

Sample YRT Rate Guarantee Provisions (Compiled from Publicly Available Treaties)

Article Title: PREMIUM GUARANTEE

Although the Reinsurer anticipates that the YRT rates and applicable Pay Percentages shown in Section 7 of Schedule A will apply indefinitely, the Reinsurer will only guarantee these rates on an annual basis.

The Reinsurer may increase the YRT premium rates, or the applicable Pay Percentages in its sole discretion. If the Reinsurer deems it necessary to increase rates on in force business, any such increase cannot be higher than the valuation net premium for yearly renewable term insurance calculated using the minimum statutory mortality rates and maximum statutory interest rate for each year of issue. The current guaranteed maximum renewal reinsurance premiums shall equal the per unit 2001 CSO, M/F, SM/NS, ANB, discounted at 4.00% interest, before any substandard loadings.

The Reinsurer shall provide ninety (90) days written notice prior to any rate increase taking effect. In such instance, the Ceding Company shall then have the right to recapture all affected

Key Elements to Note:

- *Reinsurer “anticipates” maintain rates “indefinitely”*
- *Grants Reinsurer “sole discretion” to raise rates. Reinforced by “deems it necessary” language*
- *Maximum amount of potential increase identified*
- *90 day notice period with cedent’s right to recapture upon rate increase*

Article Title: PREMIUM RATE GUARANTEE

Although the Reinsurer anticipates that the premium rates in Exhibit D will apply indefinitely, it guarantees only that the premium rates applicable to the business reinsured under this Agreement will not exceed the greater of:

- (1) the reinsurance premium rates specified in Exhibit D; or
- (2) the YRT net premiums at the applicable statutory minimum valuation mortality table and statutory maximum interest rate for the reinsured business.

The Reinsurer does not anticipate holding any deficiency reserves on the business reinsured under this Agreement.

The Reinsurer may raise YRT reinsurance premium rates for existing business only if it raises premium rates on all of the Reinsurer's other YRT reinsurance business with all companies, except for any business on which the Reinsurer is contractually prohibited from raising rates.

If the Reinsurer increases its premium rates for existing business, the Ceding Company may recapture the business affected, in whole or in part, with no recapture fee. In any event, the Reinsurer may not increase rates for either new or existing business until it has given 180 days advance written notice to the Ceding Company. The Reinsurer's rate increase or the Ceding Company's recapture, as applicable, takes effect on the anniversary of each policy covered by this Agreement following the 180 day notice period.

Key Elements to Note:

- *Reinsurer "anticipates" maintaining rates "indefinitely"*
- *Maximum amount of potential increase identified*
- *Specific reference to deficiency reserve issue*
- *Reinsurer can only raise rates if it raises rates on all its other YRT business*
- *180 day notice period with cedent's right to recapture upon rate increase*

Article Title: RATE GUARANTEE

YRT rates are guaranteed not to exceed the one-year term rate calculated using the appropriate guaranteed interest assumption and the 2001 Commissioner's Standard Ordinary Smoker/Non-smoker, Sex Distinct Mortality Table. In addition, the Reinsurer guarantees not to raise the YRT rates unless they raise YRT rates by a like amount on all their comparable YRT reinsurance business written during the calendar years while this Agreement is open for new business, or unless the Company raises the cost of insurance charges in which case the Reinsurer would raise its rates proportionally. In addition, this guarantee is contingent upon the Company adhering to the underwriting standards and any other treaty terms that have been presented as part of the basis of this Agreement.

Key Elements to Note:

- *No "anticipation" of maintaining rates*
- *Maximum amount of potential increase identified*
- *Reinsurer can only raise rates if it raises rates by a "like amount" on all its other "comparable" YRT business "written during the calendar years while this Agreement is open for new business" or if cedent has raised cost of insurance charges (in which case Reinsurer can raise rates proportionally)*
- *Guarantee contingent on Company adhering to underwriting standards and other treaty terms*

Article Title: PREMIUMS

The Life Reinsurance rates contained in this Agreement are guaranteed for one year, and the REINSURER anticipates continuing to accept premiums on the basis of these rates indefinitely. If the REINSURER deems it necessary to increase rates, such increased rates cannot be higher than the valuation net premiums for annually renewable term insurance calculated using the minimum statutory mortality rates and maximum statutory interest rate for each year of issue.

Key Elements to Note:

- *Reinsurer “anticipates” maintaining rates “indefinitely”*
 - *Rates can be changed if Reinsurer “deems it necessary”*
 - *Maximum amount of potential increase identified*
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Article Title: REINSURANCE PREMIUMS, ALLOWANCES AND PREMIUM TAXES

The REINSURER anticipates the indefinite continuation of the reinsurance premiums at the rates shown in Exhibit D for all cessions to which these rates apply. However, if any renewal premium rate is less than the net premium rate based on the 1980 CS0 Table (or related smoker and non-smoker tables) at the interest specified in the Standard Valuation Law for the applicable mortality rating, then, in that event, only the latter rate will be guaranteed

If the CEDING COMPANY increases the mortality charges of the underlying insurance, it shall promptly inform the REINSURER. In this event the REINSURER shall have the right to renegotiate the reinsurance premiums.

Key Elements to Note:

- *Reinsurer “anticipates” maintaining rates “indefinitely”*
- *Maximum amount of potential increase identified*
- *Increase in mortality charges of the underlying insurance permits Reinsurer to renegotiate*

Article Title: REINSURANCE RATES

For reasons relating to deficiency reserve requirements, the reinsurance rates shown in Exhibit C, Reinsurance Rates & Allowances cannot be guaranteed for more than one year. Although we anticipate that reinsurance rates shown in Exhibit C will apply indefinitely, we reserve the right to increase them after the first year, but not above the statutory net premium based on the applicable minimum valuation mortality table and maximum valuation interest rate. Any such increase in the reinsurance rates will be based solely on a change in anticipated mortality and will be applied on a consistent basis among all in force business being reinsured on a yearly renewable term basis, where permitted by the terms of the individual agreements.

- *Specific reference to deficiency reserve issue*
- *Reinsurer “anticipates” maintaining rates “indefinitely” but reserves the right to increase the,*
- *Maximum amount of potential increase identified*
- *Rate increase must be “based solely on a change in anticipated mortality”*
- *Increase must be applied “on a consistent basis” on all of reinsurer’s YRT business*