

§953-A. Applicable interest rates

1. The interest rates used in determining the minimum standard for the valuation of the following shall be the calendar year statutory valuation interest rates, as defined in this section:

- A. All life insurance policies issued in a particular calendar year, on or after the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A; [PL 1983, c. 346, §3 (NEW).]
- B. All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1984, or January 1, 1983, at the election of the insurer; [PL 1983, c. 346, §3 (NEW).]
- C. All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1984, or January 1, 1983, at the election of the insurer, under group annuity and pure endowment contracts; and [PL 1983, c. 346, §3 (NEW).]
- D. The net increase, if any, in a particular calendar year after January 1, 1984, or January 1, 1983, at the election of the insurer, in amounts held under guaranteed interest contracts. [PL 1983, c. 346, §3 (NEW).]

An insurer electing January 1, 1983, in lieu of January 1, 1984, in paragraph B, C or D, shall notify the superintendent of its election by written notice no later than December 31, 1983. [PL 1983, c. 346, §3 (NEW).]

2. The calendar year statutory valuation interest rates, I, shall be determined as follows and the results rounded to the nearest 1/4 of 1%:

A. For life insurance:

$$I = .03 + W (R_1 - .03) + W (R_2 - .09)$$

2 [PL 1983, c. 346, §3 (NEW).]

B. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

$$I = .03 + W (R - .03) \text{ [PL 1983, c. 346, §3 (NEW).]}$$

where R_1 is the lesser of R and $.09$,

R_2 is the greater of R and $.09$,

R is the reference interest rate defined in this section, and W is the weighting factor defined in this section; [PL 1983, c. 346, §3 (NEW).]

C. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in paragraph B, the formula for life insurance stated in paragraph A shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of 10 years, and the formula for single premium immediate annuities stated in paragraph B shall apply to annuities and guaranteed interest contracts with guarantee duration of 10 years or less; [PL 1983, c. 346, §3 (NEW).]

D. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium annuities stated in paragraph B shall apply; and [PL 1983, c. 346, §3 (NEW).]

E. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in paragraph B shall apply. [PL 1983, c. 346, §3 (NEW).]

If the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year, determined without reference to this sentence, differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 1/2 of 1%, the calendar year statutory valuation interest rate for those life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, by using the reference interest rate defined for 1979, and shall be determined for each subsequent calendar year, regardless of when the Standard Nonforfeiture Law for Life Insurance, section 2532-A, becomes operative. [PL 1983, c. 346, §3 (NEW).]

3. The weighting factors in the formulas in subsection 2 are given in the following tables:

A. Weighting Factors for Life Insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less	.50
More than 10, but not more than 20	.45
More than 20	.35

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy; [PL 1983, c. 346, §3 (NEW).]

B. Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options: .80; [PL 1983, c. 346, §3 (NEW).]

C. Weighting factors for other annuities and for guaranteed interest contracts, except as stated in paragraph B, shall be as specified in subparagraphs (1), (2) and (3), according to the rules and definitions in subparagraphs (4), (5) and (6):

(1) For annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee Duration (Years)	Weighting Factor for Plan Types		
	A	B	C
5 or less:	.80	.60	.50
More than 5, but not more than 10:	.75	.60	.50
More than 10, but not more than 20:	.65	.50	.45
More than 20:	.45	.35	.35

(2) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in subparagraph (1) increased by:

Plan Type	A	B	C
	.15	.25	.05;

(3) For annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on

considerations received more than 12 months beyond the valuation date, the factors shown in subparagraph (1) or derived in subparagraph (2) increased by:

Plan Type		
A	B	C
.05	.05	.05;

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of 20 years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence;

(5) Plan type as used in the subparagraphs (1), (2) and (3) tables is defined as follows.

(a) Plan Type A. At any time policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; as an immediate life annuity; or no withdrawal permitted.

(b) Plan Type B. Before expiration of the interest rate guarantee, policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; or no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without that adjustment in a single sum or installments over less than 5 years.

(c) Plan Type C. Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than 5 years, either: Without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund; and

(6) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund. [PL 1983, c. 346, §3 (NEW).]

[PL 1983, c. 346, §3 (NEW).]

4. The reference interest rate referred to in subsection 2 is defined as follows:

A. For all life insurance, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30th of the calendar year next preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

B. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of 12 months, ending on June 30th of the calendar year of issue or year of purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

C. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in paragraph B, with guarantee duration in excess of 10 years, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

D. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in paragraph B, with guarantee duration of 10 years or less, the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

E. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; and [PL 1983, c. 346, §3 (NEW).]

F. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in paragraph B, the average over a period of 12 months, ending on June 30th of the calendar year of the change in the fund, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. [PL 1983, c. 346, §3 (NEW).]

[PL 1983, c. 346, §3 (NEW).]

5. In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the National Association of Insurance Commissioners determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the National Association of Insurance Commissioners and approved by regulation promulgated by the superintendent, may be substituted.

[PL 1983, c. 346, §3 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §3 (NEW).

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