

## Section 807.--Rules for Certain Reserves

### Rev. Rul. 2018-13

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 2016, and on or before December 31, 2017, this ruling supplements the schedules of prevailing state assumed interest rates set forth in Rev. Rul. 92-19, 1992-1 C.B. 227. This information is to be used by insurance companies in computing their reserves for (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments. For taxable years beginning on or before December 31, 2017, under § 807(d), the amount of the life insurance reserves for any contract is the greater of the net surrender value of such contract or the reserve determined by using (1) the tax reserve method applicable to such contract, (2) the greater of (i) the applicable federal interest rate, or (ii) the prevailing state assumed interest rate, and (3) the prevailing commissioners' standard tables for mortality and morbidity adjusted as appropriate to reflect the risks (such as substandard risks) incurred under the contract which are not otherwise taken into account.

Section 13517 of “[a]n Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” P.L. 115-97 (the “Act”),

amended § 807(d) for taxable years beginning after December 31, 2017. For each taxable year beginning after December 31, 2017, the amount of the life insurance reserves for any contract (other than variable contracts described in § 807(d)(1)(B), as amended by section 13517 of the Act) is the greater of the net surrender value of such contract, or 92.81 percent of the reserve determined by using the tax reserve method applicable to such contract. The amount of the life insurance reserves for any variable contract for each taxable year beginning after December 31, 2017, is the sum of (1) the greater of (i) the net surrender value of such contract or (ii) the portion of the reserve that is separately accounted for under § 817, plus (2) 92.81 percent of the excess (if any) of the reserve determined by using the tax reserve method applicable to such contract.

For taxable years beginning after December 31, 2017, § 807(d), as amended by section 13517 of the Act, no longer requires life insurance reserves to be computed using the greater of (1) the applicable federal interest rate or (2) the prevailing state assumed interest rate. For this reason, this revenue ruling only provides the prevailing state assumed interest rates for certain insurance products issued in 2017 to be used by insurance companies in computing their reserves for taxable years beginning after December 31, 2016, and on or before December 31, 2017.

Following are supplements to schedule A to Part III of Rev. Rul. 92-19, addressing the change in law; to schedules B, C, and D to Part III of Rev. Rul. 92-19, providing prevailing state assumed interest rates for insurance products with different

features issued in 2017; and to the table in Part IV of Rev. Rul. 92-19, addressing the change in law. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the twenty-sixth and final supplement to the interest rates provided in Rev. Rul. 92-19. Earlier supplements were published in Rev. Rul. 93-58, 1993-2 C.B. 241 (interest rates for insurance products issued in 1992 and 1993); Rev. Rul. 94-11, 1994-1 C.B. 196 (1993 and 1994); Rev. Rul. 95-4, 1995-1 C.B. 141 (1994 and 1995); Rev. Rul. 96-2, 1996-1 C.B. 141 (1995 and 1996); Rev. Rul. 97-2, 1997-1 C.B. 134 (1996 and 1997); Rev. Rul. 98-2, 1998-1 C.B. 259 (1997 and 1998); Rev. Rul. 99-10, 1999-1 C.B. 671 (1998 and 1999); Rev. Rul. 2000-17, 2000-1 C.B. 842 (1999 and 2000); Rev. Rul. 2001-11, 2001-1 C.B. 780 (2000 and 2001); Rev. Rul. 2002-12, 2002-1 C.B. 624 (2001 and 2002); Rev. Rul. 2003-24, 2003-1 C.B. 557 (2002 and 2003); Rev. Rul. 2004-14, 2004-1 C.B. 511 (2003 and 2004); Rev. Rul. 2005-29, 2005-1 C.B. 1080 (2004 and 2005); Rev. Rul. 2006-25, 2006-1 C.B. 882 (2005 and 2006); Rev. Rul. 2007-10, 2007-1 C.B. 660 (2006 and 2007); Rev. Rul. 2008-19, 2008-1 C.B. 669 (2007 and 2008); Rev. Rul. 2009-3, 2009-5 I.R.B. 382 (2008 and 2009); Rev. Rul. 2010-7, 2010-8 I.R.B. 417 (2009 and 2010); Rev. Rul. 2011-23, 2011-43 I.R.B. 585 (2010 and 2011); Rev. Rul. 2012-6, 2012-6 I.R.B. 349 (2011 and 2012); Rev. Rul. 2013-4, 2013-9 I.R.B. 520 (2012 and 2013); Rev. Rul. 2014-4, 2014-5 I.R.B. 449 (2013 and 2014); Rev. Rul. 2015-2, 2015-3 I.R.B. 321 (2014 and 2015); Rev. Rul. 2016-02, 2016-4 I.R.B. 284 (2015 and 2016); and Rev. Rul. 2017-03, 2017-4 I.R.B. 522 (2016 and 2017).

**Part III. Prevailing State Assumed Interest Rates -- Products Issued in Years After 1982.\***

**Schedule A**

**STATUTORY VALUATION INTEREST RATES  
BASED ON THE 1980 AMENDMENTS TO THE  
NAIC STANDARD VALUATION LAW**

A. Life insurance valuation:

<u>Guarantee Duration (years)</u>	<u>Calendar Year of Issue</u>
	<u>2018</u>
10 or fewer	N/A**
More than 10 but not more than 20	N/A**
More than 20	N/A**

\*The terms used in the schedules in this ruling and in Part III of Rev. Rul. 92-19 are those used in the Standard Valuation Law; the terms are defined in Rev. Rul. 92-19.

\*\*For taxable years beginning after December 31, 2017, § 807(d), as amended by section 13517 of the Act, no longer requires life insurance reserves to be computed using the greater of (1) the applicable federal interest rate or (2) the prevailing state assumed interest rate. Section 807(d), as amended, requires use of the rate used for statutory reserving, as life insurance reserves for taxable years beginning after December 31, 2017, are determined, in part, based on the reserve computed as required by the National Association of Insurance Commissioners (NAIC) at the time the reserve is determined. For taxable years beginning after December 31, 2016, and on or before December 31, 2017, the prevailing state assumed interest rates for this product for calendar year of issue 2017 were provided in Rev. Rul. 2017-03.

**Part III, Schedule B**

**STATUTORY VALUATION INTEREST RATES  
BASED ON THE 1980 AMENDMENTS TO THE  
NAIC STANDARD VALUATION LAW**

B. Single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

<u>Calendar Year of Issue</u>	<u>Valuation Interest Rate</u>
2017	3.75*

Source: Rates calculated from the monthly averages, ending June 30, 2017, of Moody's Composite Yield on Seasoned Corporate Bonds.

\*As this prevailing state assumed interest rate exceeds the applicable federal interest rate for 2017 of 1.46 percent, the valuation interest rate of 3.75 percent is to be used for this product under § 807.

**Part III, Schedule C24 - 2017**

**STATUTORY VALUATION INTEREST RATES  
BASED ON NAIC STANDARD VALUATION LAW  
FOR 2017 CALENDAR YEAR BUSINESS  
GOVERNED BY THE 1980 AMENDMENTS**

C. Valuation interest rates for other annuities and guaranteed interest contracts that are valued on an issue year basis:

<u>Cash Settlement Options?</u>	<u>Future Interest Guarantee?</u>	<u>Guarantee Duration (years)</u>	<u>Valuation Interest Rate For Plan Type</u>		
			<u>A</u>	<u>B</u>	<u>C</u>
Yes	Yes	5 or fewer	3.75*	3.75*	3.50*
		More than 5, but not more than 10	3.75*	3.75*	3.50*
		More than 10, but not more than 20	3.75*	3.50*	3.50*
		More than 20	3.50*	3.25*	3.25*
Yes	No	5 or fewer	4.00*	3.75*	3.50*
		More than 5, but not more than 10	3.75*	3.75*	3.50*
		More than 10, but not more than 20	3.75*	3.50*	3.50*
		More than 20	3.50*	3.50*	3.50*
No	Yes or No	5 or fewer	3.75*		
		More than 5, but not more than 10	3.75*	NOT APPLICABLE	
		More than 10, but not more than 20	3.75*		
		More than 20	3.50*		

Source: Rates calculated from the monthly averages, ending June 30, 2017, of Moody's Composite Yield on Seasoned Corporate Bonds.

\*As these rates exceed the applicable federal interest rate for 2017 of 1.46 percent, the valuation interest rate to be used for this product under § 807 is the applicable rate specified in the above table.

**Part III, Schedule D24 -- 2017**

**STATUTORY VALUATION INTEREST RATES  
BASED ON NAIC STANDARD VALUATION LAW  
FOR 2017 CALENDAR YEAR BUSINESS  
GOVERNED BY THE 1980 AMENDMENTS**

D. Valuation interest rates for other annuities and guaranteed interest contracts that are contracts with cash settlement options and that are valued on a change in fund basis:

<u>Cash Settlement Options?</u>	<u>Future Interest Guarantee?</u>	<u>Guarantee Duration (years)</u>	<u>Valuation Interest Rate For Plan Type</u>		
			<u>A</u>	<u>B</u>	<u>C</u>
Yes	Yes	5 or fewer	4.00*	4.00*	3.50*
		More than 5, but not more than 10	4.00*	4.00*	3.50*
		More than 10, but not more than 20	3.75*	3.75*	3.50*
		More than 20	3.75*	3.75*	3.50*
Yes	No	5 or fewer	4.00*	4.00*	3.75*
		More than 5, but not more than 10	4.00*	4.00*	3.75*
		More than 10, but not more than 20	4.00*	3.75*	3.50*
		More than 20	3.75*	3.75*	3.50*

Source: Rates calculated from the monthly averages, ending June 30, 2017, of Moody's Composite Yield on Seasoned Corporate Bonds.

\* As these rates exceed the applicable federal interest rate for 2017 of 1.46 percent, the valuation interest rate to be used for this product under § 807 is the applicable rate specified in the above table.

**Part IV. Applicable Federal Interest Rates.**

TABLE OF  
APPLICABLE FEDERAL INTEREST RATES  
FOR PURPOSES OF § 807

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<u>Year</u>	<u>Interest Rate</u>
2017	1.46
2018	N/A*

Sources: Rev. Rul. 2004-106, 2004-2 C.B. 893, for the 2005 rate; Rev. Rul. 2005-77, 2005-2 C.B. 1071, for the 2006 rate; Rev. Rul. 2006-61, 2006-2 C.B. 1028, for the 2007 rate; Rev. Rul. 2007-70, 2007-2 C.B. 1158, for the 2008 rate; Rev. Rul. 2008-53, 2008-2 C.B. 1231, for the 2009 rate; Rev. Rul. 2009-38, 2009-49 I.R.B. 736, for the 2010 rate; Rev. Rul. 2010-29, 2010-50 I.R.B. 818, for the 2011 rate; Rev. Rul. 2011-31, 2011-49 I.R.B. 829, for the 2012 rate; Rev. Rul. 2012-31, 2012-49 I.R.B. 636, for the 2013 rate; Rev. Rul. 2013-26, 2013-50 I.R.B. 628, for the 2014 rate; Rev. Rul. 2014-31, 2014-50 I.R.B. 935, for the 2015 rate; Rev. Rul. 2015-25, 2015-49 I.R.B. 695, for the 2016 rate; and Rev. Rul. 2016-27, 2016-49 I.R.B. 781, for the 2017 rate.

\*For taxable years beginning after December 31, 2017, § 807(d), as amended by section 13517 of the Act, no longer requires life insurance reserves to be computed using the greater of (1) the applicable federal interest rate or (2) the prevailing state assumed interest rate.

**EFFECT ON OTHER REVENUE RULINGS**

Rev. Rul. 92-19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 2017.

**DRAFTING INFORMATION**

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