



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF THE COMMISSIONER

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HOLLY C. BAKKE  
*Commissioner*

**BULLETIN NO. 04-18**

**TO: ALL DOMESTIC LIFE INSURANCE COMPANIES AND CHARITABLE ANNUITY SOCIETIES**

**FROM: HOLLY C. BAKKE, COMMISSIONER**

**RE: MAXIMUM RESERVE VALUATION AND NONFORFEITURE RATES**

In accordance with the Standard Valuation Law at N.J.S.A. 17B:19-8 and the Standard Nonforfeiture Law for Life Insurance at N.J.S.A. 17B:25-19, the attached table shows the rates of interest to be used for determining minimum valuation standards and nonforfeiture values applicable to life insurance policies issued in 2005, and annuity contracts issued or undergoing a change in fund in 2004. With respect to benefits which are subject to the provisions of N.J.S.A. 17B:25-19, the rates shown are applicable to those benefits under life insurance policies issued in a particular calendar year on or after the operative date provided for at N.J.S.A. 17B:25-19.h(xi).

Requests for additional copies of the table should be directed to:

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This bulletin and the bulletin for prior years can be found on the Department's web site:  
<http://www.njdobi.org/legsregs.htm>

8/30/04  
Date

/s/ Holly C. Bakke  
Holly C. Bakke  
Commissioner

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**Statutory Calendar Year Valuation and Nonforfeiture Interest Rates**

**A. Life Insurance – Calendar Year 2005**

Guarantee Duration (Years)	Valuation Interest Rates	Nonforfeiture Interest Rate
10 or less	5.00	6.25
More than 10, but not more than 20	4.75	6.00
More than 20	4.50	5.75

**B. Single stipulated payment immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options.**

Calendar Year	Valuation Interest Rates
2004	5.50

**C. Other Annuities and Guaranteed Interest Contracts – Calendar Year 2004**

Contracts valued on an Issue Year Basis

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration(Years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or less	5.50	5.00	4.75
		more than 5 but not more than 10	5.50	5.00	4.75
		more than 10 but not more than 20	5.00	4.75	4.50
		more than 20	4.50	4.25	4.25
Yes	No	5 or less	5.75	5.00	4.75
		more than 5 but not more than 10	5.50	5.00	4.75
		more than 10 but not more than 20	5.25	4.75	4.75
		more than 20	4.75	4.25	4.25
No	Yes or No	5 or less	5.50	NOT APPLICABLE	
		more than 5 but not more than 10	5.50	FOR ANY	
		more than 10 but not more than 20	5.00	GUARANTEE	
		more than 20	4.50	DURATION FOR PLAN TYPES B AND C	

**D. Other Annuities and Guaranteed Interest Contracts – Calendar Year 2004**

Contracts Valued on a Change in Fund Basis

(Only contracts with cash settlement options may be valued on change in fund basis)

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (Years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or less	6.00	5.75	4.75
		more than 5 but not more than 10	6.00	5.75	4.75
		more than 10 but not more than 20	5.50	5.50	4.75
		more than 20	5.00	5.00	4.25
Yes	No	5 or less	6.25	6.00	5.00
		more than 5 but not more than 10	6.00	6.00	5.00
		more than 10 but not more than 20	5.75	5.50	4.75
		more than 20	5.00	5.00	4.50

**Definitions**

**Guarantee Duration:**

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy.

For annuities with cash settlement options and guaranteed interest contracts with cash settlement options other than single stipulated payment immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee durations in excess of 20 years.

For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

**Plan Type:**

**Type A** - At any time policyholder may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer, or (2) without such adjustment but in installments over 5 years or more, or (3) as an immediate life annuity, or (4) no withdrawal permitted.

**Type B** - Before expiration of the interest rate guarantee, policyholder may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer, or (2) without such adjustment but in installments over 5 years or more, or (3) no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over not more than 5 years.

**Type C** - Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over not more than 5 years either (1) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer, or (2) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

**Issue Year Basis**

An issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract.

**Change in Fund Basis**

The change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

An insurer may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis.