

## Life Illustrations

This guide is derived from NAIC Model Regulations, Acts, and/or Bulletins. Because states independently determine whether to adopt NAIC Models—and may do so in whole, in part, or with state-specific modifications—requirements can vary by jurisdiction. CEFLI Oversight Guides provide checklists of potential oversight elements to help support regulatory compliance. The guides and any referenced resources are not legal advice. CEFLI Member Companies should ensure their oversight programs reflect their specific product portfolios, distribution strategies, risk tolerances, internal controls and prior market conduct examination findings. Member Companies should carefully evaluate and incorporate unique state regulatory requirements, including any deviations from NAIC Models, in the states where they conduct business.

### Helpful Resources

- [NAIC Market Regulation Handbook 2025, Volume 1-IV](#)
- [NAIC Life Insurance Illustrations Model Regulation \(#582\)](#)
- [NAIC Life Insurance Illustrations Model Regulation \(#582\) Adoption Chart](#)

### Scope of the Regulation

- **Includes.** The regulation includes group and individual life insurance policies (with some exceptions).
- **Excludes.** The regulation excludes variable life, individual and group annuity contracts, credit life and life insurance with no illustrated death benefits exceeding \$10,000.

### Policies to Be Illustrated

- Policies to be Illustrated – Notification.** The Commissioner was notified whether the policy would be marketed with or without an illustration. Refer to section 5.A.
- Prohibited First Year Use of an Illustration.** For policies not marketed with an illustration, no illustration was used in the first year. Refer to section 5.B.
- Required Basic Illustration.** If marketed with an illustration, the basic illustration was provided. (Refer to the regulation regarding group life considerations.) Refer to section 5.C.

### General Rules and Prohibitions

- Illustration Label.** Illustration is clearly labeled “Life Insurance Illustration.” Refer to section 6.A.
- Illustration Components.** The illustration includes the:
  - Name of the insurer. Refer to section 6.A.(1).
  - Name and address of the producer or authorized representative (if any). Refer to section 6.A.(2).
  - Name/age/sex of the proposed insured. Refer to section 6.A.(3).
  - Underwriting or rating classification. Refer to section 6.A.(4).
  - Generic policy name or company product name. Refer to section 6.A.(5).
  - Form number. Refer to section 6.A.(6).
  - Initial death benefit. Refer to section 6.A.(7).
  - Dividend option election (or application of non-guaranteed elements, if applicable). Refer to section 6.A.(8).
- Life Insurance.** Policy was not represented as something other than life insurance. Refer to section 6.B.(1).

- Non-guaranteed Elements.** No misleading representation of non-guaranteed elements. Refer to section 6.B.(2).
- Guarantees.** No implication that non-guaranteed elements are guaranteed. Refer to section 6.B.(3).
- Performance.** The performance is not more favorable than the insurer's illustrated scale. Refer to section 6.B.(5).
- Complete Illustrations.** Applicants receive complete illustrations. Refer to section 6.B.(6).
- Annual Premium.** The required annual premium is not misrepresented in any year and is identified as *premium outlay* or *contract premium*, as applicable. Refer to section 6.B.(7) and 7.A.(5).
- Vanishing Premium.** No reference to "vanishing premium" or similar terms. Refer to section 6.B.(8).
- Lapse-Supported and Self-Supported Illustrations.** No lapse-supported illustrations (excludes policies that never develop nonforfeiture values) or use of illustrations that are self-supporting. Refer to sections 6.B.(9) and 6.B.(10).
- Illustrated Rate.** The interest rate (if shown) is not greater than the interest rate earned for the underlying disciplined current scale. Refer to section 6.B.

### Basic Illustrations - Format

- Preparation Date.** Includes the preparation date. Refer to section 7.A.(1).
- Page Numbering.** Each page is numbered ("Page X of Y"). Refer to section 7.A.(2).
- Payment Receipt and Benefit Payout.** Assumed dates of payment receipt and benefit payout are clearly identified. Refer to section 7.A.(3).
- Insured's Age.** If the proposed insured's age is shown in the tabular detail, it is accurate (i.e., issue age plus the number of years the policy is inforce). Refer to section 7.A.(4).
- Guaranteed Death Benefits and Surrender Values.** Guaranteed death benefits and surrender values (if any) are shown and clearly labeled as guaranteed. Refer to section 7.A.(6).
- Non-guaranteed Elements.** Non-guaranteed elements are appropriately labeled and are consistent with insurer's illustrated scale. Refer to section 7.A.(7).
- Display of Guaranteed Elements.** The guaranteed elements, if any, appear before the corresponding non-guaranteed elements and they are referenced on any page with non-guaranteed elements (e.g., "See page 2 for guaranteed elements."). Refer to section 7.A.(8).
- Illustration of Account and Accumulation Values.** Account and accumulation values, if shown, are properly labeled (consistent with its reference in the policy) and they are shown in close proximity to the corresponding surrender value. Refer to section 7.A.(9).
- Surrender Values.** The surrender value shall be properly labeled (consistent with its reference in the policy) and shall be the amount that is available after all fees and deductions. Refer to section 7.A.(10).
- Disclosure Regarding Non-guaranteed Elements.** The illustration of non-guaranteed elements is accompanied by a statement indicating:
  - Benefits and values are not guaranteed.
  - Assumptions are subject to change.

- Actual results may be more or less favorable. Refer to section 7.A.(12).

- Payment of Policy Charges.** If the illustration shows that policy charges may be paid using non-guaranteed values, it must clearly state that charges still apply and that the payer may need to continue or resume premium payments depending on actual results. Similar disclosure is required when premium payments are shown as lower or shorter than the contract premium. If a contract premium is due, the premium outlay field must not be blank or zero unless marked (e.g., with an asterisk) to indicate the policy is not paid up. Refer to section 7.A.(13).
- Use of Values or Dividends for Premiums.** If policy values or dividends will be used to pay premiums, the impact on future policy benefits and values must be reflected. Refer to section 7.A.(14).

## Basic Illustrations - Narrative Summary

- Description and Reference to Life Insurance.** Brief description of the policy and a statement that it is a life insurance policy. Refer to section 7.B.(1).
- Premium Outlay/Contract Premium.** Brief description of the premium outlay or contract premium. Refer to section 7.B.(2).
- Description and Impact of Features, Rider and Options.** Brief description of any policy features, riders, options (guaranteed or non-guaranteed) shown in the basic illustration and their impact on policy benefits and values. Refer to section 7.B.(3).
- Defining Terms and Headings.** Key terms and headings are defined. Refer to section 7.B.(4).
- Required Disclosure Statement.** This statement is included: “This illustration assumes that the currently illustrated nonguaranteed elements will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.” Refer to section 7.B.(5).

## Basic Illustrations - Numeric Summary

- Numeric Summary.** A numeric summary follows each narrative summary and includes numeric values for the death benefits, premium outlays and contact premiums. Refer to section 7.C.(1).
- Years to Illustrate Values.** For policies with a contract premium, the guaranteed death benefits and values are based on the premium and are shown for at least policy year 5, 10, 20 and age 70 (policy year 5, 10, 20 and 30 for policies insuring multiple lives) on three bases: a.) policy guarantees; b.) insurer’s illustrated scale; and c.) the insurer’s illustrated scale with the non-guaranteed elements reduced (to reflect dividends at 50%, the non-guaranteed credited interest at a rate that is the average of the guaranteed rates and the rates in the illustrated scale used, and all nonguaranteed charges that are the average of the guaranteed rate and the illustrated scale used). Refer to section 7.C.(1).
- Coverage Period.** If coverage ceases before policy maturity or age 100, the year the coverage ceases is shown on the three bases above. Refer to section 7.C.(2).

## Basic Illustrations – Statements

- Statement Signed by the Applicant or Policy Owner.** The page containing the numeric summary includes a statement signed by the applicant or policy owner that reads “I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be either higher or

lower. The agent has told me they are not guaranteed.” Refer to section 7.D.(1).

- Statement Signed by the Producer.** The page containing the numeric summary includes a statement signed by the producer that reads “I certify that this illustration has been presented to the applicant and that I have explained that any non-guaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” Refer to section 7.D.(2).

## Basic Illustrations – Tabular Detail

- Illustrated Years and Values.** Annual detail for years 1–10 and every fifth year thereafter (ending at age 100) indicating the a.) premium outlay and mode; b.) corresponding guaranteed death benefit; and c.) corresponding guaranteed surrender value. Refer to section 7.E.(1).
- Death Benefit and Surrender Value.** For contracts that provide for a contract premium, the guaranteed death benefit and surrender value that corresponds to the contract premium. Refer to section 7.E.(2).
- Illustrated Non-guaranteed Elements.** Non-guaranteed elements, if any, are limited to those described in the contract and must be shown at the same durations as the corresponding guaranteed elements. The illustration of credited terminal dividends is only allowed if the insurer’s practice is to pay terminal dividends. If no guaranteed value is available, zeros must be shown in the guaranteed column. Refer to section 7.E.(3).

## Supplemental Illustrations

- Basic Illustration Required if Supplement Illustration Used.** If used, supplemental illustrations must accompany or follow a compliant basic illustration. Refer to section 8.A.(1).
- Non-guaranteed Element Restrictions.** Any non-guaranteed elements shown are not more favorable than the corresponding elements based on the scale used in the basic illustration. Refer to section 8.A.(2).
- Non-Guaranteed Element Disclosure.** Contains a disclosure that non-guaranteed elements are not guaranteed. Refer to section 8.A.(3).
- Contract Premium or Premium Outlay.** The contract premium or premium outlay matches the basic illustration. Refer to section 8.A.(4).
- Required Notice.** A notice to refer to the basic illustration for guaranteed elements and important information is required. Refer to section 8.B.

## Delivery of Illustrations

- Signed Copy Submitted to the Insurer.** A signed copy of the basic illustration was submitted to the insurer with application. Refer to section 9.A.(1).
- Signed Copy to the Applicant.** A signed copy of the basic illustration was provided to the applicant. Refer to section 9.A.(1).
- Issued Other Than as Applied For.** If a policy was issued other than as applied for, a revised basic illustration was sent with the policy (labeled “Revised Illustration”) and was signed and dated by the applicant or policy owner and the producer no later than policy delivery with a copy provided to the insurer and the policy owner. Refer to section 9.A.(2).

- Disclosure Regarding a Conforming Illustration.** If no illustration was used or if the policy was applied for other than as illustrated, then the producer has certified and the applicant has acknowledged (on a form provided by the insurer and submitted to the insurer at time of application), that an illustration conforming to the policy applied for will be provided no later than policy delivery. Refer to section 9.B.(1).
- Delivery of a Basic Illustration.** If the policy was issued, a basic illustration conforming to the policy as issued was sent with the policy and signed no later than policy delivery. A copy was provided to the insurer and the policy owner. Refer to section 9.B.(2).
- Obtaining Signatures and Returning Signed Copies.** Illustrations sent by mail include instructions for signing and returning a copy to the insurer. Insurers must be able to demonstrate their diligent efforts to secure signed copies of such materials. Refer to section 9.C.
- Record Retention.** Signed copies of basic and revised basic illustrations (or certifications that no illustrations were used) are retained by the insurer until 3 years after the policy, if issued, is no longer in force. Refer to section 9.D.

## Annual Report and Notice to Policy Owners

- Annual Report Requirements – Policies Sold With an Illustration.** For policies sold with an illustration, the policy owner is provided with an annual report that includes all required information consistent with section 10.A.(1):
  - The beginning and end date of the reporting period.
  - The policy value at the end of the previous report period and at the end of the current report period.
  - Amounts credited or debited to the policy during the current report period and identification of each type (e.g., interest, mortality, expense and rider, etc.).
  - The current death benefit.
  - The current cash surrender value.
  - The amount of any outstanding loans.
  - If applicable, disclosure that the policy will not remain in force until the end of the next reporting period (in the case of fixed premium policies).
  - If applicable, disclosure that the policy will not remain in force unless further premium payments are made (in the case of flexible premium policies).
- Annual Report Requirements – Policies Not Sold With an Illustration.** For policies not sold with an illustration, the policy owner is provided with an annual report that includes all required information consistent with section 10.A.(2):
  - Current death benefit.
  - Annual contract premium.
  - Current cash surrender value.
  - Current dividend.
  - Application of current dividend.
  - Amount of any outstanding loan.
- Exception - Policies with No Nonforfeiture Values.** For policies that do not have nonforfeiture values, an annual report is only required in year where there has been a change to the nonguaranteed policy elements by the insurer. Refer to section 10.A.(3).
- Required Disclosure.** If the annual report does not include an inforce illustration, it shall contain the following displayed prominently: **“IMPORTANT POLICY OWNER NOTICE:** You should consider requesting more detailed information about your policy to understand how it may perform in the future. You should not consider replacement of your policy or make changes in your coverage without requesting a current illustration. You may

annually request, without charge, such an illustration by calling [insurer's phone number], writing to [insurer's name] at [insurer's address] or contacting your agent. If you do not receive a current illustration of your policy within 30 days from your request, you should contact your state insurance department." Refer to section 10.B.

- Requested Inforce Illustrations.** If requested by the policyowner, the insurer shall furnish an inforce illustration of current and future benefits based on the insurer's present illustrated scale. Refer to section 10.C.
- Adverse Change in Non-guaranteed Elements.** If an adverse change in non-guaranteed elements that could affect the policy has been made by the insurer since the last annual report, the annual report shall contain a notice of that fact and the nature of the change shall be prominently displayed. Refer to section 10.D.

## Annual Certifications

- Illustration Actuary Appointment.** The Board has appointed one or more illustration actuaries. Refer to section 11.A.
- Illustration Actuary Certification of Compliance.** The illustration actuary has certified the disciplined current scale used in illustrations complies with the Actuarial Standard of Practice for Compliance with the NAIC Model Regulation and that the illustrated scales used meet the requirements of the regulation. Refer to section 11.B.
- Illustration Actuary Qualifications.** The illustration actuary must:
  - Be in good standing with the American Academy of Actuaries. Refer to section 11.C.(1).
  - Be familiar with the standard of practice for policy illustrations. Refer to section 11.C.(2).
  - Have not been found by the Commissioner to have violated a regulation, committed fraud or a dishonest act, demonstrated incompetence, lacked cooperation or untrustworthiness or resigned or was removed from an illustration actuary role in the last five years. Refer to section 11.C.(3).
  - Notify the Commissioner of any action taken against the illustration actuary by another Commissioner. Refer to section 11.C.(4).
- Scale Reductions.** Disclose in the annual certification whether, since the last certification, a currently payable scale applicable for business issued within the previous five (5) years has been reduced for reasons other than changes in the experience factors underlying the disciplined current scale. Note: If nonguaranteed elements illustrated for new policies are not consistent with those illustrated for similar inforce policies, this must be disclosed in the annual certification. If nonguaranteed elements illustrated for both new and in force policies are not consistent with the nonguaranteed elements being paid, charged or credited to the same or similar forms, it must be disclosed in the annual certification. Refer to section 11.C.(5).
- Method for Expense Allocation.** Disclose in the annual certification the method used to allocate overhead expenses for all illustrations:
  - Fully allocated expenses.
  - Marginal expenses.
  - A generally recognized expense table based on fully accredited expenses representing a significant portion of insurance companies and approved by the NAIC or the Commissioner.Refer to section 11.C.(6).
- Annual and New Policy Certifications by the Illustration Actuary.** The illustration actuary filed a certification with the board and with the commissioner annually for all forms illustrated and before a new policy is illustrated. If an error in such filings is later discovered, the actuary must promptly notify the board and the commissioner. Refer to section 11.D.

- Inability to Certify the Scale.** If the illustration actuary is unable to certify the scale for any policy the board and the commissioner must be promptly notified. Refer to section 11.E.
- Officer Certification of Illustration Format.** A responsible officer, other than the illustration actuary, shall annually certify that the illustration format meets the requirements of the regulation and that the scales used were certified by the illustration actuary and that the company has provided its producers with information about the expense allocation method used by the company in its illustration. Refer to section 11.F.
- Change in Illustration Actuary.** If the illustration actuary changes, the insurer must notify the commissioner promptly and note the reason for the change. Refer to section 11.H.