

August 29, 1986

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 13 (1986)

TO: ALL AUTHORIZED LIFE INSURANCE COMPANIES, ACCREDITED LIFE REINSURERS, FRATERNAL BENEFIT SOCIETIES AND CHARITABLE ANNUITY SOCIETIES

ATTN: CHIEF ACTUARY OR CONSULTING ACTUARY AND CHIEF FINANCIAL OFFICER

SUBJECT: MAXIMUM RESERVE VALUATION AND MAXIMUM LIFE POLICY NONFORFEITURE INTEREST RATES UNDER SECTIONS 4217, 4218 AND 4221 OF THE NEW YORK INSURANCE LAW, AS AMENDED IN 1982, 1983 and 1985

Attached hereto is an outline, providing maximum reserve valuation and maximum life policy nonforfeiture interest rates for new issues, new purchases or changes in fund (as defined) for years 1982, 1983, 1984, 1985 and 1986 (and other years where shown), under Sections 4217, 4218 and 4221 of the New York Insurance Law, as amended in 1982, 1983 and 1985.

Should any person have any question or comment, in regard to this matter, please contact Mr. Robert J. Callahan, Chief of the Actuarial Valuation Bureau (518-474-7929) or Mr. William R. Burns (518-474-6605).

Very truly yours,

James P. Corcoran

Superintendent of Insurance

CIRCULAR LETTER No. 13 (1986)

MAXIMUM VALUATION AND NONFORFEITURE INTEREST RATES

UNDER SECTIONS 4217, 4218 and 4221 OF THE NEW YORK INSURANCE LAW

The maximum valuation and nonforfeiture interest rates, prescribed by Sections 4217 and 4221 of the New York Insurance Law for future years, will vary from year to year depending on Moody's corporate bond yield averages.

The maximum valuation interest rates for issues of 1982, 1983, 1984, 1985 and 1986 (and other years where shown) are outlined below. The maximum nonforfeiture interest rates for Ordinary Life Insurance are shown in A on page 2.

A. Ordinary Life Insurance

*Issue Year	**Guarantee Duration	***Maximum Reserve Valuation Interest Rate	Maximum Nonforfeiture Interest Rate	
			# 1980 CSO	1958 CSO
1979-81	10 Years or Less	4.50%		5.50%
	More than 10 Years, up to 20	4.50		5.50
	More than 20 Years	4.50		5.50
1982	10 Years or Less	6.75%	8.50%	5.50%
	More than 10 Years, up to 20	6.25	7.75	5.50
	More than 20 Years	5.50	7.00	5.50
1983	10 Years or Less	7.25%	9.00%	5.50%
	More than 10 Years, up to 20	6.75	8.50	5.50
	More than 20 Years	6.00	7.50	5.50
1984	10 Years or Less	7.25%	9.00%	5.50%
	More than 10 Years, up to 20	6.75	8.50	5.50
	More than 20 Years	6.00	7.50	5.50
1985	10 Years or Less	7.25%	9.00%	5.50%
	More than 10 Years, up to 20	6.75	8.50	5.50
	More than 20 Years	6.00	7.50	5.50
1986	10 Years or Less	7.25%	9.00%	5.50%
	More than 10 Years, Up to 20	6.75	8.50	5.50
	More than 20 Years	6.00	7.50	5.50
1987	10 Years or less	6.50%	## H8.25%	5.50%
	More than 10 Years, up to 20	6.00	## 7.50	5.50
	More than 20 Years	5.50	## H7.00	5.50

*See the first paragraph under the table on page 8.

**The guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy.

***The maximum reserve valuation interest rate will be the lesser of the rate as determined from the above table and the rate actually used in determining cash values. This applies to basic reserves under Section 4217, not to the minimum reserve test under Section 4218.

Applicable on or after the operative date elected under Section 4221(k)(12). (See the last paragraph at the bottom of page 8).

In accordance with Section 4221(k)(9)(B)(i) of the New York Insurance Law, the nonforfeiture interest rate used for 1987 issues may not exceed the higher of the applicable maximum nonforfeiture interest rates for issue years 1986 and 1987.

H Exact calculation halfway between two multiples of 1/4%; taken as higher 1/4%.

B. Single Premium Immediate Annuities and annuity benefits arising from life insurance policies and annuity and guaranteed interest contracts with cash settlement options.

Maximum Reserve Valuation Interest Rate

Issues of or Purchases During	Without Actuary's Opinion and Memorandum*	With Actuary's Opinion and Memorandum*
1982	10.50%	13.25%
1983	9.50	11.25
1984	9.50	11.25
1985	9.50	11.00
1986	8.50	9.25

*The Actuary's Opinion and Memorandum, referred to in B, C, D, E, F and G herein, are as required by Section 4217(c)(4)(B)(vi) of the New York Insurance Law.

C. Other Annuities and Guaranteed Interest Contracts, with Cash Settlement Options and with Interest Rate Guarantees on future considerations, valued on the "Issue Year" basis.

Maximum Reserve Valuation Interest Rate

Without Actuary's Opinion and Memorandum *Plan Type	With Actuary's Opinion and Memorandum *Plan Type
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Issue

Maximum Reserve Valuation Interest Rate

Year	Guarantee Duration #	Without Actuary's Opinion and Memorandum *Plan Type			With Actuary's Opinion and Memorandum *Plan Type		
		A	B	C	A	B	C
1982	5 years or less	10.50%	8.50%	7.75%	13.25%	10.50%	9.25%
	More than 5 yrs, up to 10	10.00	8.50	7.75	12.50	10.50	9.25
	More than 10 yrs, up to 20	8.50	7.25	6.75	8.50	7.25	6.75
	More than 20 years	6.75	6.00	6.00	6.75	6.00	6.00
1983	5 years or less	9.50%	8.00%	7.00%	11.25%	9.25%	8.25%
	More than 5 yrs, up' to 10	9.25	8.00	7.00	10.75	9.25	8.25
	More than 10 yrs, LT to 20	8.25	7.00	6.75	8.25	7.00	6.75
	More than 20 years	6.75	5.75	5.75	6.75	5.75	5.75
1984	5 years or less	9.50%	7.75%	7.00%	11.25%	9.25%	8.00%
	More than 5 yrs, up to 10	9.00	7.75	7.00	10.75	9.25	8.00
	More than 10 yrs, up to 20	8.25	7.00	6.75	8.25	7.00	6.75
	More than 20 years	6.75	5.75	5.75	6.75	5.75	5.75
1985	5 years or less	9.50%	7.75%	7.00%	11.00%	9.00%	8.00%
	More than 5 yrs, up to 10	9.00	7.75	7.00	10.50	9.00	8.00
	More than 10 yrs, up to 20	8.25	7.00	6.50	8.25	7.00	6.50
	More than 20 Years	6.50	5.75	5.75	6.50	5.75	5.75
1986	5 years or less	8.50%	L7.00%	6.50%	9.25%	7.75%	L6.75%
	More than 5 Yrs, up to 10	8.25	L7.00	6.50	8.75	7.75	L6.75
	More than 10 yrs, up to 20	7.50	6.50	6.00	7.50	6.50	6.00
	More than" 20 years	6.00	5.50	5.50	6.00	5.50	5.50

See definition of guarantee duration for Categories C, D, F and G on page 9.

*See descriptions' of plan types on page 9.

L Exact calculation halfway between two multiples of 1/4%; taken as lower 1/4%.

D. Other Annuities and Guaranteed Interest Contracts, with Cash Settlement. Options but without Interest Rate Guarantees on future considerations, valued on the "Issue Year" basis.

Issue Year	Guarantee Duration #	Maximum Reserve Valuation Interest Rate					
		Without Actuary's Opinion and Memorandum *Plan Type			With Actuary's Opinion and Memorandum *Plan Type		
		A	B	C	A	B	C
1982	5 years or less	11.00%	9.00%	8.25%	13.75%	11.25%	10.00%
	More than 5 yrs, up to 10	10.50	9.00	8.25	13.25	11.25	10.00
	More than 10 yrs, up to 20	8.75	7.50	7.25	8.75	7.50	7.25
	More than 20 years	7.25	6.25	6.25	7.25	6.25	6.25
1983	5 years or less	10.00%	8.25%	7.50%	11.75%	9.75%	8.75%
	More than 5 yrs, up to 10	9.50	8.25	7.50	11.25	9.75	8.75
	More than 10 yrs, up to 20	8.75	7.50	7.00	8.75	7.50	7.00
	More than 20 years	7.00	6.25	6.25	7.00	6.25	6.25
1984	5 years or less	10.00%	8.25%	7.50%	11.75%	9.75%	8.40
	More than 5 yrs, up to 10	9.50	8.25	7.50	11.25	9.75	8.11/
	More than 10 yrs, up to 20	8.75	7.50	7.00	8.75	7.50	7.00
	More than 20 years	7.00	6.25	6.25	7.00	6.25	6.25
1985	5 years or less,	9.75%	8.25%	7.50%	11.50%	9.50%	8.50%
	More than 5 yrs, up to 10	9.50	8.25	7.50	11.00	9.50	8.50
	More than 10 yrs, up to 20	8.50	7.50	7.00	8.50	7.50	7.00
	More than 20 years	7.00	6.25	6.25	7.00	6.25	6.25
1986	5 years or less	8.75%	7.50%	6.75%	9.50%	8.00%	7.25%
	More than 5 yrs., up to 10	8.50	7.50	6.75	9.25	8.00	7.25
	More than 10 yrs., up to 20	7.75	6.75	6.50	7.75	6.75	6.50
	More than 20 years	6.50	5.75	5.75	6.50	5.75	5.75

See definition of guarantee duration for Categories C, D, F and G on page 9.

*See descriptions of plan types on page 9.

E. Other Annuities and Guaranteed Interest Contracts, without Cash Settlement Options, valued on the "Issue Year" basis.

Issue Year	Guarantee Duration**	Maximum Reserve Valuation Interest Rate	
		Without Actuary's Opinion and Memorandum	With Actuary's Opinion and Memorandum
		*Plan Type	*Plan Type
		A	A
1982	5 years or less	10.50%	13.25%
	More than 5 yrs, up to 10	10.00	12.50
	More than 10 yrs, up to 20	9.00	11.25
	More than 20 years	7.25	8.75
1983	5 years or less	9.50%	11.25%
	More than 5 yrs, up to 10	9.25	10.75
	More than 10 yrs, up to 20	8.25	9.75
	More than 20 years	6.75	7.75
1984	5 years or less	9.50%	11.25%
	More than 5 yrs, up to 10.	9.00	10.75
	More than 10 yrs, up to 20	8.25	9.75
	More than 20 years	6.75	7.50
1985	5 years or less	9.50%	11.00%
	More than 5 yrs, up to 10	9.00	10.50
	More than 10 yrs, up to 20	8.25	9.50
	More than 20 years	6.50	7.50

Issue Year	Guarantee Duration**	Maximum Reserve Valuation Interest Rate	
		Without Actuary's Opinion and Memorandum	With Actuary's Opinion and Memorandum
		*Plan Type	*Plan Type
		A	A
1986	5 years or less	8.50%	9.25%
	More than 5 yrs, up to 10	8.25	8.75
	More than 10 yrs, up to 20	7.50	8.00
	More than 20 years	6.00	6.50

*See descriptions of plan types on page 9.

**The guarantee duration, for other annuities and guaranteed interest contracts without cash settlement options, is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

F. Other Annuities and Guaranteed Interest Contracts, with Cash Settlement Options and with Interest Rate Guarantees on future considerations, valued on the "Change in Fund" basis.

Change in Fund During Year	Guarantee Duration #	Maximum Reserve Valuation Interest Rate					
		Without Actuary's Opinion and Memorandum			With Actuary's Opinion and Memorandum		
		*PLAN TYPE			*PLAN TYPE		
		A	B	C	A	B	C
1982	5 years or less	12.00%	11.00%	8.25%	15.00%	13.75%	10.00%
	More than 5 yrs, up to 10	11.50	11.00	8.25	14.50	13.75	10.00
	More than 10 yrs, up to 20	10.50	10.00	7.75	13.25	12.50	9.25
	More than 20 years	8.50	8.50	6.75	10.50	10.50	8.00
1983	5 years or less	10.75%	10.00%	7.50%	12.75%	11.75%	8.75%

Change in Fund	Maximum Reserve Valuation Interest Rate						
	Without Actuary's Opinion and Memorandum			With Actuary's Opinion and Memorandum			
		*PLAN TYPE			*PLAN TYPE		
	More than 5 yrs, up to 10	10.50	10.00	7.50	12.25	11.75	8.75
	More than 10 yrs, up to 20	9.50	9.25	7.00	11.25	10.75	8.25
	More than 20 years	8.00	8.00	6.25	9.25	9.25	7.25
1984	5 years or less	10.75%	10.00%	7.50%	12.75%	11.75%	8.50%
	More than 5 yrs, up to 10	10.25	10.00	7.50	12.25	11.75	8.50
	More than 10 yrs, up to 20	9.50	9.00	7.00	11.25	10.75	8.50
	More than 20 years	7.75	7.75	6.25	9.25	9.25	7.00
1985	5 years or less	10.50%	9.75%	7.50%	12.50%	11.50%	8.50%
	More than 5 yrs, up to 10	10.25	9.75	7.50	12.00	11.50	8.50
	More than 10 yrs, up to 20	9.50	9.00	7.00	11.00	10.50	8.00
	More than 20 years	7.75	7.75	6.25	9.00	9.00	7.00
1986	5 years or less	9.50%	8.75%	6.75%	10.25%	9.50%	7.25%
	More than 5 yrs, up to 10	9.25	8.75	6.75	10.00	9.50	7.25
	More than 10 yrs, up to 20	8.50	8.25	6.50	9.25	8.75	L6.75
	More than 20 years	L7.00	L7.00	5.75	7.75	7.75	6.00

See definition of guarantee duration for Categories C, D, F and G on page 9.

*See descriptions of plan types on page 9.

L Exact calculation halfway between two multiples of 1/4%; taken as lower 1/4%.

G. Other Annuities and Guaranteed Interest Contracts, with Cash Settlement Options but without Interest Rate Guarantees on future considerations, valued on the "Change in Fund" basis.

Change in Fund During Year	*Plan Type Guarantee Duration #	Maximum Reserve Valuation Interest Rate					
		Without Actuary's and Opinion Memorandum			With Actuary's and Opinion Memorandum		
		A	B	C	A	B	C
1982	5 years or less	12.25%	11.50%	8.50%	15.75%	14.50%	10.50%
	More than 5 yrs, up to 10	12.00	11.50	8.50	15.00	14.50	10.50
	More than 10 yrs, up to 20	11.00	10.50	8.25	13.75	13.25	10.00
	More than 20 years	9.00	9.00	7.25	11.25	11.25	8.75
1983	5 years or less	11.25%	10.50%	8.00%	13.50%	12.25%	9.25%
	More than 5 yrs, up to 10	10.75	10.50	8.00	12.75	12.25	9.25
	More than 10 yrs, up to 20	10.00	9.50	7.50	11.75	11.25	8.75
	More than 20 years	8.25	8.25	6.75	9.75	9.75	7.75
1984	5 years or less	11.00%	10.25%	7.75%	13.25%	12.25%	9.25%
	More than 5 yrs, up to 10	10.75	10.25	7.75	12.75	12.25	9.25
	More than 10 yrs, up to 20	10.00	9.50	7.50	11.75	11.25	8.50
	More than 20 years	8.25	8.25	6.75	9.75	9.75	7.50
1985	5 years or less	11.00%	10.25%	7.75%	13.00%	12.00%	9.00%
	More than 5 yrs, up to 10	10.50	10.25	7.75	12.50	12.00	9.00
	More than 10 yrs, up to 20	9.75	9.50	7.50	11.50	11.00	8.50
	More than 20 years	8.25	8.25	6.50	9.50	9.50	7.50

Change in Fund During Year	*Plan Type Guarantee Duration #	Maximum Reserve Valuation Interest Rate					
		Without Actuary's and Opinion Memorandum			With Actuary's and Opinion Memorandum		
		A	B	C	A	B	C
1986	5 years or less	L9.75%	9.25%	L7.00%	10.75%	10.00%	7.75%
	More than 5 yrs, up to 10	9.50	9.25	L7.00	10.25	10.00	7.75
	More than 10 yrs, up to 20	8.75	8.50	6.75	9.50	9.25	7.25
	More than 20 years	7.50	7.50	6.00	8.00	8.00	6.50

See definition of guarantee duration for Categories C, D, F and G on page 9.

*See descriptions of plan types on page 9.

L Exact calculation halfway between two multiples of 1/4%; taken as lower 1/4%.

Section 4217, as amended by Chapter 749 of the Laws of 1983, permits the dynamic interest rates (under the 1982 amendments) to be used for issues of January 1, 1982 and later, irrespective of a company's election or non-election under Section 4221 (k)(12). Thus, the new dynamic interest rates may be used either with 1958 CSO or with 1980 CSO issues of January 1, 1982 and later, for valuation purposes.

Said Section 4221(k)(12) was amended by Chapter 81 of the Laws of 1983 to permit a company to elect to comply with the new provisions of Section 4221 on a plan-by-plan basis, with little provision that the entire portfolio must be converted to the new provisions on or before January 1 of the third calendar year following the calendar year of compliance for the first plan so converted, but not, in any event, later than January 1, 1989.

Plan types, as used in the above tables, are defined as follows:

Plan Type A: The 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.

Plan Type B: The policyholder may not withdraw funds before the expiration of the interest rate guarantee or, if withdrawals are permitted before the expiration of such guarantee, 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. At the end of the interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five years.

Plan Type C: The policyholder may withdraw funds before the expiration of the 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.

The most popular plan type, in the group annuity area, for current issues, is plan type B; while, the most popular plan type, in the individual annuity area, for current issues, is plan type C.

The guarantee duration, for other annuities and guaranteed interest contracts with cash settlement options, 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 durations of more than twenty years (See C, D, F and G herein).

Other annuities and guaranteed interest contracts, without cash settlement options, may be valued only on an "Issue Year" basis.

The maximum valuation interest rates, for annuities and guaranteed interest contracts, are based on Moody's Corporate Bond Yield Averages for a one or three year period ending in June of the year of issue, purchase or change in fund. Consequently, we are not able to compute rates applicable to 1987 at this time.

The attached Appendix describes the method of calculating the maximum reserve valuation interest rates, in accordance with the specifications of Section 4217 of the New York Insurance Laws, as amended.

APPENDIX

TO CIRCULAR LETTER NUMBER 13 (1986)

The maximum valuation interest rates are based on reference interest rates, which are averages of corporate bond earnings published by Moody's Investors Service, Inc., and weighting factors prescribed by Section 4217.

The weighting factors do not vary from year to year. None of the weighting factors given in Table 1 below will change unless Section 4217 is revised by new legislation. The following formulas are used to compute the maximum valuation interest rates:

$$I = 3.00\% + W(R[1]-3.00)\% + W/2(R[2]-9.00)\%, \quad (\text{Formula 1})$$

or

$$I = 3.00\% + W(R-3.00)\%, \quad (\text{Formula 2})$$

Where:

I = Maximum calendar year statutory valuation interest rate, rounded to the nearer 1/4%.

R = Reference interest rate, derived from Moody's corporate bond monthly yield averages, rounded to the nearer basis point (.01 of 1%).

R[1]= The lesser of R and 9.00%.

R[2]= The greater of R and 9.00%.

W = The weighting factor.

The third term of Formula 1 is dropped whenever the reference interest rate falls below 9.00%. The weighting factors vary by type of benefit; guarantee duration, and valuation basis (i.e. 'issue year' basis or 'change in fund' basis). An

asterisk (*), where shown with the weighting factor in Table 1, indicates that Formula 2 may optionally be used with a given factor if an Actuary's opinion and memorandum satisfactory to the Superintendent are provided, as required by Section 4217(c)(4)(B)(vi).

TABLE 1

Benefit (Category in Circular Letter)	Guarantee Duration (Where duration in years, is)	Valuation Basis	Reference Interest Rate (Column from Table 2)
A	= or 10 10, = or 20 20	Issue Year	(3)
B	All Durations	Issue or Purchase Year	(1)
C	= or 5 5, = or 10 10, = or 20 20	Issue Year	(1) (1) (3) (3)
D	= or 5 5, = or 10 10, = or 20 20	Issue Year	(1) (1) (3) (3)
E	= or 5 5, = or 10 10, = or 20 20	Issue Year	(1) (1) (1) (1)
F	= or 5	Change	(1)

Benefit (Category in Circular Letter)	Guarantee Duration (Where duration in years, is)	Valuation Basis	Reference Interest Rate (Column from Table 2)
	5, = or 10	in	(1)
	10, = or 20	Fund	(1)
	20		(1)
G	= or 5	Change	(1)
	5, = or 10	in	(1)
	10, = or 20		(1)
	20	Fund	(1)
Benefit (Category in Circular Letter)	Weighting Factor		
A	.50		
	.45		
	.35		
B	.80*		
	Varies By Plan Type		
C	A	B	C
	.80*	.60*	.50*
	.75*	.60*	.50*
	.65	.50	.45
	.45	.35	.35
D	A	B	C
	.85*	.65*	.55*
	.80*	.65*	.55*
	.70	.55	.50

Benefit (Category in Circular Letter)	Weighting Factor		
		.50	.40
E		.80*	
		.75*	
		.65*	
		.45*	
	Varies By Plan Type		
F	A	B	C
	.95*	.85	.55*
	.90*	.85*	.55*
	.80*	.75*	.50*
	.60*	.60*	.40*
G	A	B	C
	1.00*	.90*	.60*
	.95*	.90*	.60*
	.85*	.80*	.55*
	.65*	.65*	.45*

The reference interest rates are based on the average corporate bond earnings published by Moody's Investors Service, Inc.

Section 4217 defines running averages of the published monthly yield rates for 12-month and 36-month periods.

The year of issue, purchase or change in fund applicable to the running yield average ending in the current year is the next following year for Life Insurance (Category A in the Circular Letter) and the current year for all other business (Categories B through G in the Circular Letter).

The following table shows Moody's yield averages for recent years.

TABLE 2

For Period	12-Month	36-Month	
Ending	Running	Running	Lesser of
June 30	Average	Average	Two Averages
of Year	(1)	(2)	(3)
1982	15.70%	13.64%	13.64%
1983	13.39	14.26	13.39
1984	13.22	14.10	13.22
1985	13.01	13.21	13.01
1986	10.75	12.33	10.75

The maximum nonforfeiture interest rate for Life Insurance, for a particular issue year, is equal to 125% of the maximum valuation interest rate for the same issue year, rounded to the nearer 1/4%.

Should the computed maximum valuation interest rate for Life Insurance for a particular issue year be different from the actual maximum valuation interest rate for the next previous issue year by less than 1/2%, the maximum valuation interest rate for such particular issue year will be the same as that for such previous issue year.