191—96.4 (505,508) Definitions. For purposes of this chapter, the following definitions shall apply:

"Account assets" means the assets in the segregated portfolio plus any assets held in the general account or a separate account to meet the asset maintenance requirements.

"Actuarial opinion and memorandum" means the opinion and memorandum of the valuation actuary required to be submitted to the commissioner pursuant to subrule 96.10(8).

"Affirmatively approved" means approval of an insurer's plan of operation for a class of contracts containing the form of contract under review after the plan of operation associated with the class of contracts has been reviewed by the insurer's domiciliary insurance department and the plan of operation has been found to be in compliance with this chapter by the domiciliary insurance department. Affirmatively approved does not mean approval as a result of the deemer provision.

"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 company to prepare the annual statement of actuarial opinion for the company as a whole pursuant to Iowa Code section 508.36.

"Asset maintenance requirement" means the requirement to maintain assets to fund contract benefits in accordance with rule 191—96.10(505,508).

"Class of contracts" means the set of all contracts to which a given plan of operation pertains.

"Commissioner" means the Iowa commissioner of insurance.

"Contract value record" means an accounting record, provided by the contract in relation to a segregated portfolio of assets, that is credited with a fixed rate of return over regular periods and that is used to measure the extent of the insurer's obligation to the contract holder. The fixed rate of return credited to the contract value record is determined by means of a crediting rate formula or declared at the inception of the contract and is valid for the entire term of the contract.

"Crediting rate formula" means a mathematical formula used to calculate the fixed rate of return credited to the contract value record during any rate period and based in part upon the difference between the contract value record and the market value record amortized over an appropriate period. The fixed rate of return calculated by means of this formula may reflect prior and current market conditions with respect to the segregated portfolio, but may not reference future changes in market conditions.

"Duration" means, with respect to the segregated portfolio assets or guaranteed contract liabilities, a measure of price sensitivity to changes in interest rates, such as the Macaulay duration or option-adjusted duration.

"Fair market value" means a reasonable estimate of the amount that a knowledgeable buyer of an asset would be willing to pay, and a knowledgeable seller of an asset would be willing to accept, for the asset without duress in an arm's length transaction. In the case of a publicly traded security, the fair market value is the price at which the security is traded or, if no price is available, a price that appropriately reflects the latest bid and asked prices for the security. For all non-publicly traded assets, fair market value will be determined in accordance with valuation practices customarily used within the financial industry.

"Investment guidelines" means a set of written guidelines, established in advance by the person with investment authority over the segregated portfolio, to be followed by the investment manager. The guidelines shall include a description of:

1. The segregated portfolio's investment objectives and limitations;
2. The investment manager's degree of discretion;
3. The duration, asset class, quality, diversification, and other requirements of the segregated portfolio; and
4. The manner in which derivative instruments may be used, if at all, in the segregated portfolio.

"Investment manager" means the person (including the contract holder) responsible for managing the assets in the segregated portfolio in accordance with the investment guidelines in a fiduciary capacity to the owner of the assets.

"Market value record" means an accounting record provided by the contract to reflect the fair market value of the segregated portfolio.

"NAIC" means the National Association of Insurance Commissioners.

"Permitted custodial institution" means a bank, trust company or other licensed fiduciary services provider.

"Plan of operation" means a written plan meeting the requirements of paragraph 96.5(2)*"a."*

"Qualified actuary" means an individual who meets the qualification standards set forth in 191—paragraph 5.34(5)*"b."*

"Rate period" means the period of time during which the fixed rate of return credited to the contract value record is applicable between crediting rate formula adjustments.

"Segregated portfolio" means:

1. A portfolio or subportfolio of assets to which the contract pertains that is held in a custody or trust account by the permitted custodial institution and identified on the records of the permitted custodial institution as special custody assets held for the exclusive benefit of the retirement plans or other entities on whose behalf the contract holder holds the contract; and
2. Any related cash or currency received by the permitted custodial institution for the account of the contract holder and held in a deposit account for the exclusive benefit of the retirement plans or other entities on whose behalf the contract holder holds the contract.

"Spot rate" means:

1. "Treasury-based spot rate," corresponding to a given time of benefit payment, means the yield on a zero-coupon noncallable and nonprepayable United States government obligation maturing at that time, or the zero-coupon yield implied by the price of a representative sampling of coupon-bearing, noncallable and nonprepayable United States government obligations in accordance with a formula set forth in the plan of operation.

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

3. "Blended spot rate," corresponding to a given time of benefit payment, means a blend of 50 percent each of (a) the treasury-based spot rate, and (b) the 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 commissioner and 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 insurer and the commissioner.

"Synthetic guaranteed investment contract" or *"contract"* means a group annuity contract or other contract issued in connection with a group annuity contract that establishes the insurer's obligations by reference to a segregated portfolio of assets that is not owned by the insurer. The contract functions as an accounting record for an accumulation fund, and the fixed rate of return credited to the fund reflects an amortization of the segregated portfolio's market gains and losses based on the period specified in the crediting formula, subject to any minimum interest rate guarantee.

"Unilateral contract termination event" means an event allowing the insurer to unilaterally and immediately terminate the contract, without future liability or obligation to the contract holder.

"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 government.

"Valuation actuary" means the appointed actuary or, alternatively, a qualified actuary designated by the appointed actuary to render the actuarial opinion pursuant to rule 191—96.10(505,508). Written documentation of any such designation shall be on file at the company and available for review by the commissioner upon request.

"Value of guaranteed contract liabilities" means the same as set forth in subrule 96.10(6).

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