FASB Emerging Issues Task Force

Issue No. 06-4

Title: Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

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References:

FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (FAS 88)

FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (FAS 106)

FASB Statement No. 154, *Accounting Changes and Error Corrections* (FAS 154)

FASB Concepts Statement No. 6, *Elements of Financial Statements* (CON 6)

FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance* (FTB 85-4)

FASB Special Report, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*: *Questions and Answers* (Q&A #9)

APB Opinion No. 12, *Omnibus Opinion—1967* (APB 12)

APB Opinion No. 21, *Interest on Receivables and Payables* (APB 21)

AICPA Statement of Position 96-1, *Environmental Remediation Liabilities* (SOP 96-1)

AICPA Issues Paper, *Accounting for Key-Person Life Insurance*, dated October 31, 1984 (AICPA Issues Paper)

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* **The alternative views presented in this Issue Summary are for purposes of discussion by the EITF. No individual views are to be presumed to be acceptable or unacceptable applications of Generally Accepted Accounting Principles until the Task Force makes such a determination and it is ratified by the Board.**

Background

1. Companies purchase life insurance for various reasons that may include protecting against the loss of "key" employees, funding deferred compensation and postretirement benefit obligations, and providing an investment return. One form of this insurance is split-dollar life insurance. The structure of split-dollar life insurance arrangements can be complex and varied; however, an example of a simple structure is one in which the employer and an employee split the premiums and share the cash surrender value and/or death benefits of the insurance policy.

2. Diversity in practice appears to exist in relation to the recognition of liabilities and compensation costs associated with split-dollar life insurance arrangements that provide a benefit to an employee that extends into post-employment or retirement from the company. This diversity in practice is evidenced by the EITF Agenda Committee's consideration in February 2004 of a potential new issue entitled, "Accounting for Postretirement Cost of Insurance Charges in Modified Endowment Contracts." The Agenda Committee did not add that issue to the EITF agenda at that time because of its potential relationship to an FASB agenda request related to accounting for life insurance contracts that was being considered by the Board. While the potential new issue would have addressed a specific type of split-dollar life insurance arrangement, it also would have provided general guidance on whether a liability should be recognized for benefits that extend into postemployment or retirement.

Common Types of Split-Dollar Life Insurance Arrangements

3. Split-dollar life insurance may be structured in a variety of different ways, which adds to the complexity of the accounting. The two most basic types of arrangements are as follows:

> Endorsement Split-Dollar Policies—An employer purchases a life insurance policy to insure the life of an employee. The employer enters into a separate agreement that splits the policy's premium and/or policy benefits between the employer and the employee. The employer owns the policy, controls all rights of ownership, and may terminate the benefits promised to the employee if the employee departs the company prior to retirement. The employer endorses a portion of the death benefits to the employee (the employee designates a beneficiary for this portion of the death benefits). Upon the death of the employee, the

employee's beneficiary receives the designated portion of the death benefits and the employer receives the remainder of the death benefits. Depending on how the policy is structured, the beneficiary's proceeds are either received directly from the insurance company or from the employer (who remits the beneficiary's proportionate share once payment is received from the insurance company).

The employee's portion of the death benefits commonly is based on one of the following:

a. Amounts that exceed the gross premiums paid by the employer
b. Amounts that exceed the sum of the gross premiums paid by the employer plus an additional fixed or variable investment return on those premiums
c. Amounts equal to a multiple of the employee's base salary at retirement or death (for example, twice the employee's base salary).

Collateral Assignment Split-Dollar Policies—An employer purchases a life insurance policy to insure the life of an employee and transfers ownership of the policy to the employee. The employee (or the employee's estate or trust) owns the insurance policy and controls all rights of ownership. The employer usually pays all or a substantial part of the premium. The employee (or the employee's estate or trust) irrevocably assigns a portion of the death benefits to the employer as collateral for the employer's interest in the policy. Amounts due to the employer vary but, typically, the employer is entitled to receive a portion of the death benefit equal to the premiums paid by the employer or premiums paid plus an additional fixed or variable return on those premiums. Upon retirement, the employee may have an option to buy the employer's interest in the insurance policy.

4. These basic arrangements often include additional provisions. For example, under an endorsement type policy, the employer may be contractually required to provide life insurance coverage to a specific employee for a specified period. These split-dollar arrangements may include an option-to-purchase provision and/or a comparable-coverage provision. Under an option-to-purchase provision, the employer is required to offer the insured employee the option to purchase the policy before the employer could sell, surrender, or otherwise transfer the policy. Under a comparable-coverage provision, the employer is required to maintain comparable

coverage for the insured employee if the employer decides to switch the policy to a different carrier. These two provisions provide the employee with the security that their benefits will continue. Additionally, payments of insurance premiums may take a number of different forms including the payment of a single premium at the inception of the policy or a series of future payments. Appendix A includes an example of the terms of a typical endorsement type of policy.

Accounting Literature – Life Insurance

5. Upon its issuance in 1984, the AICPA Issues Paper[1] acknowledged that there were questions about the accounting for the deferred compensation elements of life insurance arrangements. However, that Issues Paper did not provide specific guidance on the accounting for the deferred compensation and postretirement benefit aspects of split-dollar life insurance arrangements. Additionally, the Issues Paper specifically noted that the normal methods of accounting for deferred compensation arrangements may not be appropriate for complex split-dollar arrangements.

6. In 1985, the FASB issued FTB 85-4, which provides guidance on the accounting for the investment in life insurance (the asset) and requires that the amount that could be realized under the insurance contract as of the date of the financial statements be reported as an asset. Additionally, the change in the cash surrender or contract value during the period is an adjustment of premiums paid in determining the expense or income recognized for the period. Although footnote 1 in FTB 85-4 acknowledges that life insurance may be purchased to fund deferred compensation arrangements or postemployment death benefits, it does not address the recognition of compensation costs associated with those types of benefits.

Accounting Guidance – Deferred Compensation and Postretirement Benefits

7. Although neither of the following is specific to split-dollar life insurance arrangements, APB 12 provides guidance on the accounting for deferred compensation contracts with individual employees if those contracts, taken together, do not constitute a plan. FAS 106

[1] This Issues Paper was the predecessor and was used as the basis for the conclusions of FTB 85-4.

provides guidance on the accounting for postretirement benefits that are part of a plan for retirees, but are not part of a pension plan.

8. APB 12 requires deferred compensation costs to be recognized over the service period in a systematic and rational manner. At the end of the service period (the full eligibility date as defined in FAS 106[2]), the accrued amount should equal the then present value of the benefits expected to be provided to the employee and the employee's beneficiaries. For example, future payments, including death benefits, to be paid to the employee and the employee's beneficiaries should be accrued over the service period such that a liability at the end of the service period exists in the amount of the present value of those payments.

9. Under FAS 106, an entity should recognize and measure the obligation for postretirement benefits based on the actuarial present value of all future benefits attributed to an employee's service rendered to that date. FAS 106 requires an employer to attribute the costs of those postretirement benefits over the required service period.

Diversity in Practice

10. As noted above, the terms of the split-dollar life insurance arrangements can be complex and have a significant impact on the accounting. For arrangements that are in substance collateral assignment split-dollar policies (as described above), the FASB staff does not believe that there is diversity in practice in accounting. Additionally, since the advent of the Sarbanes-Oxley Act in 2002, public companies have generally ceased to enter into these types of arrangements since there is a concern that they could be considered employee loans, which are generally prohibited under the Act. The FASB staff has not, and does not plan to, research how these types of arrangements are viewed under the Act.

11. Similarly, there does not appear to be diversity in practice related to split-dollar life insurance arrangements whereby the company is the primary obligor for the death benefit. In those situations, the employer has contractually promised the employee a specified

[2] FAS 106 defines *full eligibility date* as "the date at which the employee has rendered all the service necessary to have earned the right to receive all of the benefits expected to be received by the employee (including any beneficiaries and dependents expected to receive benefits)."

postretirement death benefit and has funded this obligation through an endorsement split dollar life insurance policy. In the event the insurance company is unable to pay its obligation under the insurance policy (for example, due to insolvency) the company is legally obligated to pay the employee's beneficiary. The FASB staff has been informed that the postretirement benefit obligation is typically accounted for in practice under either APB 12 or FAS 106 (depending on whether a plan is deemed to exist.)

12. Since there does not appear to be diversity in practice related to the aforementioned split-dollar life insurance policies, this Issue Summary will not address those types of arrangements. For typical endorsement split-dollar arrangements (that is, the type of arrangement described in the background section), however, there appears to be diversity in practice in accounting for the deferred compensation and postretirement aspects of such plans. Some believe that APB 12 or FAS 106 (if the arrangement is part of a plan, FAS 106 would be applicable, and APB 12 would be applicable otherwise) should be applied and that a liability for the future death benefit (or the future cost of insurance premiums, depending on the substance of the benefit communicated to the employee) should be recognized. However, some believe that the employer's obligation to provide the death benefit is effectively settled when the insurance policy is purchased and that, therefore, no liability for the future benefit should be recognized.

Scope

13. The scope of this Issue is limited to the recognition of a liability and related compensation costs for endorsement split-dollar life insurance policies (as described in the background section) that provide a benefit to an employee that extends to postretirement periods. Therefore, this Issue would not apply to a split-dollar life insurance arrangement that provides a specified benefit to an employee that is limited to their active service period with an employer.

Accounting Issue and Alternatives

Issue: The employer's accounting for the deferred compensation or postretirement benefit aspects of a split-dollar life insurance arrangement that is in substance an endorsement type of policy.

View A: An employer should recognize a liability for future benefits based on the substantive agreement with the employee. For example, if the arrangement is to provide the employee with a death benefit or the investment value of the policy, the employer should recognize a liability for the future death benefit or the value of the benefit, respectively, in accordance with APB 12 or FAS 106 (depending on whether the arrangement is considered a "plan").

14. Proponents of View A believe that endorsement split-dollar life insurance arrangements that provide a benefit to employees' postretirement are clearly within the scope of APB 12 and FAS 106. They refer to the definition of *postretirement benefits* included in FAS 106, which is as follows:

> All forms of benefits, other than retirement income, provided by an employer to retirees. Those benefits may be defined in terms of specified benefits, such as health care, tuition assistance, or legal services, that are provided to retirees as the need for those benefits arises, such as certain health care benefits, or **they may be defined in terms of monetary amounts that become payable on the occurrence of a specified event, such as life insurance benefits**. [Emphasis added.]

15. Proponents of View A do not believe that the accounting should differ for situations in which an employer self-insures a death benefit that extends into postretirement or purchases an endorsement split-dollar life insurance policy to fund the benefit. Regardless of the funding mechanism, the employer has promised the same benefit to the employee. They believe that this view is supported in paragraph 150 of FAS 106, which states, in part:

> The decision of how or when to fund the obligation is not an accounting issue. It is a financing decision that is properly influenced by many factors (such as tax considerations and the availability of attractive investment alternatives) that are unrelated to how or when the postretirement benefit obligation is incurred.

16. Proponents of View A also note that while no explicit guidance has been issued related to the accounting for the obligation related to split-dollar life insurance arrangements, they reference the AICPA Issues Paper, which acknowledges the existence of a postretirement benefit. For example, the views expressed in paragraph 98 of the Issues Paper by both the Insurance Companies Committee and AcSEC were that "for key-person life insurance purchased

to fund post-employment benefits…the investment in life insurance should be accounted for separately from the liability for deferred compensation or other post-employment benefits." Proponents believe that the Issues Paper, which was the predecessor to FTB 85-4, is clear that a postretirement obligation exists. Additionally, while FTB 85-4 addresses the accounting for the asset for purchased life insurance, it acknowledges in footnote 1 that life insurance is often purchased to fund post-employment benefits, and states, in part:

> The provisions of this Technical Bulletin apply to all entities that purchase life insurance in which the entity is either the owner or beneficiary of the contract, without regard to the funding objective of the purchase. Such purchases would typically include those intended to meet loan covenants or to fund deferred compensation agreements, buy-sell agreements, or **postemployment death benefits**. [Emphasis added.]

17. Therefore, proponents believe that if the funding objective of the purchase of split-dollar life insurance is to provide a postemployment death benefit, then a liability must be recognized for the benefit that was promised to employees in accordance with either APB 12 or FAS 106.

View B: An employer should not recognize a liability for future benefits or premiums because the purchase of the endorsement split-dollar life insurance policy effectively settles the obligation.

18. Proponents of View B believe that for a typical endorsement split-dollar arrangement (as described in the background section), where all of the risks of providing a death benefit to an employee have been transferred to the insurance company, the employer has effectively settled its obligation with the employee and should not be required to record a liability for postretirement benefits. They believe that recording this obligation would be inconsistent with the characteristics of a liability described in paragraph 36 of CON 6, which states:

> A liability has three essential characteristics: (a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened.

19. Proponents of View B note that in the typical endorsement split-dollar life insurance arrangement, an entity has no obligation to fund the death benefit. This benefit will be paid by the insurance company and, therefore, the employer will not sacrifice any future assets after the premiums are paid under the policy. Accordingly, they do not believe that the obligation described in View A satisfies either characteristic (a) or characteristic (b), above, for purposes of recognizing a liability.

20. Opponents of View B counter that not recognizing a liability when an obligation is subject to an insurance recovery is inconsistent with other areas of accounting. Specifically, they refer to paragraph 140 of SOP 96-1, which states, "the amount of an environmental remediation liability should be determined independently from any potential claim for recovery."

21. Proponents of View B further note that if an entity were to purchase insurance contracts to cover postretirement benefits, the benefits covered by these contracts would be excluded from the accumulated benefit obligation. Specifically, paragraph 67 of FAS 106 states, in part:

> For purposes of this Statement, an insurance contract is defined as a contract in which an insurance company unconditionally undertakes a legal obligation to provide specified benefits to specific individuals in return for a fixed consideration or premium; an insurance contract is irrevocable and involves the transfer of significant risk from the employer (or the plan) to the insurance company. Benefits covered by insurance contracts shall be excluded from the accumulated postretirement benefit obligation. [Footnote reference omitted.]

22. Proponents of View B believe that the purchase of an insurance contract effectively settles the obligation and paragraph 70 of FAS 106 provides the guidance on the recognition of the costs as follows:

> If all the postretirement benefits attributed to service in the current period are covered by nonparticipating insurance contracts purchased during that period, the cost of the contracts determines the service cost component of net postretirement benefit cost for that period.

23. Therefore, proponents of View B believe that FAS 106 prescribes that an obligation for any postretirement benefit would not have to be recorded, since the obligation has effectively been settled. They believe that this is similar to the purchase of annuities to settle a pension benefit obligation as described in paragraph 5 of FAS 88.

24. Opponents of this view argue that an endorsement split-dollar life insurance arrangement does not meet the definition of a settlement, as defined in the Glossary of FAS 106, as follows:

> An **irrevocable** action that relieves the employer (or the plan) of primary responsibility for a postretirement benefit obligation and **eliminates significant risks related to the obligation and the assets used to effect the settlement**. Examples of transactions that constitute a settlement include (a) making lump-sum cash payments to plan participants in exchange for their rights to receive specified postretirement benefits and (b) purchasing nonparticipating insurance contracts for the **accumulated** postretirement benefit obligation for some or all of the plan participants. [Emphasis added.]

25. In accordance with the guidance above, opponents note that in order to have a settlement, the purchase of the split-dollar life insurance policy must be irrevocable.[3] They note that in many endorsement split-dollar life insurance arrangements, the employer is not required to maintain the policy in force and can cancel it at any time. Additionally, if the endorsement split-dollar life insurance arrangement contains a "comparable coverage clause," the employer would be able to terminate its coverage with the existing insurance company and obtain comparable coverage with a different insurance company. Both of these situations indicate that endorsement split-dollar life insurance does not satisfy the "irrevocable" criteria for a settlement.

26. Additionally, opponents of this view believe that in the endorsement split-dollar life insurance arrangement, since the employer is the owner and part beneficiary of the policy, it has not transferred most of the risks and rewards associated with the benefit obligation, and assets used to fund the benefit, to the insurance company. That is, the employer will receive a portion of the death benefit upon the death of the covered employee and it will record an asset for the

[3] Irrevocability is used in FAS 106 to describe the relationship between the employer and the insurance company.

cash surrender value of the policy (depending on the policy's structure). Accordingly, they believe that this is further evidence that a settlement has not occurred.

27. Opponents further argue that a settlement has not occurred because no benefits have *accumulated* at the date the policy is entered into. That is, the policy benefits are for future service and therefore, based on the definition above, it is not possible to have a settlement for benefits that have not been accrued for past service. They believe that the purchase of an endorsement split-dollar life insurance arrangement is analogous to the following hypothetical example as it relates to pensions:

> Company A offers a defined benefit pension plan to its employees whereby each employee earns a $100 benefit for each year of service provided. Company A purchases an annuity from an insurance company that will provide the payments of each employee's benefits that will accrue over the next five years of service.

28. Opponents of View B argue that it is clear in this example that a settlement has not occurred and this arrangement merely represents a pre-funding of the obligation that will accrue over the next five years of service. The pre-funding would be recorded as an asset on the employer's balance sheet, and, therefore, they have not eliminated the risk associated with the assets used to effect the settlement, and, therefore, a settlement has not occurred in accordance with FAS 88.

International Convergence

29. There does not appear to be IASB literature that would specifically include the accounting for split-dollar life insurance arrangements. While the IASB staff has not directly encountered these arrangements, they believe, in the absence of direct guidance on point, that they would be accounted for in accordance with paragraphs 10–12 of IAS 8, which states:

> 10. In the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
>
> (a) relevant to the economic decision-making needs of users; and
> (b) reliable, in that the financial statements:

(i) represent faithfully the financial position, financial performance and cash flows of the entity;
(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
(iii) are neutral, ie free from bias;
(iv) are prudent; and
(v) are complete in all material respects.

11. In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements and guidance in Standards and Interpretations dealing with similar and related issues; and
(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

12. In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11. [Footnote references omitted.]

Effective Date and Transition

30. As indicated above, diversity in practice currently exists in accounting for endorsement split-dollar life insurance arrangements. Accordingly, the FASB staff believes that the Task Force should consider transition alternatives for any consensus reached on these issues. The staff has identified the following transition alternatives.

Alternative A

The guidance in this consensus shall be effective for fiscal years beginning after the date that the consensus is ratified. An entity shall report this as a change in accounting principle through retrospective application to all prior periods. This should include the recognition of:

a. The cumulative effect of the change to the new accounting principle on periods prior to those presented reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented.

b. An offsetting adjustment, if any, made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period.
c. Financial statements for each individual prior period presented shall be adjusted to reflect the period-specific effects of applying the new accounting principle.

The following would be disclosed:

a. A description of the prior-period information that has been retrospectively adjusted, if any.
b. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted.
c. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented.
d. Financial information reported for interim periods after the date of adoption showing the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicators), and related per-share amounts, if applicable, for those post-change interim periods.

31. Opponents to retrospective application believe that such transition would be impractical to apply. These opponents believe that it would be difficult to recreate assumptions that would have been used and that determining the effect in each of the prior comparative periods presented would require a substantial effort.

Alternative B

The guidance in this consensus shall be effective for fiscal years beginning after the date that the consensus is ratified. The effect of initially applying this guidance should be accounted for in a manner similar to a cumulative-effect-type adjustment. Thus, financial

statements for prior years should be presented as previously reported, and the cumulative effect, if any, of adopting the guidance on the amount of retained earnings (or other appropriate components of equity or net assets) at the beginning of the period in which this guidance is first applied should be included in the opening balance of retained earnings (or other appropriate components of equity or net assets) in the period of the change.

Presentation of per-share amounts for the cumulative effect shall be made either on the face of the income statement or in the related notes.

Alternative C

The guidance in this consensus shall be effective for fiscal years beginning after the date that the consensus is ratified and the difference between the accumulated benefit obligation at the beginning of that year and any amount accrued that is associated with these arrangements would be recognized over the average remaining service period of the employees who are expected to receive benefits under the plan.

Exhibit 06-4A

SAMPLE FACT PATTERN OF AN ENDORSEMENT SPLIT-DOLLAR LIFE INSURANCE ARRANGEMENT

The following represents a sample fact pattern of a typical endorsement split-dollar life insurance arrangement that would be within the scope of the Issue Summary and is for informational purposes only. As indicated in the Issue Summary, the terms of these policies can be complex and varied, and, therefore, this example is not intended to be all-inclusive as to the terms these policies may contain.

Life Insurance Policy:

a. Employer purchases a life insurance policy on the life of a key employee in whom the employer has an insurable interest. The employer is the owner of the policy and has all of the policy rights. The employer makes all premium payments and the employee has no obligation to make any premium payments to the insurance company or contributions to the employer. The employee has no interest at any time in the policy cash values.

b. A single premium payment is made by the employer. The type of life insurance policy purchased is a single premium non-participating permanent life insurance policy. Based on the carrier's current assumptions, no future premium payments are required, and the face amount is payable upon the death of the insured at any age.

c. The policy has no front-end loads or surrender charges; the cash value and the cash surrender value are the same.

Split-Dollar Agreement:

a. At or shortly after the policy is put in force, the employer and employee enter into a split-dollar agreement in which the employee is permitted to name by endorsement the beneficiary of a portion of the policy death benefit proceeds. At the same time, the policy endorsement is executed with the insurance carrier specifying the split dollar benefit amount and including the employee's beneficiary information. This beneficiary endorsement

becomes a part of the insurance contract and legally binds the insurance company to pay the death benefits in accordance with the endorsement.

b. Under the terms of the agreement, the split-dollar death benefit to the employee's beneficiary could be either a specified amount or a formula (for example, two times salary) but, in either case, would be no greater than the net insurance in force on the date of death (the total death benefit proceeds less the policy cash values at the date of death). For example, if the split-dollar benefit is the lesser of $100,000 or the net insurance, and the policy proceeds at the employee's death are $150,000 and the cash value at the employee's death is $80,000, then the benefit paid by the insurance company to the employee's beneficiary would be $70,000.

c. If the insurance policy lapses or is surrendered by the employer, the split-dollar arrangement terminates and the employer has no obligation to the employee or the employee's beneficiary.

d. If the employee remains employed by the employer to age 65, the split dollar arrangement will remain in place postretirement so long as the employer keeps the policy in force. However, if the employee's employment terminates, voluntarily or involuntarily, prior to the employee attaining age 65, the split dollar arrangement terminates and the employer becomes the sole beneficiary of the policy.

e. Upon the employee's death, the insurance company will make the respective death benefit payments directly to the employee's beneficiary and to the employer.

Additional Facts:

a. The employer is not required under the split-dollar agreement, or by practice, to make up any benefit amount to the extent that the net insurance proceeds are less than the split-dollar benefit amount. Furthermore, the employer has no other agreement or arrangement, written or unwritten, or by practice, to provide death benefits to the employee or the employee's beneficiary.

b. No materials are provided to the employee that state or imply that the benefits under the split-dollar arrangement are other than a sharing of the life insurance policy's net insurance proceeds or that the employer will make any benefit payments to the employee or the employee's beneficiary beyond the benefits paid directly by the insurance carrier under the split-dollar endorsement agreement.

c. Under no circumstances does the insured employee or the insured employee's beneficiary have any interest in the policy cash values or any other policy rights other than the right to the death benefit proceeds specified under the split-dollar agreement (which are limited by or capped at the net insurance proceeds).

d. The life insurance policy remains a general asset of the employer, fully subject to the claims of creditors.