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### **BULLETIN 12-20 AMENDED**

Date: October 9, 2012  
To: Life Insurers  
Re: Filing Required to Revise Interest Rates for Valuation and Nonforfeiture

The purpose of this bulletin is to remind life insurers of changes to the valuation (reserve) and nonforfeiture (cash value) maximum interest rates.

Pursuant to § 5-306(d)(3)(i) of the Insurance Article, Annotated Code of Maryland, the maximum statutory valuation interest rate for life insurance policies is recalculated each year and a change is required if the calculation yields a rate that differs from that being used by 0.5% or more.

- The maximum statutory valuation interest rate for life insurance policies will change from 4% to 3.5% for life insurance policies that are issued on or after January 1, 2013.
- The maximum nonforfeiture interest rate for life insurance policies with durations of 20 years or more will also change from 5% to 4.5% on January 1, 2013. *See* § 16-309(j) of the Insurance Article. However, § 16-309(h)(2) of the Insurance Article gives the insurer the option of using the nonforfeiture interest rate for the current calendar year or for the immediately preceding calendar year for policies issued in a particular calendar year. This means that insurers may wait until January 1, 2014, to file with the Commissioner and implement the new 4.5% nonforfeiture interest rate for new life insurance policies with durations of 20 years or more.

#### *Filing Requirements*

If the change to the maximum interest rates results in any changes in any provision of previously approved life insurance policies, the changes are required to be filed for approval with the Commissioner in accordance with § 12-203 of the Insurance Article, Annotated Code of Maryland.

COMAR 31.04.17.03L provides that if no other change in the contract is being filed at the same time, an insurer may file a change in the valuation or nonforfeiture interest rates for a previously approved contract by filing only the following:

- (1) Revised pages for any pages in the contract that are affected; and
- (2) A revised actuarial memorandum demonstrating compliance with minimum nonforfeiture and reserve requirements, including a specimen calculation of nonforfeiture values.

The pages in the affected life insurance policies that are required to be changed include any policy pages and any schedule pages that state the nonforfeiture interest rate or the valuation interest rate. Also, if the policy is required to show cash values for the first 20 policy years, those pages with specimen cash value tables are required to be re-filed.

If the insurer wants to take advantage of this limited filing requirement, it is required to use the original policy form number on all re-filed pages.

Also, in accordance with § 2-112 of the Insurance Article, the filing is required to include a \$125 filing fee for each form that is being revised.

Questions about this bulletin may be directed to the Life/Health Section of the Maryland Insurance Administration at 410-468-2170.

*Signature on original*

Brenda A. Wilson  
Associate Commissioner  
Life and Health Section