Sec. 38a-459-11. Definitions

As used in sections 38a-459-10 to 38a-459-20, inclusive, of the Regulations of Connecticut State Agencies:

(1) “Account assets” means separate account assets plus any assets held in the general account or a supplemental account utilized to meet the asset maintenance requirements.

(2) “Account contracts” means contracts providing guaranteed minimum benefits or other benefits and funded by a separate account and, if applicable, funded in part by the general account or a supplemental account in order to meet the asset maintenance requirements.

(3) “Actuarial opinion” means the opinion of the valuation actuary as required by section 38a-459-17 of the Regulations of Connecticut State Agencies.

(4) “Actuarial memorandum” means the memorandum of the valuation actuary required by section 38a-459-17 of the Regulations of Connecticut State Agencies.

(5) “Affirmatively approved” means approval of an insurance company’s plan of operation for a class of contracts containing the form of contract under review after the plan of operations associated with the class of contracts has been reviewed by the insurance company’s domiciliary insurance department or regulatory authority, and the plan of operations has been found to be in compliance with requirements substantially similar to those contained in sections 38a-459-10 to 38a-459-20, inclusive, of the Regulations of Connecticut State Agencies. Affirmatively approved does not mean approval is ‘deemed approved’ as set forth in section 38a-459-12(b), or 38a-459-13(b) of the Regulations of Connecticut State Agencies.

(6) “Appointed actuary” means the qualified actuary appointed or retained either directly by or by the authority of the board of directors through an executive officer of the insurance company to prepare the annual statement of actuarial opinion for the insurance company as a whole pursuant to section 38a-78 of the Connecticut General Statutes.

(7) “Asset maintenance requirements” means the requirement to maintain assets to fund contract benefits in accordance with sections 38a-459-14 to 38a-459-16, inclusive, of the Regulations of Connecticut State Agencies.

(8) “Book value contract” means a fixed accumulation contract (e.g., GIC), purchased through a retirement plan or deferred compensation plan, established or maintained by an employer, which contract does not participate in the investment experience of a separate account, with a fixed interest rate guarantee, including a guarantee based on an external index, and that is supported by a separate account, the plan of operations of which provides that the separate account’s assets are valued as if the assets were held in the insurance company’s general account.

(9) “Class of contracts” means the set of all contracts to which a given plan of operations pertains.

(10) “Contract” means a group life insurance policy, group annuity contract, or funding agreement that is within the scope of sections 38a-459-10 to 38a-459-20, inclusive, of the Regulations of Connecticut State Agencies as set forth in section 38a-459-10 of the Regulations of Connecticut State Agencies.

(11) “Contract benefits” means the amounts obligated to be paid by the insurance company under an account contract.

(12) "Contract liabilities" means the liabilities of the insurance company under account contracts, including liabilities with respect to which guarantees as to amount are provided by the insurance company and liabilities with respect to which guarantees as to amount are not provided by the insurance company.

(13) "Date of filing," with respect to a filing for approval of a form of contract under sections 38a-459-10 to 38a-459-20, inclusive, of the Regulations of Connecticut State Agencies, means the date the form is filed pursuant to section 38a-8-14 of the Regulations of Connecticut State Agencies.

(14) "Derivative instrument" means an agreement, option, instrument, or a series or combination of them:

(A) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make a cash settlement in lieu thereof; or

(B) That has a price, performance, value, or cash flow based primarily upon the actual or expected price, level, performance, value, or cash flow of one or more underlying interests.

(C) Derivative instruments include options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures, and any other agreements, options, or substantially similar instruments, or any series or combination of them and any agreements, options, or other instruments permitted under sections 38a-102 to 38a-102i, inclusive, of the Connecticut General Statutes.

(15) "Duration" means, with respect to separate account or supplemental account assets or guaranteed contract liabilities, a measure of the price sensitivity of a stream of cash flows to interest rate movements, including, but not limited to, modified duration or option adjusted duration.

(16) "General account" means the assets of the insurance company other than separate account and supplemental account assets, and associated reserves.

(17) "Guaranteed minimum benefits" means benefits payable under the terms of the contract that are based on either subparagraph (C) of this subdivision or the greater of subparagraph (A) or (B) of this subdivision:

(A) That part of the market value of account assets that determines the contract holder's benefits, i.e., to the extent the assets are beneficially "client" assets; provided, that if asset performance does not determine the contract holder's benefit, this subparagraph equals zero;

(B) A fixed minimum guarantee related to all or part of the considerations received under the contract;

(C) An amount based upon a publicly available interest rate series or an index of the aggregate market value of a group of publicly traded financial instruments, either of which is specified in the contract.

(18) "Hedging transaction" means a derivative transaction, involving the use of one or more derivative instruments, entered into and maintained to reduce: (A) The risk of a change in the value, yield, price, cash flow, or quantity of assets or liabilities that the insurance company has acquired or incurred or anticipates acquiring or incurring; (B) the currency exchange risk or the degree of exposure as to assets or liabilities that an insurance company has acquired or incurred or anticipates acquiring or incurring; or (C) other derivative transactions specified as hedging transactions in rules adopted by the insurance

commissioner.

(19) "Index contract" means a contract under which benefits shall be based upon a publicly available interest rate series or an index of the aggregate market value of a group of publicly traded financial instruments, either of which is specified in the contract, and that does not provide a guarantee of some or all of the consideration received plus earnings at a fixed rate specified in advance and that does not provide any secondary guarantees on elective benefits or maturity values.

(20) "Market value separate account" means a separate account in which the account assets are valued at their market value.

(21) "Plan of operations" means a written plan meeting the requirements of section 38a-459-12 of the Regulations of Connecticut State Agencies.

(22) "Qualified actuary" means an individual who is qualified to sign statements of actuarial opinion in accordance with the qualification standards set forth in section 38a-53-1 of the Regulations of Connecticut State Agencies.

(23) "Separate account" means an account established pursuant to section 38a-433 or 38a-459 of the Connecticut General Statutes.

(24) "Treasury-based spot rate" corresponding to a given time of benefit payment means the yield on a zero-coupon, non-callable, non-indexed, and non-prepayable United States government obligation maturing at that time, or the zero-coupon yield implied by the price of a representative sampling of coupon-bearing, non-callable, non-indexed, and non-prepayable United States government obligations, in accordance with a formula set forth in the plan of operations. If a zero-coupon, non-callable, non-indexed, and non-prepayable United States government obligation maturing at the time of payment does not exist, then the "treasury-based spot rate" for such benefit payment shall be the yield on the zero-coupon, non-callable, non-indexed, and non-prepayable United States government obligation maturing at the date closest to the benefit payment or the yield determined through a methodology set forth in the plan of operation designed to reach a comparable result.

(25) "Index spot rate" corresponding to a given time of benefit payment means the zero-coupon yield implied by the (A) Barclays Short Term Corporate Index (for a given time of benefit payment under one year), or (B) zero-coupon yield implied by the Barclays U.S. Corporate Investment Grade Bond Index (for a given time of benefit payment greater than or equal to one year).

(26) "Blended spot rate" corresponding to a given time of benefit payment means a blend of 50 percent each of the (A) treasury-based spot rate, and (B) index spot rate. To the extent that guaranteed contract liabilities are denominated in the currency of a foreign country rated in one of the two highest rating categories by an independent, nationally-recognized United States rating agency acceptable to the insurance commissioner and which are supported by investments denominated in the currency of the foreign country, the Treasury-based spot rate component of the "blended spot rate" may be determined by reference to substantially similar obligations of the government of the foreign country. For liabilities other than those described above, the "blended spot rate" shall be determined on a basis mutually agreed upon by the insurance company and the insurance commissioner.

(27) "Supplemental account" means a separate account established pursuant to sections

38a-459-14 to 38a-459-16, inclusive, of the Regulations of Connecticut State Agencies to which assets may be contributed by the insurance company for the purpose of complying, in whole or in part, with the asset maintenance requirement and with respect to which neither the account contracts nor applicable law shall provide that the assets of the supplemental account are not chargeable with liabilities arising out of any other business of the insurance company.

(28) "United States government obligation" means a direct obligation issued, assumed, guaranteed, or insured by the United States or by an agency or instrumentality of the United States.

(29) "Valuation actuary" means the appointed actuary or, alternatively, a qualified actuary designated by the appointed actuary to render the actuarial opinion pursuant to section 38a-459-17 of the Regulations of Connecticut State Agencies. Written documentation of any such designation shall be on file at the insurance company and available for review by the insurance commissioner upon request.

(Adopted effective June 1, 2002; Amended December 8, 2017; Amended April 30, 2019)