

South Carolina Department of Insurance

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Director of Insurance

BULLETIN NUMBER 2004-04 (Issued on April 9, 2004)

To: All Insurers Transacting Life Insurance Business within the State of South Carolina

From: Ernst N. Csiszar
Director 

Re: Modification of Bulletin #2003-06 Guidelines for Graded or Delayed Life Insurance Policies

Date: April 9, 2004

I. Purpose

The purpose of this Bulletin is to modify Bulletin #2003-06 by deleting the guaranteed issue requirement and modifying the interest rate provision of Bulletin 2003-06.¹ Accordingly, this Bulletin supersedes and replaces Bulletin 2003-06. What follows is the modified language.

II. Revised Guidelines for Graded and Delayed Life Insurance Policies

In order for a policy described above to be considered for approval, it must meet the following conditions:

- (1) The benefit during the modified or deferred period must be at least equal to the premiums paid plus 3% interest.²
- (2) (a) If the policy provides only for a return of premium plus interest during any year of the modified period, the following wording must appear on the face of the policy in bold, conspicuous print 4 point sizes greater than the type used in the remainder of the form:
“Reduced death benefit for “x years” or “x months”;
“No life insurance for ‘x’ years”; “Life insurance delayed for ‘x’ years;”
or “life insurance deferred for ‘x’ years.”

¹ These requirements are being eliminated because graded or delay life insurance products are primarily sold within the individual life insurance market. This action is consistent with action taken by a number of states.

² The Department reserves the right to review this rate periodically to determine whether it can be eliminated or needs to be indexed should interest rates substantially improve.

- (b) If the death benefit is more than return of premium plus interest for all years of the modified period, the following wording must appear on the cover in bold, conspicuous print 4 point sizes greater than the type used in the remainder of the form: “Graded life insurance for the first ‘x’ years; not in full benefit until ‘x’ years.”
- (3) The application, any advertisement and any sales brochure specific to a graded or delayed life policy must all contain a warning similar to those described in (1) above, and a brief description or title to the policy which must contain a reference to the policy not being in full benefit for ‘x’ years.
- (4) The forms must otherwise comply with applicable provisions of South Carolina insurance law.

III. Questions and Instructions regarding existing policies, certificates etc.

Revisions to existing applications, policies, certificates, etc., in compliance with the revised guidelines of the bulletin is optional and may be submitted via an informational filing to the attention of the undersigned.

Any questions or concerns about this Bulletin should be addressed to the attention of:

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