

Original sponsor: Gardiner

Offered: 5/3/78
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR 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; and providing for
8 an effective date."

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

10 * Section 1. AS 21.42.370 is repealed and re-enacted to read:

11 Sec. 21.42.370. SEPARATE ACCOUNTS. (a) A domestic life insurance
12 company may establish one or more separate accounts, and may allocate to
13 them amounts, including proceeds applied under optional modes of settle-
14 ment or under dividend options, to provide for life insurance or an-
15 nnuities and benefits incidental to them, payable in fixed or variable
16 amounts or both.

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

21 (c) Except as may be provided with respect to reserves for guaran-
22 teed benefits and funds referred to in (d) of this section, amounts
23 allocated to a separate account and accumulations to it may be invested
24 and reinvested, without regard to quantitative investment limitations
25 prescribed by law for life insurance companies, in securities eligible
26 for investment for life insurance companies, in securities exempted from
27 regulation in AS 45.55.140 of the Alaska Securities Act, in securities
28 registered by the department and other securities as the director may
29 approve by adoption of regulations. The investments from separate

1 accounts may not be considered in applying the investment limitations
2 otherwise applicable to the investments of the company.

3 (d) Reserves for benefits guaranteed as to dollar amount and
4 duration and for funds guaranteed as to principal amount or stated rate
5 of interest may not be maintained in a separate account, unless approved
6 by the director and in accordance with conditions as to investments and
7 other matters that he prescribes. In imposing conditions, the director
8 shall take into consideration the guaranteed nature of the benefits
9 provided.

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

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

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

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

11 (h) To the extent the company considers it necessary in order 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 and
16 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 account-
19 ants, and the selection of a committee, the members of which need not be
20 otherwise affiliated with the company, to manage the business of the
21 account.

22 (i) A contract providing benefits payable in variable amounts
23 delivered or issued for delivery in this state shall contain a statement
24 of the essential features of the procedures to be followed by the in-
25 surance company in determining the dollar amount of the variable bene-
26 fits. A contract under which the benefits vary to reflect investment
27 experience, including a group contract and certificate in evidence of
28 variable benefits issued under it, shall state that the dollar benefit
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 (j) No company may deliver or issue for delivery in this state
3 variable contracts unless it is licensed or organized to undertake a
4 life insurance or annuity business in this state. The director may
5 determine that the company's financial condition or method of operation
6 in connection with the issuance of these contracts will not render its
7 operation hazardous to the public or its policyholders in this state.
8 In this connection the director shall consider (1) the history and
9 financial condition of the company; (2) the character, responsibility
10 and fitness of the officers and directors of the company; and (3) the
11 laws and regulations under which the company is authorized in the state
12 of domicile to issue variable contracts. If the company is a subsidiary
13 of an admitted life insurance company, or affiliated with an admitted
14 company through common management or ownership, the director may con-
15 sider that the company meets the provisions of this subsection if either
16 it or the parent or the affiliated company meets the requirements of
17 this subsection. If at any time the company fails to meet these re-
18 quirements, the director may suspend the certificate of authority until
19 the requirements are met or may prohibit the further issuance of variable
20 business.

21 (k) The director has sole authority to regulate the issuance and
22 sale of variable contracts, to examine and license agents to sell
23 variable contracts, and to issue whatever regulations he may consider
24 appropriate to carry out the purposes and provisions of this section.
25 Variable contracts and the sale of these contracts are not subject to
26 the Alaska Securities Act (AS 45.55.010 - 45.55.270) or to regulation by
27 the administrator of that Act.

28 (1) Except for AS 21.45.030, 21.45.080, 21.45.110, 21.45.180,
29 21.45.230, 21.45.240, 21.45.290, 21.45.300, AS 21.48.110, and except as

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otherwise provided in this section, the provisions of this title apply to separate accounts and contracts relating to them. Any individual 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, acceptable to the director, that recognize the variable nature of the benefits provided and any mortality guarantees.

* Sec. 2. AS 21.21.320 is repealed.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-070(c).