

Original Sponsor: Commerce Committee
by request

Offered: 3/19/80
Referred: Rules

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 155

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH 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 AS 21.42.370 is repealed and re-enacted to read: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 an account amounts, including proceeds applied under optional methods of
14 settlement or under dividend options, to provide for life insurance or
15 annuities and benefits incidental to the account, payable in fixed or
16 variable 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 for reserves for guaranteed benefits
22 and funds referred to in (d) of this section, amounts allocated to a
23 separate account and accumulations to it may be invested and reinvested
24 in securities eligible for investment for life insurance companies
25 without regard to quantitative investment limitations prescribed by law
26 for life insurance companies. The investments from separate accounts
27 may not be considered in applying the investment limitations otherwise
28 applicable to the investments of the company.

29 (d) Reserves for benefits guaranteed as to dollar amount and

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

7 (e) Unless otherwise approved by the director,

8 (1) assets allocated to a separate account shall be valued at
9 their market value on the date of valuation, or if there is no readily
10 available market, then as provided under the terms of the contract or
11 the rules or other written agreement applicable to a separate account;
12 and

13 (2) the portion of the assets of a separate account equal to
14 the company's reserve liability for the guaranteed benefits and funds
15 referred to in (d) of this section shall be valued under the rules
16 applicable to the valuation of the company's other assets.

17 (f) Amounts allocated to a separate account as provided in this
18 section shall be owned by the company, and the company may not be, nor
19 hold itself out to be, a trustee for those amounts. If the applicable
20 contracts so provide, that portion of the assets of a separate account
21 equal to the reserves and other contract liabilities of that account may
22 not be chargeable with liabilities arising out of any other business the
23 company may conduct.

24 (g) No sale, exchange or other transfer of assets may be made by a
25 company among its separate accounts or between other investment accounts
26 and one or more of its separate accounts, unless, in the case of a
27 transfer into a separate account, the transfer is made solely to estab-
28 lish the account or to support the operation of the contracts of the
29 separate account to which the transfer is made, and unless the transfer,

1 whether into or from a separate account, is made (1) by a transfer of
2 cash, or (2) by a transfer of securities having a readily determinable
3 market value, unless the transfer of securities is approved by the
4 director. The director may approve other transfers among these accounts
5 if, in his opinion, the transfers would be equitable.

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

16 (i) A contract providing benefits payable in variable amounts
17 delivered or issued for delivery in this state shall contain a statement
18 of the essential features of the procedures to be followed by the in-
19 surance company in determining the dollar amount of the variable bene-
20 fits. A contract under which the benefits vary to reflect investment
21 experience, including a group contract and certificate in evidence of
22 variable benefits issued under it, shall state that the dollar benefit
23 amount will vary and shall contain on its first page a statement that
24 the benefits under it are on a variable basis.

25 (j) A company may not deliver or issue for delivery in this state
26 variable contracts unless it is licensed or organized to undertake a
27 life insurance or annuity business in this state. The director may
28 review the company's financial condition or method of operation for the
29 issuance of contracts payable in variable amounts. If a review is

1 conducted by the director, he shall determine whether the company's
2 operation is hazardous to the public or its policyholders in this state.
3 During the review the director shall consider (1) the history and finan-
4 cial condition of the company; (2) the character, responsibility and
5 fitness of the officers and directors of the company; and (3) the laws
6 and regulations under which the company is authorized in the state of
7 domicile to issue variable contracts. If the company is a subsidiary of
8 an admitted life insurance company, or affiliated with an admitted
9 company through common management or ownership, the director may con-
10 sider that the company meets the provisions of this subsection if either
11 it or the parent or the affiliated company meets the requirements of
12 this subsection. If the company fails to meet the requirements con-
13 tained in this subsection, the director may suspend the certificate of
14 authority of the company until the requirements are met or may prohibit
15 the further issuance of variable contracts.

16 (k) The director has sole authority to regulate the issuance and
17 sale of variable contracts, to examine and license agents to sell vari-
18 able contracts, and to issue whatever regulations he may consider
19 appropriate to carry out the purposes and provisions of this section.

20 (1) Except for AS 21.45.030, 21.45.080, 21.45.110, 21.45.180,
21 21.45.230, 21.45.240, 21.45.290, 21.45.300, AS 21.48.110, and except as
22 otherwise provided in this section, the provisions of this title apply
23 to separate accounts and contracts relating to them. An individual
24 variable life insurance contract delivered or issued for delivery in the
25 state must contain grace reinstatement and nonforfeiture provisions
26 appropriate to that contract. An individual variable annuity contract
27 delivered or issued for delivery in the state must contain grace and
28 reinstatement provisions appropriate for that contract. A group
29 variable life insurance contract delivered or issued for delivery in the

1 state must contain a grace provision appropriate for that contract. The
2 reserve liability for variable contracts shall be established in accord-
3 ance with actuarial procedures, acceptable to the director, that recog-
4 nize the variable nature of the benefits provided and any mortality
5 guarantees.

6 * Sec. 2. AS 45.55.130(12) is amended to read:

7 (12) "security" means a note; stock; treasury stock; bond;
8 debenture; evidence of indebtedness; certificate of interest or partici-
9 pation in any profit-sharing agreement; collateral-trust certificates;
10 preorganization certificate or subscription; transferable share; invest-
11 ment contract; voting-trust certificate; certificate of deposit for a
12 security; a certificate of interest or participation in an oil, gas, or
13 mining title or lease or in payments out of production under the title
14 or lease or in any sale of or indenture or bond or contract for the
15 conveyance of land or any interest in land; an option on a contract for
16 the future delivery of agricultural or mineral commodities or any other
17 commodity offered or sold to the public and not regulated by the Com-
18 modity Futures Trading Commission; however, the contract or option is
19 not subject to the provisions of AS 45.55.070 if it is sold or purchased
20 on the floor of a bona fide exchange or board of trade and offered or
21 sold to the public by a broker-dealer or agent registered under this
22 chapter; investment of money or money's worth including goods furnished
23 or services performed in the risk capital of a venture with the expect-
24 ation of some benefit to the investor where the investor has no direct
25 control over the investment or policy decision of the venture; or, in
26 general, any interest or instrument commonly known as a "security," or
27 any certificate of interest or participation in, temporary or interim
28 certificate for, receipt for, guarantee of, or warrant or right to
29 subscribe to or purchase, any of the foregoing; "security" does not

1 include an insurance or endowment policy or annuity contract under which
2 an insurance company promises to pay a fixed or variable sum of money
3 either in a lump sum or periodically for life or for some other speci-
4 fied period;

5 * Sec. 3. AS 21.21.320 is repealed.

6 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
7 070(c).

8
9
10
11
12
13
14
15
16
16
17
18
19
20
21
22
23
24
25
26
26
27
28
29