

HOUSE No. 6350

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, October 2, 1986.

The committee on Insurance, to whom was referred the petition (accompanied by bill, House, No. 6243) of Frank A. Emilio relative to life insurance companies separate accounts, reports recommending that the accompanying bill (House, No. 6350) ought to pass.

For the committee,

FRANCIS H. WOODWARD.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Six.

AN ACT RELATIVE TO LIFE INSURANCE COMPANY SEPARATE ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Paragraphs five and six of Section 132F of
2 Chapter 175 of the General Laws, as appearing in the 1984 Official
3 Edition, as last amended by Sections 12 and 13 of Chapter 745
4 of the Acts of 1985, are hereby amended to read as follows:

5 The life company's reserve liability under a pension contract
6 with respect to benefits payable in fixed and guaranteed dollar
7 amounts and with respect to funds guaranteed as to principal
8 amount or stated rate of interest may be maintained in a separate
9 account (i) if the portion of the assets of such separate account
10 which is allocated to the funding agreement with respect to such
11 pension contract shall be invested in accordance with the
12 requirements applicable to the life company's general investment
13 account; provided, however, that such guaranteed separate
14 account need not comply with the requirement of paragraph 14A,
15 of section sixty-three, to the effect that not more than one-half
16 of the reserve of any domestic stock or mutual life company shall
17 be invested in corporate obligations authorized under said
18 paragraph 14A, and shall be valued and computed as provided
19 in section twenty-five, or (ii) if the insurer shall annually prepare,
20 an actuarial opinion that, after taking into account any risk charge
21 payable from the assets of such separate account with respect to
22 such guarantee, the assets in such separate account make good
23 and sufficient provision for the fixed and guaranteed obligations
24 of the insurer under such pension contract, and such opinion shall,
25 be accompanied by a memorandum of the actuary providing the
26 opinion describing the calculations made in support of such
27 opinion and the assumptions used in the calculations. This
28 actuarial opinion and accompanying memorandum shall be

29 maintained in the insurer's home office and be readily available
30 for examination. To the extent that a pension contract provides
31 for the payment of benefits in variable dollar amounts, the life
32 company's reserve liability for such benefits shall be in accordance
33 with actuarial procedures which recognize the variable nature of
34 the benefits to be provided.

35 Except as required by item (i) of the fifth paragraph of this
36 section, the life company's assets relating to separate accounts
37 shall be valued at their market value at the date as of which valued
38 in accordance with the terms of the applicable agreements, or if
39 there is no readily available market, then in accordance with the
40 terms of such agreements.

1 SECTION 2. Paragraphs three and four of Section 132G of
2 Chapter 175 of the General Laws, as appearing in the 1984 Official
3 Edition, as last amended by Section 2 of Chapter 622 of the Acts
4 of 1985, are hereby amended to read as follows:

5 Except as otherwise provided it item (i) of paragraph four of
6 this section, assets in any separate account shall be valued at their
7 market value at the date as of which valued in accordance with
8 the terms of the applicable contracts, or if there is no readily
9 available market, then in accordance with the terms of such
10 contracts. Separate account assets and liabilities shall be included
11 in the annual statement required by section twenty-five.

12 The life company's reserve liability for contracts on a variable
13 basis shall be in accordance with actuarial procedures which
14 recognize the variable nature of the benefits, payments or values
15 to be provided. A contract on a variable basis may provide for
16 benefits payable in fixed amounts and for values or funds
17 guaranteed as to principal amount or stated rate of interest;
18 provided, that to the extent, that the life company's reserve
19 liability with respect to guaranteed benefits, values or funds is
20 maintained in any separate account, either (i) a portion of the
21 assets of such separate account at least equal to such reserve
22 liability shall be invested in accordance with the requirements
23 applicable to the life company's general investment account;
24 provided, however, that such guaranteed separate account need
25 not comply with the requirement of paragraph 14A of section
26 sixty-three to the effect that not more than one-half of the reserve

27 of any domestic stock or mutual life company shall be invested
28 in corporate obligations authorized under said paragraph 14A,
29 and shall be valued and computed as provided in section twenty-
30 five or (ii) the insurer shall annually prepare an actuarial opinion
31 that, after taking into account any risk charge payable from the
32 assets of such separate account with respect to such guarantee,
33 the assets in such separate account make good and sufficient
34 provision for the fixed and guaranteed obligations of the insurer
35 under such contract, and such opinion shall be accompanied by
36 a memorandum of the actuary providing the opinion describing
37 the calculations made in support of such opinion and the
38 assumptions used in the calculations. This actuarial opinion and
39 accompanying memorandum shall be maintained in the insurer's
40 home office and be readily available for examination.