

Introduced: 1/20/78  
Referred: Commerce

1 IN THE HOUSE

BY GARDINER

2  HOUSE BILL NO. 670

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the establishment of separate  
7 accounts by life insurance companies in connection with  
8 variable life insurance policies; and providing for an  
9 effective date."

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

11 \* Section 1. AS 21.45 is amended by adding a new section to read:

12 Sec. 21.45.305. SEPARATE ACCOUNTS FOR VARIABLE LIFE INSURANCE  
13 POLICIES. (a) A domestic life insurance company may, after adoption of  
14 a resolution by its board of directors, establish one or more separate  
15 accounts, and may allocate to them amounts (including without limitation  
16 proceeds applied under optional modes of settlement or under dividend  
17 options) to provide for life insurance (and benefits incidental to the  
18 insurance) payable in fixed or in variable amounts or in both.

19 (b) A domestic life insurance company which establishes one or  
20 more separate accounts as provided in (a) of this section may provide to  
21 the holders of interests in a separate account voting rights with re-  
22 spect to the management of that separate account and the investment of  
23 its assets, may establish for the separate account a committee, board or  
24 other body, the members of which (1) may be elected solely by holders  
25 having voting rights, and (2) may or may not be otherwise affiliated  
26 with the life insurance company, and may provide for compliance with any  
27 applicable state and federal law in order that life insurance policies  
28 assigned to separate accounts may be lawfully sold or offered for sale.  
29 If so provided in the applicable life insurance policy, the assets in a

1 separate account may not be chargeable with liabilities arising out of  
2 any other business of the company.

3 (c) When the reserve liability of a life insurance company with  
4 regard to (1) benefits guaranteed as to amount and duration, and (2)  
5 funds guaranteed as to principal amount or stated rate of interest, is  
6 maintained in a separate account, a portion of the assets of the separate  
7 account at least equal to the reserve liability shall be invested in  
8 accordance with the law governing the investments of life insurance  
9 companies. All other amounts allocated to and accumulations on each  
10 account may be invested and reinvested in any class of investments which  
11 may be authorized in the life insurance policy without regard to re-  
12 quirements or limitations prescribed by the law governing the investments  
13 of life insurance companies. The investments in the separate account or  
14 accounts may not be taken into account in applying the investment limi-  
15 tations applicable to other investments of the company.

16 (d) The income, gains and losses, realized or unrealized, on each  
17 account shall be credited to or charged against the amounts allocated to  
18 the account in accordance with the life insurance policy, without regard  
19 to other income, gains or losses of the company.

20 (e) The portion of the assets of a separate account at least equal  
21 to the reserve liability of the life insurance company with regard to  
22 the guaranteed benefits and funds referred to in (c) of this section  
23 shall be valued in accordance with the rules otherwise applicable to the  
24 assets of the life insurance company. All other assets allocated to a  
25 separate account shall be valued at their market value on the date of  
26 valuation, or if there is no readily available market, then in accor-  
27 dance with the terms of the life insurance policy or the rules or other  
28 written agreement applicable to the separate account.

29 (f) Amounts allocated to a separate account in the exercise of the

1 power granted by this section shall be owned by the company and the  
2 company may not be, nor hold itself out to be, a trustee with respect to  
3 those amounts. If and to the extent so provided under the applicable  
4 policies, that portion of the assets of any such separate account equal  
5 to the reserves and other policy liabilities with respect to the account  
6 shall not be chargeable with liabilities arising out of any other  
7 business the company may conduct.

8 (g) No sale, exchange or other transfer of assets may be made by a  
9 company between any of its separate accounts or between any other in-  
10 vestment account and one or more of its separate accounts unless, in the  
11 case of a transfer into a separate account, the transfer is made solely  
12 to establish the account or to support the operation of the life in-  
13 surance policies with respect to the separate account to which the  
14 transfer is made, and unless the transfer, whether into or from a sep-  
15 arate account, is made (1) by a transfer of cash, or (2) by a transfer  
16 of securities having a readily determinable market value, unless the  
17 transfer of securities is approved by the director of insurance. The  
18 director of insurance may approve other transfers among these accounts  
19 if, in his opinion, the transfers would not be inequitable.

20 (h) If the life insurance policy provides for payment of benefits  
21 in variable amounts, it shall contain a statement of the essential  
22 features of the procedure to be followed by the company in determining  
23 the dollar amount of the variable benefits. The policy, including a  
24 group policy, and any certificate issued under it, shall state that the  
25 dollar amount may decrease or increase and shall contain on its first  
26 page a statement that the benefits under it are on a variable basis.

27 (i) No domestic life insurance company, and no other life in-  
28 surance company admitted to transact business in this state, may be  
29 authorized to deliver in this state a life insurance policy providing

1 benefits in variable amounts until the company has satisfied the direc-  
2 tor of insurance that its condition or methods of operation in con-  
3 nection with the issuance of those policies will not render its opera-  
4 tion hazardous to the public or its policyholders in this state. In  
5 determining the qualification of a company requesting authority to  
6 deliver such policies in this state, the director shall consider, among  
7 other things,

8 (1) the history and financial condition of the company;

9 (2) the character, responsibility and general fitness of the  
10 officers and directors of the company; and

11 (3) in the case of a company other than a domestic company,  
12 whether the statutes and regulations of the jurisdiction of its incor-  
13 poration provide a degree of protection to policyholders and the public  
14 which is substantially equal to that provided by any regulations under  
15 this section.

16 (j) A life insurance company, whether domestic, foreign or alien,  
17 which issues life insurance policies under this section and which is a  
18 subsidiary of, or affiliated through common management or ownership  
19 with, a life insurance company authorized to do business in this state  
20 shall be considered to have met the provisions of this section if either  
21 it or the life insurance company meets the requirements of this section.

22 (k) Except for AS 21.48.110, all pertinent provisions of the  
23 insurance laws of this state apply to separate accounts established as  
24 provided in (a) of this section and life insurance policies relating to  
25 such separate accounts. Any individual variable life insurance policy,  
26 delivered or issued for delivery in this state shall contain grace,  
27 reinstatement and nonforfeiture provisions appropriate to that policy.  
28 Any group variable life insurance policy delivered or issued for deli-  
29 very in this state shall contain a grace provision appropriate to that

1 policy.

2 (1) The reserve liability for variable life insurance policies  
3 shall be established in accordance with actuarial procedures that recog-  
4 nize the variable nature of the benefits provided and any mortality  
5 guarantees.

6 (m) The director of insurance has the sole authority to regulate  
7 the issuance and sale of life insurance policies under this section and  
8 to promulgate regulations necessary to carry out the purposes and pro-  
9 visions of this section including the licensing of agents. These poli-  
10 cies and the sale of these policies are not subject to the Alaska  
11 Securities Act (AS 45.55.010 - 45.55.270) or to regulation by the ad-  
12 ministrator of that Act.

13 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
14 070(c).