

Section 807.—Rules for Certain Reserves

**Insurance companies; interest rate
tables. Prevailing state assumed interest**

rates are provided for the determination of reserves under section 807 of the Code for contracts issued in 2003 and 2004. Rev. Rul. 92-19 supplemented in part.

Rev. Rul. 2004-14

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 2002, 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 endow-

ments. As § 807(d)(2)(B) requires that the interest rate used to compute these reserves be the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate, the table of applicable federal interest rates in Rev. Rul. 92-19 is also supplemented.

Following are supplements to schedules A, 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 2003 and 2004, and a supplement to the table in Part IV of Rev. Rul. 92-19, providing the applicable federal interest rates under § 807(d) for 2003 and 2004. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the twelfth 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); and Rev. Rul. 2003-24, 2003-1 C.B. 557 (2002 and 2003).

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:

<i>Guarantee Duration (years)</i>	<i>Calendar Year of Issue 2004</i>
10 or fewer	5.00
More than 10 but not more than 20	4.75**
More than 20	4.50**

Source: Rates calculated from the monthly averages, ending June 30, 2003, of Moody's Composite Yield on Seasoned Corporate Bonds (formerly known as Moody's Corporate Bond Yield Average — Monthly Average Corporates).

** As the applicable federal interest rate for 2004 of 4.82 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 4.82 percent.

* 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.

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:

<i>Calendar Year of Issue</i>	<i>Valuation Interest Rate</i>
2003	6.00*

Source: Rates calculated from the monthly averages, ending June 30, 2003, of Moody's Composite Yield on Seasoned Corporate Bonds (formerly known as Moody's Corporate Bond Yield Average — Monthly Average Corporates). The terms used in this schedule are those used in the Standard Valuation Law as defined in Rev. Rul. 92-19.

*As this prevailing state assumed interest exceeds the applicable federal interest rate for 2003 of 5.27 percent, the valuation interest rate of 6.00 percent is to be used for this product under § 807.

Part III, Schedule C21-2003

*STATUTORY VALUATION INTEREST RATES
BASED ON NAIC STANDARD VALUATION LAW
FOR 2003 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:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	6.00	5.25*	4.75*
		More than 5, but not more than 10	5.75	5.25*	4.75*
		More than 10, but not more than 20	5.50	4.75*	4.75*
		More than 20	4.75*	4.25*	4.25*
Yes	No	5 or fewer	6.25	5.50	5.00*
		More than 5, but not more than 10	6.00	5.50	5.00*
		More than 10, but not more than 20	5.50	5.00*	4.75*
		More than 20	4.75*	4.50*	4.50*

No	Yes or No	5 or fewer	6.00	
		More than 5, but not more than 10	5.75	NOT APPLICABLE
		More than 10, but not more than 20	5.50	
		More than 20	4.75*	

Source: Rates calculated from the monthly averages, ending June 30, 2003, of Moody's Composite Yield on Seasoned Corporate Bonds (formerly known as Moody's Corporate Bond Yield Average — Monthly Average Corporates).

*As the applicable federal interest rate for 2003 of 5.27 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 5.27 percent.

Part III, Schedule D21–2003

*STATUTORY VALUATION INTEREST RATES
BASED ON NAIC STANDARD VALUATION LAW
FOR 2003 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:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	6.50	6.25	5.00*
		More than 5, but not more than 10	6.25	6.25	5.00*
		More than 10, but not more than 20	6.00	5.75	5.25*
		More than 20	5.25*	5.25*	4.50*
Yes	No	5 or fewer	6.75	6.25	5.25*
		More than 5, but not more than 10	6.50	6.25	5.25*
		More than 10, but not more than 20	6.25	6.00	5.00*
		More than 20	5.50	5.50	4.75*

Source: Rates calculated from the monthly averages, ending June 30, 2003, of Moody's Composite Yield on Seasoned Corporate Bonds (formerly known as Moody's Corporate Bond Yield Average — Monthly Average Corporates).

*As the applicable federal interest rate for 2003 of 5.27 percent is equal to or exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 5.27 percent.

Part IV. Applicable Federal Interest Rates.

*TABLE OF
APPLICABLE FEDERAL INTEREST RATES
FOR PURPOSES OF § 807*

<i>Year</i>	<i>Interest Rate</i>
2003	5.27
2004	4.82

Sources: Rev. Rul. 2002–81, 2002–2 C.B. 928 for the 2003 rate and Rev. Rul. 2003–122, 2003–49 I.R.B. 1179 for the 2004 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 2003 and 2004 and is further supplemented by an addition to the table in Part IV of Rev. Rul. 92–19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92–19 are not affected by this ruling.

DRAFTING INFORMATION

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