

STATUTORY CALENDAR YEAR INTEREST RATES
BASED ON NAIC STANDARD VALUATION LAW

NOTES

Issue Year Basis. 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.

Change in Fund Basis. 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.

Cash Settlement Options?. The question refers to whether or not an annuity or guaranteed interest contract provides a cash settlement option. For example, a deferred annuity which provides a lump sum option at the end of the deferred period does provide a cash settlement option. A deferred annuity with no options other than the annuity payment does not provide a cash settlement option.

Future Interest Guarantee. In the case of annuities or guaranteed interest contracts valued on an issue year basis, the question refers to whether or not the annuity or guaranteed interest contract guarantees interest on considerations received more than one year after issue or purchase. In the case of contracts valued on a change in fund basis, the question refers to whether or not the contracts guarantee interest rates on considerations received more than 12 months beyond the valuation date.

Guarantee Duration.

Life Insurance. For life insurance the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the 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.

Annuities and Guaranteed Interest Contracts with Cash Settlement Options. For annuities 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 twenty years.

Annuities and Guaranteed Interest Contracts with No Cash Settlement Options. For annuities and 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.

Plan Type.

Plan Type A: At any time policyholder may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five years or more or (3) as an immediate life annuity, or (4) no withdrawal permitted.

Plan Type B: Before expiration of the interest rate guarantee, policyholder may withdraw funds only (1) with adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over **five** years or more, or (3) no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five years.

Plan Type C: Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five years either (1) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) subject only to a fixed surrender charge stipulated in the contract as a percentage of the **fund**.