

WAC 284-23-690 Actuarial standards, financing options, effect on cash value, and effect on policy loans. (1) An insurer shall select among the following finance options. Under subsection (1)(a) and (1)(b) of this section, the accelerated death benefit is regarded as completely settled. Premiums, if any, payable for the remaining coverage shall be reduced proportionally.

(a) An insurer may require a premium charge or cost of insurance charge for the accelerated benefit. These charges shall be based on sound actuarial principles. No additional charges may be imposed to collect benefits.

(b) An insurer may pay the present value of the face amount of the insured's policy or certificate. The calculation of that present value shall be based upon any applicable discount appropriate to the policy design. The interest rate or interest rate methodology used in the calculation shall be based upon sound actuarial principles and disclosed in the policy or actuarial memorandum. The maximum interest rate used shall be no more than the greater of:

(i) The current yield on ninety day treasury bills; or

(ii) The current maximum statutory adjustable policy loan interest rate.

(c) An insurer may accrue an interest charge on the amount of the accelerated benefits. The interest rate or the interest rate methodology used in the calculation shall be based upon sound actuarial principles and shall be disclosed in the policy or the actuarial memorandum. The maximum interest rate used shall be no more than the greater of:

(i) The current yield on ninety day treasury bills; or

(ii) The current maximum statutory adjustable policy loan interest rate.

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

(d) Any other financing option that the commissioner is satisfied is not contrary to the best interests of the public. No financing option shall be offered by any insurer without the prior written approval of the commissioner.

(2) When an accelerated benefit is payable, there shall be no more than a pro rata reduction in the cash value based upon the percentage of death benefit accelerated to produce the accelerated benefit payment; provided, however, that the payment of accelerated benefits, any administrative expense charges, any future premiums, and any accrued interest may be considered a lien against the death benefit of the policy or rider, and the access to any remaining cash value may be restricted to the excess of the cash value over the sum of any other outstanding loans and any lien. Future access to additional policy loans may be limited to any excess of the cash value over the sum of the lien and any other outstanding policy amounts. 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.

(3) In the case of an acceleration as defined at WAC 284-23-620 (3)(e), an insurer shall use only one of the finance options permitted in this section for any insurance policy or certificate. An insurer may not place a lien on the face amount of an insured's policy or certificate and at the same time discount the face amount or accumulation amount.

[Statutory Authority: RCW 48.02.060, 48.30.010 and 48.11.020. WSR 98-05-026 (Matter No. R 96-13), § 284-23-690, filed 2/6/98, effective 3/9/98. Statutory Authority: RCW 48.02.060 and 48.30.010. WSR 94-24-072 (Order R 94-25), § 284-23-690, filed 12/6/94, effective 1/6/95. Statutory Authority: RCW 48.02.060 (3)(a) and 48.30.010. WSR 94-18-029 (Order R 94-18), § 284-23-690, filed 8/29/94, effective 9/29/94.]