

# RFS News

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## CHANGES TO RETURN OF PREMIUM

As most agents are aware of by now some drastic changes are coming soon to the Life Insurance industry primarily due to the economy and slumping interest rates.

The first major casualty will be to the beloved ROP (Return of Premium) benefit that so many of us enjoy in conjunction with Term Insurance sales. The NAIC (National Association of Insurance Commissioners) is concerned with the economy's dragging interest rates, and that many companies will not be able to guarantee the usual four to nine percent rate of return that is usually projected with that rider. Therefore, they have adopted AG CCC (Actuarial Guideline CCC), now referred to as AG XLV. The guideline treats ROP by rider the same as ROP as an integrated benefit and provides guidance for the calculation of cash values (CVs). These changes, among others, will impact the design, pricing, ROP pattern and administration of ROP products going forward. This guideline is already in effect for new plans with ROP, and all insurance companies must have the new pricing guidelines in effect January 1, 2010.

To put it in laymen's terms, "The rates are going UP"! On average most companies will have to raise their rates at least 50%, and in some instances the premium of a ROP term plan will more than double.

Already in Florida, Texas, and Pennsylvania the new guideline will take effect on October 1, 2009. Our own company, United Home Life will stop offering the ROP benefit in these states on that date until January 1, 2010 when they release the new rates for all states. American Amicable, Assurity, Forestors, and Guarantee Trust Life will continue to sell their ROP in all states, but you should expect to see a significant increase in their ROP prices come January 1, 2010.

Of course with the biggest obstacle to selling the ROP rider being the higher cost associated with it, just imagine how much so harder it will be to sell with a much higher rate. However, with all of the negativity surrounding the change the advantage will be that it definitely adds a sense of urgency to prospects considering a term plan with the ROP benefit. It's like having a "Now or Never" close that is quite potent.

In conclusion, I strongly recommend that if you have any prospects considering updating their coverage to include the ROP, you do so ASAP. Also, for good measure you should consider contacting your entire client database to make them aware of the fading opportunity to add ROP at such "LOW" premiums.