

Introduced: 3/29/71
Referred: Commerce and
Judiciary

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

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HOUSE BILL NO. 368

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

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For an Act entitled: "An Act relating to the establishment of separate
7 accounts by life insurance companies; and providing
8 for an effective date."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 21.21.320 is repealed.

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* Sec. 2. AS 21.42.370 is repealed and re-enacted to read:

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Sec. 21.42.370. SEPARATE ACCOUNTS. (a) A domestic life insur-
13 ance company may establish one or more separate accounts, and may
14 allocate to them amounts, including proceeds applied under optional
15 modes of settlement or under dividend options, to provide for life
16 insurance or annuities and benefits incidental to them, payable in
17 fixed or variable amounts or both, subject to the following:

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(1) The income, gains and losses, realized or unrealized,
19 from assets allocated to a separate account shall be credited to or
20 charged against the account, without regard to other income, gains or
21 losses of the company.

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(2) Except as may be provided with respect to reserves for
23 guaranteed benefits and funds referred to in (3) of this subsection

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(A) amounts allocated to a separate account and accumu-
25 lations to it may be invested and reinvested without regard to
26 requirements or limitations prescribed by the laws of this state
27 governing the investments of life insurance companies, and

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(B) the investments in separate account or accounts
29 shall not be considered in applying the investment limitations

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1 otherwise applicable to the investments of the company.

2 (3) Except with the approval of the director of insurance
3 and under those conditions as to investments and other matters as he
4 may prescribe, which shall recognize the guaranteed nature of the
5 benefits provided, reserves for

6 (A) benefits guaranteed as to dollar amount and dura-
7 tion, and

8 (B) funds guaranteed as to principal amount or stated
9 rate of interest shall not be maintained in a separate account.

10 (4) Unless otherwise approved by the director of insurance,
11 assets allocated to a separate account shall be valued at their market
12 value on the date of valuation, or if there is no readily available
13 market, then as provided under the terms of the contract or the rules
14 or other written agreement applicable to a separate account, except
15 that unless otherwise approved by the director of insurance, the
16 portion, if any, of the assets of a separate account equal to the
17 company's reserve liability with regard to the guaranteed benefits and
18 funds referred to in (3) of this subsection shall be valued in accor-
19 dance with the rules otherwise applicable to the company's assets.

20 (5) Amounts allocated to a separate account in the exercise
21 of the power granted by this section shall be owned by the company,
22 and the company shall not be, nor hold itself out to be, a trustee
23 with respect to these amounts. If the applicable contracts so provide,
24 that portion of the assets of a separate account equal to the reserves
25 and other contract liabilities with respect to that account may not
26 be chargeable with liabilities arising out of any other business the
27 company may conduct.

28 (6) No sale, exchange or other transfer of assets may be
29 made by a company between any of its separate accounts or between any

1 other investment account and one or more of its separate accounts
2 unless, in case of a transfer into a separate account, the transfer
3 is made solely to establish the account or to support the operation
4 of the contracts with respect to the separate account to which the
5 transfer is made, and unless the transfer, whether into or from a
6 separate account, is made (A) by a transfer of cash, or (B) by a
7 transfer of securities having a readily determinable market value,
8 unless the transfer of securities is approved by the director of insur-
9 ance. The director of insurance may approve other transfers among
10 these accounts if, in his opinion, the transfers would not be inequitable.

11 (7) To the extent the company considers it necessary to
12 comply with applicable federal or state laws, the company, with respect
13 to any separate account, including any separate account which is a
14 management investment company or a unit investment trust, may give
15 persons having an interest in it appropriate voting and other rights
16 and special procedures for the conduct of the business of the account,
17 including special rights and procedures relating to investment policy,
18 investment advisory services, selection of independent public
19 accountants, and the selection of a committee, the members of which
20 need not be otherwise affiliated with the company, to manage the
21 business of the account.

22 (b) A contract providing benefits payable in variable amounts
23 delivered or issued for delivery in this state shall contain a state-
24 ment of the essential features of the procedures to be followed by the
25 insurance company in determining the dollar amount of the variable
26 benefits. A contract under which the benefits vary to reflect invest-
27 ment experience, including a group contract and certificate in evidence
28 of variable benefits issued under it, shall state that the dollar
29 amount will so vary and shall contain on its first page a statement to

1 the effect that the benefits under it are on a variable basis.

2 (c) No company may deliver or issue for delivery within this
3 state variable contracts unless it is licensed or organized to undertake
4 a life insurance or annuity business in this state. The director of
5 insurance must be satisfied that the company's financial condition or
6 method of operation in connection with the issuance of these contracts
7 will not render its operation hazardous to the public or its policy-
8 holders in this state. In this connection, the director of insurance
9 shall consider (1) the history and financial condition of the company;
10 (2) the character, responsibility and fitness of the officers and
11 directors of the company; and (3) the law and regulation under which
12 the company is authorized in the state of domicile to issue variable
13 contracts. If the company is a subsidiary of an admitted life insur-
14 ance company, or affiliated with that company through common management
15 or ownership, the director of insurance may consider that the company
16 meets the provisions of this subsection if either it or the parent or
17 the affiliated company meets the requirements of this subsection.

18 (d) Notwithstanding any other provision of law, the director of
19 insurance has sole authority to regulate the issuance and sale of
20 variable contracts, and to issue whatever reasonable rules and regula-
21 tions he may consider appropriate to carry out the purposes and provi-
22 sions of this section. Variable contracts and the sale of these con-
23 tracts are not subject to the Alaska Securities Act (AS 45.55.010 -
24 45.55.270) or to regulation by the administrator of that Act.

25 (e) Except for AS 21.45.030, 21.45.080, 21.45.110, 21.45.290 and
26 21.45.300; AS 21.45.180, 21.45.230, and 21.45.240 (with respect to
27 variable annuity contracts); and AS 21.48.110 (with respect to variable
28 life insurance contract) and except as otherwise provided in this
29 section, all relevant provisions of this title apply to separate

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accounts and contracts relating to them. Any individual variable life insurance contract, delivered or issued for delivery in this state shall contain grace, reinstatement and nonforfeiture provisions appropriate to that contract. Any individual variable annuity contract delivered or issued for delivery in this state shall contain grace and reinstatement provisions appropriate to that contract. Any group variable life insurance contract delivered or issued for delivery in this state shall contain a grace provision appropriate to that contract. The reserve liability for variable contracts shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.