reflect only actions that have already been taken or events that have already occurred;
 - (c) do not permit a disciplined current scale to include any projected trends of improvements in experience or any assumed improvements in experience beyond the illustration date; and
 - (d) do not permit assumed expenses to be less than minimum assumed expenses.
- (5) "Generic name" means a short title descriptive of the policy being illustrated such as "whole life," "term life" or " flexible premium adjustable life."
- (6) "Guaranteed elements" means the premiums, benefits, values, credits or charges under a policy of life insurance that are guaranteed and determined at issue.
- (7) "Illustrated scale" means a scale of non-guaranteed elements currently being illustrated that is not more favorable to the policy owner than the lesser of:
 - (a) the disciplined current scale; or
 - (b) the currently payable scale.
- (8) "Illustration" means a presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years and that is one of the three types defined below:

- (a) "basic illustration" means a ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and non-guaranteed elements;
 - (b) "supplemental illustration" means an illustration furnished in addition to a basic illustration that meets the applicable requirements of this subchapter, and that may be presented in a format differing from the basic illustration, but may only depict a scale of non-guaranteed elements that is permitted in a basic illustration;
 - (c) "in force illustration" means an illustration furnished at any time after the policy that it depicts has been in force for one year or more.
- (9) "Illustration actuary" means an actuary meeting the requirements of ARM 6.6.715 who certifies to illustrations based on the standard of practice promulgated by the Actuarial Standards Board.
- (10) "Lapse-supported illustration" means an illustration of a policy form failing the test of self-supporting as defined in this subchapter, under a modified persistency rate assumption using persistency rates underlying the disciplined current scale for the first five years and 100% policy persistency thereafter.
- (11) "Minimum assumed expenses" means the minimum expenses that may be used in the calculation of the disciplined current scale for a policy form. The insurer may choose to designate each year the method of determining assumed expenses for all policy forms from the following:
- (a) fully allocated expenses;
 - (b) a generally recognized expense table based on fully allocated expenses representing a significant portion of insurance companies and approved by the commissioner;
 - (c) marginal expenses which may be used only if greater than a generally recognized expense table. If no generally recognized expense table is approved, fully allocated expenses must be used.
- (12) "Non-guaranteed elements" means the premiums, benefits, values, credits or charges under a policy of life insurance that are not guaranteed or not determined at issue.
- (13) "Non-term group life" means a group policy or individual policies of life insurance issued to members of an employer group or other permitted group where:
- (a) every plan of coverage was selected by the employer or other group representative;
 - (b) some portion of the premium is paid by the group or through payroll deduction; and
 - (c) group underwriting or simplified underwriting is used.
- (14) "Policy owner" means the owner named in the policy or the certificate holder in the case of a group policy.
- (15) "Premium outlay" means the amount of premium assumed to be paid by the policy owner or other premium payer out-of-pocket.
- (16) "Self-supporting illustration" means an illustration of a policy form for which it can be demonstrated that, when using experience assumptions underlying the disciplined current scale, for all illustrated points in time on or after the fifteenth policy anniversary or the twentieth policy anniversary for second-or-later-to-die policies (or upon policy expiration if sooner), the accumulated value of all policy cash flows equals or exceeds the total policy owner value

available. For this purpose, policy owner value will include cash surrender values and any other illustrated benefit amounts available at the policy owner's election.

(17) "Terminal dividends " means dividends paid when a policy terminates.

Authorizing statute(s): Sec. 33-20-150, MCA

Implementing statute(s): Sec. 33-18-202 and 33-20-150, MCA

History: NEW, 2001 MAR p. 2234, Eff. 1/1/02.