191—92.4(508) Valuation.

92.4(1) *Requirements.* The minimum valuation standard for universal life insurance policies shall be the commissioners reserve valuation method, as specified in paragraphs *"a"* through *"m"* below for such policies, and the tables and interest rates specified below. The terminal reserve for the basic policy and any benefits and riders for which premiums are not paid separately as of any policy anniversary shall be equal to the net level premium reserves less (C) and less (D), where:

   a.   Reserves by the net level premium method shall be equal to $((A) - (B)) \times r$, where (A), (B) and "r" are as defined below;

   b.   (A) is the present value of all future guaranteed benefits at the date of valuation;

   c.   (B) is the quantity $PVFB \times (\ddot{a}_{x+t}/\ddot{a}_x)$, where PVFB is the present value of all benefits guaranteed at issue assuming future guaranteed maturity premiums are paid by the policyowner and taking into account all guarantees contained in the policy or declared by the insurer;

   d. $\ddot{a}x$ and $\ddot{a}_{x+t}$ are present values of an annuity of one per year payable on policy anniversaries beginning at ages x and x+t, respectively, and continuing until the highest attained age at which a premium may be paid under the policy. The letter "x" is defined as the issue age and the letter "t" is defined as the duration of the policy;

   e.   The guaranteed maturity premium for flexible premium universal life insurance policies shall be that level gross premium, paid at issue and periodically thereafter over the period during which premiums are allowed to be paid, which will mature the policy on the latest maturity date, if any, permitted under the policy (otherwise at the highest age in the valuation mortality table) for an amount which is in accordance with the policy structure. The guaranteed maturity premium is calculated at issue based on all policy guarantees at issue (excluding guarantees linked to an external referent). The guaranteed maturity premium for fixed premium universal life insurance policies shall be the premium defined in the policy which at issue provides the minimum policy guarantees;

   f.   The letter "r" is equal to one, unless the policy is a flexible premium policy and the policy value is less than the guaranteed maturity fund, in which case "r" is the ratio of the policy value to the guaranteed maturity fund;

   g.   The guaranteed maturity fund at any duration is that amount which, together with future guaranteed maturity premiums, will mature the policy based on all policy guarantees at issue;

   h.   (C) is the quantity $((a)-(b)) \times (\ddot{a}_{x+t}/\ddot{a}_x) \times r$, where (a)-(b) is as described in Iowa Code section 508.36(6) for the plan of insurance defined at issue by the guaranteed maturity premiums and all guarantees contained in the policy or declared by the insurer;

   i. $\ddot{a}x+t$ and $\ddot{a}_x$ are defined in paragraph *"d"* above;

   j.   (D) is the sum of any additional quantities analogous to (C) which arise because of structural changes in the policy, with each such quantity being determined on a basis consistent with that of (C) using the maturity date in effect at the time of the change;

   k.   The guaranteed maturity premium, the guaranteed maturity fund and (B) above shall be recalculated to reflect any structural changes in the policy. This recalculation shall be done in a manner consistent with the descriptions above;

   l.   Future guaranteed benefits are determined by: (1) projecting the greater of the guaranteed maturity fund and the policy value, taking into account future guaranteed maturity premiums, if any, and using all guarantees of interest, mortality, expense deductions, etc. contained in the policy or declared by the insurer; and (2) taking into account any benefits guaranteed in the policy or by declaration which do not depend on the policy value;

   m.   All present values shall be determined using: (1) an interest rate (or rates) specified by Iowa Code section 508.36(3) through (5) for policies issued in the same year; (2) the mortality rates specified by Iowa Code section 508.36(3) and (4) for policies issued in the same year or contained in such other table as may be approved by the commissioner for this purpose; and (3) any other tables needed to value supplementary benefits provided by a rider which is being valued together with the policy.

92.4(2) *Alternative minimum reserves.*

   a.   If, in any policy year, the guaranteed maturity premium on any universal life insurance policy is less than the valuation net premium for such policy, calculated by the valuation method actually used in

calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such contract shall be the greater of the following:

(1) The reserve calculated according to the method, the mortality table, and the rate of interest actually used; or

(2) The reserve calculated according to the method actually used but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the guaranteed maturity premium in each policy year for which the valuation net premium exceeds the guaranteed maturity premium.

b.   For universal life insurance reserves on a net level premium basis, the valuation net premium is $PVFB/ä_x$, and for reserves on a commissioners reserve valuation method, the valuation net premium is $PVFB/ä_x + ((a) - (b))/ä_x$.