

September 18, 1984

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 14 (1984)

To: ALL AUTHORIZED LIFE INSURANCE COMPANIES AND FRATERNAL BENEFIT 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 (OLD CODE SECTIONS 205, 206 AND 208-a) OF THE NEW YORK STATE INSURANCE LAWS, AS AMENDED IN 1982 AND 1983

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 and 1984 (and other years where shown), under Sections 4217, 4218 and 4221 (old code Sections 205, 206 and 208-a) of the New York State Insurance Laws, as amended in 1982 and 1983.

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).

Very truly yours,

[SIGNATURE]

James P. Corcoran

Superintendent of Insurance

ATTACHMENT

MAXIMUM VALUATION AND NONFORFEITURE INTEREST RATES UNDER SECTIONS 4217, 4218 and 4221 (old code Sections 205, 206 and 208-a) OF NEW YORK STATE INSURANCE LAWS AS AMENDED IN 1982 AND 1983

The maximum valuation and nonforfeiture interest rates, prescribed by Sections 4217 and 4221 (old code Sections 205 and 208-a) of 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 of 1982, 1983 and 1984 (and other years where shown) are outlined below. The maximum nonforfeiture interest rates for Ordinary Life Insurance are shown in A below.

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 |

*See the first paragraph under the table on page 6.

**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.

#Applicable on or after the operative date elected under Section 4221(k)(12) (old code Section 208-a(7-d)(k)). (See the last paragraph at the bottom of page 6).

B. Single Premium Immediate Annuities, and annuity benefits involving life contingencies arising from other 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 |

**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) (old code Section 205(3)(b-1)(B)(vi)) of the New York Insurance Laws.

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 | | |
| Issue Year | Guarantee Duration# | 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, 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 |
| 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 |

*See descriptions of plan types on page 7.

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 | | | | | |
|---------------|----------------------------|---|-------|-------|--|--------|--------|
| | | Without Actuary's Opinion and Memorandum *Plan Type | | | With Actuary's Opinion and Memorandum *Plan Type | | |
| Issue Year | Guarantee Duration# | 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% | 8.50% |
| | More than 5 yrs, up to 10 | 9.50 | 8.25 | 7.50 | 11.25 | 9.75 | 8.50 |
| | 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 |

#See definition of guarantee duration for Categories C, D, F and G on page 7.

*See descriptions of plan types on page 7.

E. Other Annuities and Guaranteed Interest Contracts, without Cash Settlement Options, 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 |
| Issue Year | Guarantee Duration** | 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 |

| 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 | A |
| | | 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 |

*See descriptions of plan types on page 7.

**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 *Plan Type | | | Without Actuary's Opinion and Memorandum *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 |

| | | Maximum Reserve Valuation Interest Rate | | | | | |
|-----------------------------|----------------------------|---|--------|-------|---|--------|-------|
| | | Without Actuary's Opinion and Memorandum | | | Without Actuary's Opinion and Memorandum | | |
| Change in Fund During | | *Plan Type | | | *Plan Type | | |
| Year | Guarantee Duration# | A | B | C | A | B | C |
| 1983 | 5 years or less | 10.75% | 10.00% | 7.50% | 12.75% | 11.75% | 8.75% |
| | 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 | 8.00 |
| | More than 20 years | 7.75 | 7.75 | 6.25 | 9.25 | 9.25 | 7.00 |

#See definition of guarantee duration for Categories C, D, F
and G on page 7.

*See descriptions of plan types on page 7.

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.

| | | Maximum Reserve Valuation Interest Rate | | | | | |
|-----------------------------|----------------------------|---|--------|-------|---|--------|--------|
| | | Without Actuary's Opinion and Memorandum | | | Without Actuary's Opinion and Memorandum | | |
| Change in Fund During | | *Plan Type | | | *Plan Type | | |
| Year | Guarantee Duration# | 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 | 14.00 | 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 |

| Change in Fund During Year | Guarantee Duration# | Maximum Reserve Valuation Interest Rate | | | | | |
|-------------------------------------|----------------------------|---|--------|-------|---|--------|-------|
| | | Without Actuary's Opinion and Memorandum | | | Without Actuary's Opinion and Memorandum | | |
| | | *Plan Type | | | *Plan Type | | |
| | | A | B | C | A | B | C |
| 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 |

#See definition of guarantee duration for Categories C, D, F and G on page 7.

*See descriptions of plan types on page 7.

Section 4217 (old code Section 205), 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) (old code Section 208-a(7-d)(k)). 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 (old code Section 208-a) 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 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 1985 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 (old code Section 205) of the New York Insurance Laws, as amended.

APPENDIX

To Circular Letter Number 14 (1984)

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 (old code Section 205).

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 (old code Section 205) is revised by new legislation. The following formulas are used to compute the maximum valuation interest rates:

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

or

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

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% and, in the unlikely event that it falls below 3.00%, all rates computed by either formula will equal 3.00%. 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) (old code 205(3)(b-1)(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 | | |
|---|---|---------------------------|--|------------------------|------|------|
| | | | | Varies By Plan Type | | |
| | | | | A | B | C |
| A | = or < 10 | Issue | (3) | | | .50 |
| | > 10, = or < 20 | Year | | | | .45 |
| | > 20 | | | | | .35 |
| B | All Durations | Issue or Purchase Year | (1) | | | .80* |
| C | = 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 |
| D | = 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 |
| E | = or < 5 | Issue | (1) | | | .80* |
| | > 5, = or < 10 | Year | (1) | | | .75* |
| | > 10, = or < 20 | | (1) | | | .65* |
| | > 20 | | (1) | | | .45* |
| | | | | Varies By Plan Type | | |
| | | | | A | B | C |

TABLE 1

| Benefit (Category in | Guarantee Duration (Where | Valuation Basis | Reference Interest Rate (Column from Table 2) | Weighting Factor | | |
|-------------------------|---------------------------------|--------------------|--|---------------------|------|------|
| | | | | A | B | C |
| F | = 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* |
| G | = 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 (old code Section 205) defines running averages of the published monthly yield rates for various 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 Ending June 30 of Year | 12-Month | 36-Month | Lesser of Two Averages |
|--|--------------------|--------------------|---------------------------|
| | Running Average | Running Average | |
| | (1) | (2) | (3) |
| 1982 | 15.70% | 13.64% | 13.64% |
| 1983 | 13.39 | 14.26 | 13.39 |
| 1984 | 13.22 | 14.10 | 13.22 |

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.