

Bulletin 87-2

Life insurance solicitation

October 7, 1987

The purpose of this bulletin is to announce restrictions regarding the use of life insurance illustrations and proposals which display values based upon nonguaranteed factors. Specifically, assumptions which are critical to understanding the illustration must appear on the same page and in close proximity to the projections.

Presently, numerous companies are providing this information on separate pages. The page containing the projected values frequently contains the statement "Not valid without page two" or a similar caveat. This will no longer be an acceptable means of informing the prospective insured that illustrated values are dependent upon certain assumptions. For example, an illustration which projects values based upon a given interest rate must contain a statement which notes that the interest rate is subject to change, and that if the interest rate falls below the projected level, the values shown will not be achieved. If the illustration shows values which are contingent upon dividends, the illustration must show that dividends are not guaranteed and that the values shown will not be achieved if the dividends are not declared as shown on the illustration. Again, these caveats must appear on the same page as the values.

Similarly, illustrations which display a policy as becoming "paid up" or requiring no premium outlay after a given time must include a statement, on the same page and in close proximity to the projections, which describe the assumptions upon which the projection is based and which indicates that those assumptions are not guaranteed.

All companies which are using life insurance or annuity illustrations that are dependent on nonguaranteed factors are required to notify their South Dakota sales force, in writing, of the requirement expressed in this bulletin.

Compliance is expected no later than November 1, 1987. All companies must respond to this bulletin with a letter certifying that compliance has been effected.

Mary Jane Cleary
Director of Insurance