



STATE OF NEW YORK
INSURANCE DEPARTMENT

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ALBANY, NEW YORK 12257

SALVATORE CURIALE
Superintendent of Insurance

August 1, 1994

NOTE: WITHDRAWN EFFECTIVE OCTOBER 11, 2002

Circular Letter No. 12 (1994)

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

ATTN: CHIEF ACTUARY OR CONSULTING ACTUARY,
OR CHIEF FINANCIAL OFFICER

SUBJECT: MAXIMUM RESERVE VALUATION AND MAXIMUM LIFE POLICY NON FORFEITURE
INTEREST RATES UNDER SECTIONS 4217, 4218 AND 4221(k) OF THE NEW YORK
INSURANCE LAWS, AS AMENDED IN 1982, 1983, 1985, 1986, 1987, 1988, 1990
AND 1994

Attached hereto is an outline, providing maximum reserve valuation and maximum life policy non forfeiture interest rates for new issues, new purchases or changes in fund (as defined) for years 1982 through 1993 (and other years where shown), under Sections 4217, 4218 and 4221(k) of the New York Insurance Laws, as amended in 1982, 1983, 1985, 1986, 1987, 1988, 1990, and 1994.

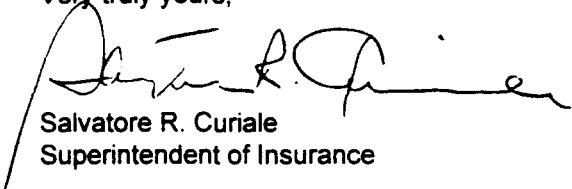
This Circular Letter is for informational purposes, as an aid in complying with the law.

Should any person have any question or comment, in regard to this matter, please contact Mr. Robert Priest (518-474-4244) or Mr. John Karwatowski (518-473-9444) of the Actuarial Valuation Bureau.

This letter is being sent to the Chief Actuary, or absent such, to the Chief Financial Officer.

Earlier this year, the New York Legislature adopted the equivalent of the Model Standard Valuation Law promulgated by the NAIC in 1990 and amended in 1991. We are currently working with a LICONY committee to revise Regulation 126, which we expect to be effective by December 31, 1994.

Very truly yours,


Salvatore R. Curiale
Superintendent of Insurance

CL12_94

CIRCULAR LETTER No. 12 (1994)

MAXIMUM VALUATION AND NON FORFEITURE INTEREST RATES

UNDER SECTIONS 4217, 4218 and 4221(k) OF THE NEW YORK INSURANCE LAWS

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

The maximum valuation interest rates for issues, purchases and changes-in-fund of years 1982 through 1994 (and other years where shown) are outlined below. The maximum valuation and non forfeiture interest rates for Ordinary Life Insurance are shown in Table A of page 2, except for Single Premium Life Insurance (of the kind referred to in Section 4217(c)(4)(B)(vi) as amended by Chapter 302 of the laws of 1987) the maximum valuation interest rates for which are shown in B on page 3.

This Circular Letter is for informational purposes, as an aid in complying with the law.

A. ORDINARY LIFE INSURANCE (Except as covered in B on page 3)

*Issue Year	**Guarantee Duration	***Maximum Reserve Valuation Interest Rate	Maximum Non forfeiture Interest Rate	
			#1980 CSO	1958 CSO
1979-1990	See Prior Circular Letter No. 8 (1990)			
1991	10 Years or less	6.00%	7.50%	###
	More than 10 years, up to 20	6.00	7.50	###
	More than 20 years	5.50	7.00	###
1992	10 Years or less	6.00%	7.50%	#
	More than 10 years, up to 20	6.00	7.50	#
	More than 20 years	5.50	7.00	#
1993	10 Years or less	6.00%	7.50%	#
	More than 10 years, up to 20	6.00	7.50	#
	More than 20 years	5.00	## 6.25	#
1994	10 Years or less	5.50%	## 7.00%	#
	More than 10 years, up to 20	5.25%	## 6.50%	#
	More than 20 years	5.00%	6.25%	#
1995	10 Years or less	5.50%	7.00%	#
	More than 10 years, up to 20	5.25%	6.50%	#
	More than 20 years	4.50%	## 5.75%	#

* See the paragraph at the top of page 11.

** 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 Sect. 4218.

Applicable on or after the operative date elected under Section 4221(k)(12). (See the top paragraph on page 10). These rates do not apply to policies issued pursuant to Section 4221(n-1).

In accordance with Section 4221(k)(9)(B)(i) of the New York Insurance Laws, the non forfeiture interest rate used for a particular issue year may not exceed the higher of the applicable maximum non forfeiture interest rate for such particular issue year and that for the immediately preceding issue year (e.g. 1987 issues may use the rate for 1986, 1988 issues may use the rate for 1987).

See the paragraph at the top of page 11. As of January 1, 1989, the 1980 CSO rate must be used for all new business.

B. Single Premium Life Insurance of the kind referred to in Section 4217(c)(4)(B)(vi) of the New York Insurance Laws (as amended by Chapter 302 of the laws of 1987).#

Issue Year	**Guarantee Duration	## Maximum Reserve Valuation Interest Rate			
		Issue Year Basis		Change-In-Fund Basis	
		Without AO&M ***	With AO&M ****	Without AO&M ***	With AO&M ****
1982 - 1990 See Prior Circular Letter No. 8 (1990)					
1991	10 years or less	6.50%	6.75%	6.75%	7.00%
	More than 10 yrs, up to 20	6.25	6.25	6.50	6.75
	More than 20 years	5.50	5.50	5.75	6.00
1992	10 years or less	6.25%	6.25%	6.50%	6.50%
	More than 10 yrs, up to 20	6.00	6.00	6.25	6.25
	More than 20 years	5.25	5.25	5.75	5.75
1993	10 years or less	5.75%	5.75%	6.00%	6.00%
	More than 10 yrs, up to 20	5.50	5.50	5.75	5.75
	More than 20 years	5.00	5.00	5.25	5.25
1994	10 years or less	5.50%	5.50%	5.75%	5.75%
	More than 10 yrs, up to 20	5.25	5.25	5.50	5.50
	More than 20 years	4.75	4.75	5.00	5.00

* See the paragraph at the top of page 11.

** The guarantee duration is the number of years for which interest rates provided in, or declared pursuant to, a single premium life insurance policy of the kind referred to in Section 4217(c)(4)(B)(vi) are guaranteed to exceed the greater of (1) 6% and (2) the calendar year statutory valuation interest rate for life insurance policies (other than such single premium policy) with guarantee duration's in excess of 20 years.

*** Without an acceptable actuarial opinion and memorandum (using life insurance formula). Additional restrictions may apply by Regulation.

**** May be used only with an acceptable actuarial opinion and memorandum (using annuity formula).

Said Chapter 302 amendment became effective, on a mandatory basis, on January 1, 1989. Any company could have filed a written notice of prior election.

See paragraph on reserves for these special single premium life insurance policies on page 11. Also see paragraph at bottom of page 4.

C. 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

<u>Issues of or Purchases During</u>	<u>Without Acceptable Actuarial Opinion and Memorandum#</u> (Using Life Insurance Formula)	<u>With Acceptable Actuarial Opinion and Memorandum#</u> (Using Annuity Formula)
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
1987	8.00	8.00
1988	8.25	8.75
1989	8.25	8.75
1990	8.00	8.25
1991	8.00	8.25
1992	7.75	7.75
1993	7.00	7.00
1994	6.50	6.50

The actuarial opinion and memorandum, referred to in C, D, E, F, G and H herein, are as required by Section 4217(c)(4)(B)(vi) of the New York Insurance Laws. The above valuation interest rates, under the heading "With Acceptable Actuarial Opinion and Memorandum", may be used only with an acceptable actuarial opinion and memorandum. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

Section 95.8(e) of Regulation 126 requires, for 1989 and later year-ends, that an actuarial opinion and memorandum be filed, with respect to all issues of annuities, annuity benefits and guaranteed interest contracts, and with respect to all issues of single premium life insurance of the kind referred to in Section 4217(c)(4)(B)(vi). Regulation 126 specifies the minimum reserves to be held where an acceptable actuarial opinion and memorandum have not been filed for such business.

- D. 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

Issue Year	Guarantee Duration##	<u>Without Acceptable Actuarial Opinion and Memorandum #</u> (Using Life Insurance Formula)			<u>With Acceptable Actuarial Opinion and Memorandum #</u> (Using Annuity Formula)		
		<u>*Plan Type</u>			<u>*Plan Type</u>		
		A	B	C	A	B	C
1982 - 1990 See Prior Circular Letter No. 8 (1990)							
1991	5 years or less	8.00%	6.75%	6.25%	8.25%	7.00%	6.25%
	More than 5 yrs, up to 10	7.75	6.75	6.25	8.00	7.00	6.25
	More than 10 yrs, up to 20	7.00	6.25	5.75	7.00	6.25	5.75
	More than 20 years	5.75	5.25	5.25	5.75	5.25	5.25
1992	5 years or less	7.75%	6.50%	6.00%	7.75%	6.50%	6.00%
	More than 5 yrs, up to 10	7.50	6.50	6.00	7.50	6.50	6.00
	More than 10 yrs, up to 20	6.75	6.00	5.75	6.75	6.00	5.75
	More than 20 years	5.75	5.00	5.00	5.75	5.00	5.00
1993	5 years or less	7.00%	6.00%	5.50%	7.00%	6.00%	5.50%
	More than 5 yrs, up to 10	6.75	6.00	5.50	6.75	6.00	5.50
	More than 10 yrs, up to 20	6.25	5.50	5.25	6.25	5.50	5.25
	More than 20 years	5.25	4.75	4.75	5.25	4.75	4.75
1994	5 years or less	6.50%	5.75%	5.25%	6.50%	5.75%	5.25%
	More than 5 yrs, up to 10	6.50	5.75	5.25	6.50	5.75	5.25
	More than 10 yrs, up to 20	6.00	5.25	5.00	6.00	5.25	5.00
	More than 20 years	5.00	4.50	4.50	5.00	4.50	4.50

See requirements for actuarial opinion and memorandum in footnote on page 4. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

See definition of guarantee duration for Categories D, E, G and H on page 10.

* See descriptions of plan types on page 10.

E. Other Annuities and Guaranteed Interest Contracts, with cash settlement options but without interest rate guarantees on future considerations, valued on the "Issue Year" basis.

Maximum Reserve Valuation Interest Rate

Issue Year	Guarantee Duration##	<u>Without Acceptable Actuarial Opinion and Memorandum#</u> (Using Life Insurance Formula)			<u>With Acceptable Actuarial Opinion and Memorandum#</u> (Using Annuity Formula)		
		<u>*Plan Type</u>			<u>*Plan Type</u>		
		A	B	C	A	B	C
1982 - 1990 See Prior Circular Letter No. 8 (1990)							
1991	5 years or less	8.25%	7.00%	6.50%	8.75%	7.25%	6.75%
	More than 5 yrs, up to 10	8.00	7.00	6.50	8.25	7.25	6.75
	More than 10 yrs, up to 20	7.50	6.50	6.25	7.50	6.50	6.25
	More than 20 years	6.25	5.50	5.50	6.25	5.50	5.50
1992	5 years or less	8.00%	6.75%	6.25%	8.00%	6.75%	6.25%
	More than 5 yrs, up to 10	7.75	6.75	6.25	7.75	6.75	6.25
	More than 10 yrs, up to 20	7.00	6.25	6.00	7.00	6.25	6.00
	More than 20 years	6.00	5.25	5.25	6.00	5.25	5.25
1993	5 years or less	7.25%	6.25%	5.75%	7.25%	6.25%	5.75%
	More than 5 yrs, up to 10	7.00	6.25	5.75	7.00	6.25	5.75
	More than 10 yrs, up to 20	6.50	5.75	5.50	6.50	5.75	5.50
	More than 20 years	5.50	5.00	5.00	5.50	5.00	5.00
1994	5 years or less	6.75%	6.00%	5.50%	6.75%	6.00%	5.50%
	More than 5 yrs, up to 10	6.50	6.00	5.50	6.50	6.00	5.50
	More than 10 yrs, up to 20	6.25	5.50	5.25	6.25	5.50	5.25
	More than 20 years	5.25	4.75	4.75	5.25	4.75	4.75

See requirements for actuarial opinion and memorandum in footnote on page 4. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

See definition of guarantee duration for Categories D, E, G and H on page 10.

* See descriptions of plan types on page 10

F. Other Annuities and Guaranteed Interest Contracts, without cash settlement options, valued on the "Issue Year" basis.

Maximum Reserve Valuation Interest Rate

<u>Issue Year</u>	<u>Guarantee Duration**</u>	<u>Without Acceptable Actuarial Opinion and Memorandum#</u> (Using Life Insurance Formula)	<u>With Acceptable Actuarial Opinion and Memorandum#</u> (Using Annuity Formula)
		<u>*Plan Type</u> A	<u>*Plan Type</u> A
1982 - 1990	See Prior Circular Letter No. 8 (1990)		
1991	5 years or less	8.00%	8.25%
	More than 5 yrs, up to 10	7.75	8.00
	More than 10 yrs, up to 20	7.00	7.25
	More than 20 years	5.75	6.00
1992	5 years or less	7.75%	7.75%
	More than 5 yrs, up to 10	7.50	7.50
	More than 10 yrs, up to 20	6.75	6.75
	More than 20 years	5.75	5.75
1993	5 years or less	7.00%	7.00%
	More than 5 yrs, up to 10	6.75	6.75
	More than 10 yrs, up to 20	6.25	6.25
	More than 20 years	5.25	5.25
1994	5 years or less	6.50%	6.50%
	More than 5 yrs, up to 10	6.50	6.50
	More than 10 yrs, up to 20	6.00	6.00
	More than 20 years	5.00	5.00

See requirements for actuarial opinion and memorandum in footnote on page 4. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

* See descriptions of plan types on page 10.

** 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.

G. 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.

Maximum Reserve Valuation Interest Rate

Change in Fund During Year	<u>Guarantee Duration##</u>	<u>Without Acceptable Actuarial Opinion and Memorandum# (Using Life Insurance Formula)</u>			<u>With Acceptable Actuarial Opinion and Memorandum# Using Annuity Formula)</u>		
		<u>*Plan Type</u>			<u>*Plan Type</u>		
		A	B	C	A	B	C
1982 - 1990 See Prior Circular Letter No. 8 (1990)							
1991	5 years or less	9.00%	8.25%	6.50%	9.25%	8.75%	6.75%
	More than 5 yrs, up to 10	8.75	8.25	6.50	9.00	8.75	6.75
	More than 10 yrs, up to 20	8.00	7.75	6.25	8.25	8.00	6.25
	More than 20 years	6.75	6.75	5.50	7.00	7.00	5.75
1992	5 years or less	8.50%	8.00%	6.25%	8.50%	8.00%	6.25%
	More than 5 yrs, up to 10	8.25	8.00	6.25	8.25	8.00	6.25
	More than 10 yrs, up to 20	7.75	7.50	6.00	7.75	7.50	6.00
	More than 20 years	6.50	6.50	5.25	6.50	6.50	5.25
1993	5 years or less	7.75%	7.25%	5.75%	7.75%	7.25%	5.75%
	More than 5 yrs, up to 10	7.50	7.25	5.75	7.50	7.25	5.75
	More than 10 yrs, up to 20	7.00	6.75	5.50	7.00	6.75	5.50
	More than 20 years	6.00	6.00	5.00	6.00	6.00	5.00
1994	5 years or less	7.25%	6.75%	5.50%	7.25%	6.75%	5.50%
	More than 5 yrs, up to 10	7.00	6.75	5.50	7.00	6.75	5.50
	More than 10 yrs, up to 20	6.50	6.50	5.25	6.50	6.50	5.25
	More than 20 years	5.75	5.75	4.75	5.75	5.75	4.75

See requirements for actuarial opinion and memorandum in footnote on page 4. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

See definition of guarantee duration for Categories D, E, G and H on page 10.

* See descriptions of plan types on page 10.

H. 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.

Maximum Reserve Valuation Interest Rate

Change in Fund During Year	Guarantee Duration##	<u>Without Acceptable Actuarial Opinion and Memorandum#</u> (Using Life Insurance Formula) <u>*Plan Type</u>			<u>With Acceptable Actuarial Opinion and Memorandum#</u> (Using Annuity Formula) <u>*Plan Type</u>		
		A	B	C	A	B	C
1982 - 1990	See Prior Circular Letter No. 8 (1990)						
1991	5 years or less	9.25%	8.75%	6.75%	9.75%	9.00%	7.00%
	More than 5 yrs, up to 10	9.00	8.75	6.75	9.25	9.00	7.00
	More than 10 yrs, up to 20	8.25	8.00	6.50	8.75	8.25	6.75
	More than 20 years	7.00	7.00	5.75	7.25	7.25	6.00
1992	5 years or less	9.00%	8.25%	6.50%	9.00%	8.25%	6.50%
	More than 5 yrs, up to 10	8.50	8.25	6.50	8.50	8.25	6.50
	More than 10 yrs, up to 20	8.00	7.75	6.25	8.00	7.75	6.25
	More than 20 years	6.75	6.75	5.75	6.75	6.75	5.75
1993	5 years or less	8.25%	7.50%	6.00%	8.25%	7.50%	6.00%
	More than 5 yrs, up to 10	7.75	7.50	6.00	7.75	7.50	6.00
	More than 10 yrs, up to 20	7.25	7.00	5.75	7.25	7.00	5.75
	More than 20 years	6.25	6.25	5.25	6.25	6.25	5.25
1994	5 years or less	7.50%	7.00%	5.75%	7.50%	7.00%	5.75%
	More than 5 yrs, up to 10	7.25	7.00	5.75	7.25	7.00	5.75
	More than 10 yrs, up to 20	6.75	6.50	5.50	6.75	6.50	5.50
	More than 20 years	6.00	6.00	5.00	6.00	6.00	5.00

See requirements for actuarial opinion and memorandum in footnote on page 4. Additional restrictions apply, under Regulation 126, where an acceptable actuarial opinion and memorandum have not been filed.

See definition of guarantee duration for Categories D, E, G and H on page 10.

* See descriptions of plan types on page 10.

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 the proviso 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 in 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, generally 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 (covered in A on page 2) with guarantee duration's of more than twenty years (See D, E, G and H herein).

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.

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

For structured settlement annuities with lump-sum payments, see Section 95.12 of Regulation 126.

The maximum reserve valuation interest rates, for annuities and guaranteed interest contracts and for single premium life insurance policies of the kind referred to in Section 4217(c)(4)(B)(vi), 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 1995 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.

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 issues of January 1, 1982 through December 31, 1988 or with 1980 CSO issues of January 1, 1982 and later, for valuation purposes.

The reserve for a Single Premium Life Insurance policy, of the kind referred to in Section 4217(c)(4)(B)(vi) of the New York Insurance Laws (as amended by Chapter 302 of the laws of 1987), must not be less than its cash value. Section 95.14 of Regulation 126 limits the applicable duration of maximum reserve valuation interest rates specified in B on page 3.

APPENDIX

To Circular Letter Number 12 (1994)

The maximum reserve 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 reserve valuation interest rates:

$$I = 3.00\% + W(R_1 - 3.00)\% + W/2(R_2 - 9.00)\%, \text{ (Formula 1, called "Life Insurance Formula")}$$

or

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

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%).

R₁ = Lesser of R and 9.00%.

R₂ = Greater of R and 9.00%.

W = 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 acceptable actuarial opinion and memorandum are provided, as required by Section 4217(c)(4)(B)(vi).

TABLE 1				
Benefit (Category in Circular Letter)	Guarantee Duration (Where duration t, in years, is)	Valuation Basis	Reference Interest Rate (Column from Table 2)	Weighting Factor
A	= or < 10	Issue	(3)	.50
	> 10, = or < 20	Year		.45
	> 20			.35
B	= or < 10	Issue Year	(1)	.55*
	> 10, = or < 20	Issue Year	(3)	.50
	> 20	Issue Year	(3)	.40
B	= or < 10	Change-in-Fund	(1)	.60*
	> 10, = or < 20	Change-in-Fund	(1)	.55*
	> 20	Change-in-Fund	(1)	.45*
C	Not Applicable	Issue or Purchase Year	(1)	.80*

Appendix (Continued)

To Circular Letter Number 12 (1994)

TABLE 1 (Continued)

<u>Benefit</u> (Category in Circular Letter)	<u>Guarantee Duration</u> (Where duration t, in years, is)	<u>Valuation</u> <u>Basis</u>	<u>Reference</u> <u>Interest Rate</u> (Column from Table 2)	<u>Weighting Factor</u>		
				<u>Varies By Plan Type</u>		
				<u>A</u>	<u>B</u>	<u>C</u>
D	= or < 5	Issue	(1)	.80*	.60*	.50*
	> 5, = or < 10	Year	(1)	.75*	.60	.50*
	> 10, = or < 20		(3)	.65	.50	.45
	> 20		(3)	.45	.35	.35
E	= or < 5	Issue	(1)	.85*	.65*	.55*
	> 5, = or < 10	Year	(1)	.80*	.65*	.55*
	> 10, = or < 20		(3)	.70	.55	.50
	> 20		(3)	.50	.40	.40
F	= or < 5	Issue	(1)	.80*		
	> 5, = or < 10	Year	(1)	.75*		
	> 10, = or < 20		(1)	.65*		
	> 20		(1)	.45*		
G	= or < 5	Change	(1)	.95*	.85*	.55*
	> 5, = or < 10	In	(1)	.90*	.85*	.55*
	> 10, = or < 20	Fund	(1)	.80*	.75*	.50*
	> 20		(1)	.60*	.60*	.40*
H	= or < 5	Change	(1)	1.00*	.90*	.60*
	> 5, = or < 10	In	(1)	.95*	.90*	.60*
	> 10, = or < 20	Fund	(1)	.85*	.80*	.55*
	> 20		(1)	.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, of purchase or of change-in-fund, applicable to the running yield average ending in the current year, is the next following year for Life Insurance other than single premium life insurance of the kind referred to in Section 4217(c)(4)(B)(vi) (i.e. Category A in the Circular Letter) and the current year for all other business (i.e. Categories B through H in the Circular Letter).

Appendix (Continued)

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

TABLE 2

<u>For Period Ending June 30 of Year</u>	<u>12-Month Running Average</u>	<u>36-Month Running Average</u>	<u>Lesser of Two Averages</u>
	(1)	(2)	(3)
1981	13.71%	11.57%	11.57%
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
1987	9.40%	11.05%	9.40%
1988	10.32	10.15	10.15
1989	10.09%	9.93%	9.93%
1990	9.52	9.97	9.52
1991	9.63%	9.74%	9.63%
1992	8.88	9.34	8.88
1993	8.13%	8.88%	8.13
1994	7.52	8.18	7.52

The maximum nonforfeiture interest rate for Life Insurance, under Section 4221(k), for a particular issue year, is equal to 125% of the maximum reserve valuation interest rate for the same issue year, rounded to the nearer 1/4%.

Should the computed maximum reserve valuation interest rate for Life Insurance (other than Single Premium Life Insurance covered in Category B on page 3 of the Circular Letter) for a particular issue year be different from the actual maximum reserve valuation interest rate for the next previous issue year by less than 1/2%, then the maximum reserve valuation interest rate for such particular issue year will be the same as that for such next previous issue year.