

Guarantee Universal Life

Premium Refund Option Riders

Over the past ten years, a few carriers have provided exit strategy options that differentiated themselves from the mainstream guarantee universal life market. The most successful and most revered has been a Return of Premium Rider or Option that extends a guaranteed promise to the insured, providing them with an option to surrender the contract at specified periods in the future in exchange for part or all of premiums paid into the contract up to a percentage of total face.

This “refund option” concept was first introduced by Lincoln Benefit Life; it instantly became a hit and gained notoriety among many advisors. Shortly after, Transamerica followed suit by offering an identical option. Those two carriers led the path and opened up a significant opportunity for other manufacturer’s to come to market with similar options to help them differentiate themselves from all of the other mainstream players.

Today, there are four notable life insurance carriers who offer a like-kind refund of premium offering on their guarantee universal life product(s): American General (released September 2013, expanded option year December 2015), Mutual of Omaha (released October 2014, expanded option years January 2016) and American National (introduced February 2016), and Symetra (introduced March 2016).

Carrier	American General	American National	Mutual of Omaha	Symetra
Rider Name	Enhanced Surrender Value Rider*	Guaranteed Cash Out Rider**	Guaranteed Refund Option	Return of Premium Rider***
Products with Rider	Secure LifeTime GUL 3	Signature Guarantee UL	GUL and GUL Plus	UL-G 2.0
Refund Amount	<i>lesser of</i>			
Year 15	Not available	65% Premiums or 65% DB	50% Premiums or 35% DB	Not available
Year 20	50% Premiums or 40% DB	100% Premiums or 65% DB	100% Premiums or 35% DB	100% Premiums or 100% DB
Years 21-24	Not available	Not available	100% Premiums or 35% DB	Not available
Year 25	100% Premiums or 40% DB	100% Premiums or 65% DB	100% Premiums or 35% DB	100% Premiums or 100% DB

Return of Premium Riders offered on guarantee universal life products provide the policyholder much more flexibility and options that help him/her best prepare for unexpected future events. To evaluate the best product for each individual situation, it’s important to fully understand the nuances associated with each carrier’s promise.

Premium Refund Window

Currently, Symetra offers a 90-day window in which the return of premium can be received, while the other carriers offer a 60-day window. Even though there is a window, you need to check with each respective carrier to identify who will be alerting the policyholder (carrier or agent) when the option becomes available and how far in advance will the notification be distributed. It is our understanding that only Symetra provides a contractual obligation, and other carriers’ current “company practice” can change by the time these options become relevant 15 to 25 years down the road.

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Late or Missed Premiums

One of the most common items to consider when evaluating any guarantee universal life contract is: What happens when a premium arrives late or is missed altogether? Will the client be notified? Mutual of Omaha appears to be the only carrier that clearly states in their product guide: *“To remain eligible for the rider, the client must continue to make their required premium payments. The required premium is the amount that guarantees the death benefit through age 100. Rider eligibility is reviewed annually. If the premiums paid are insufficient, the client will be notified and will have 60 days to pay the catch-up premium amount without forfeiting the rider.”* Carrier tolerance should be a primary consideration when evaluating the ease of rider termination.

Death Benefit Caps

It is also important to keep in mind that the guaranteed return of premium is the lesser of a percentage of total premiums paid OR the death benefit cap. Only Symetra, by imposing a nominal surcharge, does not cap the return of premium for non-tobacco, non-rated cases. For some carriers, caps come into play for clients ages 55 and older, depending on risk class. One must always review sales illustrations to identify which years provide the optimal refund window and to prevent any surprises in later years when cumulative premiums paid exceeds the death benefit cap.

**American General's Secure Survivor GUL II product provides a return of premium rider with a one-time option for an enhanced full surrender, during a 60-day period following the end of policy year 15.*

***ANICO's Guaranteed Cash Out Rider has two tiers. For policies below a \$250,000 face amount, the payout decreases to the lesser of 50% of premiums paid or 45% of death benefit in policy year 15; 100% of premiums paid or 45% of death benefit in policy years 20 & 25.*

**** For nicotine users and rated policies, Symetra's Return of Premium Rider will not exceed 50% of the face amount of the policy.*