

Section 754.—Manner of Electing Optional Adjustment to Basis of Partnership Property

26 CFR 1.754-1 *Time and manner of making election to adjust basis of partnership property*

If (1) an upper-tier partnership (UTP), has an interest in a lower-tier partnership (LTP) and both partnerships have elections in effect under section 754 of the Internal Revenue Code, and (2) UTP distributes property to a partner and as a consequence of the distribution, adjusts the basis of its interest in LTP under section 734(b), does LTP also adjust the basis of its property under section 734(b). See Rev. Rul. 92-15, page 215

Section 755.—Rules for Allocation of Basis

26 CFR 1.755-1 *Rules for allocation of basis*

If (1) an upper-tier partnership (UTP), has an interest in a lower-tier partnership (LTP), and both partnerships have elections in effect under section 754 of the Internal Revenue Code, and (2) UTP distributes property to a partner and, as a consequence of the distribution, adjusts the basis of its interest in LTP under section 734(b) does LTP also adjust the basis of its property under section 734(b). See Rev. Rul. 92-15 page 215

Part III—Definitions

Section 761.—Terms Defined

An arrangement between an owner of coin-operated amusements and an owner of a business establishment may be a lease or a partnership depending upon the particular facts. See Rev. Rul. 92-49 page 433

Subchapter L—Insurance Companies Part I—Life Insurance Companies Subpart C—Life Insurance Deductions

Section 807.—Rules for Certain Reserves

Insurance companies; interest rate and mortality and morbidity tables. Prevailing state assumed interest rates and prevailing commissioners' standard tables of mortality and morbidity are provided for the determination of reserves under section 807 of the Code for contracts issued in taxable years beginning after December 31, 1983. Rev. Rul. 87-26 clarified, supplemented and superseded

Rev. Rul. 92-19

For purposes of sections 807(d)(4) and 807(d)(5) of the Internal Revenue Code, for taxable years beginning after December 31, 1983, this ruling clarifies and supplements the schedule of prevailing state assumed interest rates and prevailing commissioners' standard tables of mortality and morbidity set forth in Rev. Rul. 87-26, 1987-1 C.B. 158. 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 endowment, and (3) group annuities and pure endowments for taxable years beginning

after December 31, 1983. Beginning with policies issued in 1988, section 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, accordingly, the applicable federal interest rates for 1988 through 1992 are also indicated in this ruling.

The Service anticipates that the prevailing state assumed interest rates will be updated annually and that the prevailing commissioners' standard tables of mortality and morbidity will be updated as needed.

Following are (1) Part I, the schedule of prevailing commissioners' standard tables of mortality and morbidity for products issued in years 1948 through 1991, (2) Part II, the schedule of prevailing state assumed interest rates for products issued in years 1946 through 1982, (3) Part III, the schedules (A, B, C1 through C9, and D1 through D9) of prevailing state assumed interest rates for insurance products with different features issued in years 1983 through 1991,¹ and (4) Part IV, a table of the applicable federal interest rates under section 807(d)-(4)(A) for years 1988 through 1992.

¹Schedule A in Part III contains 1992 prevailing state assumed interest rates for life insurance contracts issued in 1992.

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Section 807

Part I Prevailing Commissioners' Standard Tables—Products Issued In 1948–1991 Inclusive.

TABLES¹

Year ²	Life Insurance and Supplementary Total and Permanent Disability Benefits			Individual Annuities and Pure Endowments	Group Annuities and Pure Endowments
	Ordinary Contracts		Industrial Policies		
	Life	Disability			
1948	CSO 41	C3DT 26	SI 41	SA 37	SA 37
1949					
1950					
1951					
1952					
1953					
1954					
1955					
1956					
1957					
1958					
1959					
1960	CSO 58(a)				
1961					
1962		P2DS 52		A 49	GA 51
1963			SI 61		
1964					
1965					
1966					
1967					
1968					
1969					
1970					
1971					
1972					
1973					
1974				IA 71	GA 71
1975					
1976					
1977					
1978					
1979	CSO 58(b)				
1980					
1981					
1982	CSO 80				
1983					
1984					
1985				83 "a"	83 GAM
1986	*** ³				
1987					
1988					
1989					
1990					
1991					

**NOTES TO PART I, SCHEDULE
OF PREVAILING COMMISSIONERS' TABLES**

- 1 Stated in the schedule is the most recent mortality table permitted as of January 1 of the year for valuation of policies of the specified type issued in that year under the valuation laws of at least 26 states For policies issued prior to 1948, the mortality and morbidity table used in computing statutory reserves is to be used
- The abbreviations used stand for the following mortality tables
- CSO 41 **Commissioners' 1941 Standard Ordinary Mortality Table.**
- CSO 58(a) **Commissioners' 1958 Standard Ordinary Mortality Table.**
For policies issued during the years specified in the schedule, female mortality rates under the CSO 58 Table are equal to those for males 3 years younger, with sex-distinct rates for ages below 15
- CSO 58(b) **Commissioners' 1958 Standard Ordinary Mortality Table.**
For policies issued during the years specified in the schedule, female mortality rates under the CSO 58 Table are equal to those for males 6 years younger, with sex-distinct rates for ages below 20
- CSO 80 **Commissioners' 1980 Standard Ordinary Mortality Table.**
In accordance with section 807(d)(5)(E), for purposes of section 807(d)(5), the commissioners' standard table is the male or female table, as appropriate, *without select factors*
- CSO 80 S/NS **Commissioners' 1980 Standard Ordinary Smokers and Nonsmokers Mortality Table.** (See also note 3)
Developed from a separation of the mortality data of the CSO 80 Table into smoker and nonsmoker categories Permitted to be used on an optional basis for policies which have separate rates for smokers and nonsmokers and nonforfeiture benefits satisfying minimum standards based on the CSO 80 S/NS Tables The CSO 80 S/NS and the CSO 80 Tables give results that are approximately equivalent for such policies Therefore, rates obtained from either table are acceptable for use under section 807(d)(5) for such policies However, the same table must be used for all policies issued under the same plan of insurance
- C3DT 26 **Class (3) Disability Table (1926).**
- P2DS 52 The tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries
- SI 41 **1941 Standard Industrial Mortality Table.**
- CSI 61 **Commissioners' 1961 Standard Industrial Mortality Table.**
- SA 37 **The Standard Annuity Mortality Table.**
The SA 37 Table is a sex-distinct table where female mortality rates are equal to those for males five years younger
- A 49 **Annuity Mortality Table for 1949 Ultimate.**
The A 49 Table is a sex-distinct table
- IA 71 **1971 Individual Annuity Mortality Table.**
The IA 71 Table is a sex-distinct table
- GA 51 **Group Annuity Mortality Table for 1951.**
The GA 51 Table is a sex-distinct table The distinction by sex is made either through separate male and female tables or by use of the assumption that female mortality rates are equal to those for males five years younger This assumption gives results approximately equivalent to those of using the separate female rates Therefore, rates obtained by either method are acceptable for use under section 807(d)(5)
- GA 71 **1971 Group Annuity Mortality Table.**
The GA 71 Table is a sex-distinct table The distinction by sex is made either through separate male and female tables or by use of the assumption that female mortality rates are equal to those for males six years younger This assumption gives results approximately equivalent to those of using the separate female rates Therefore, rates obtained by either method are acceptable for use under section 807(d)(5)
- 83 "a" **1983 Table "a".**
The 83 "a" is an individual annuity mortality table and is a sex-distinct table
- 83 GAM **1983 Group Annuity Mortality Table.**
The 83 GAM is a sex-distinct table The distinction by sex is made either through separate male and female tables or by use of the assumption that female mortality rates are equal to those for males six years younger This assumption gives results approximately equivalent to those of using the separate female rates Therefore, rates obtained by either method are acceptable for use under section 807(d)(5)
- 2 The year indicated is the first year the table may be used for federal income tax purposes Pursuant to section 807(d)(5)(A), the table specified may be used as the prevailing table from the beginning of the calendar year in which the table becomes prevailing Also, section 807(d)(5)(B) permits the use of the former table as the prevailing table for that calendar year and three subsequent years See Rev. Rul. 87-26
- 3 In 1986 the Commissioners' 1980 Standard Ordinary Smokers and Nonsmokers Mortality Table (CSO 80 S/NS) became a prevailing commissioners' standard table for certain policies that distinguish between smokers and nonsmokers See description of CSO 80 S/NS in note 1 above

Part II. Prevailing State Assumed Interest Rates—Products Issued in 1946–1982 Inclusive.¹

INTEREST RATES²

Year ³	Life Insurance and Supplementary Total and Permanent Disability Benefits	Single Premium		Individual Annuities and Pure Endowments	All Other	Group Annuities and Pure Endowments
		Immediate	Deferred			
		3 5	3 5	3 5	3 5	3 5
1946 ⁴	3 5	3 5	3 5	3 5	3 5	3 5
1947						
1948						
1949						
1950						
1951						
1952						
1953						
1954						
1955						
1956						
1957						
1958						
1959						
1960						
1961						
1962						
1963						
1964						
1965						
1966						
1967						
1968						
1969						
1970						
1971						
1972						
1973						
1974						
1975	4 0	6 0	4 0	4 0	6 0	6 0
1976						
1977						
1978						
1979						
1980	4 5	7 5	5 5	4 5	7 5	7 5
1981						
1982	*** ⁵					

NOTES TO PART II, SCHEDULE OF PREVAILING STATE ASSUMED INTEREST RATES

- Under the 1980 Amendments to the NAIC Standard Valuation Law, for products issued in years after 1982, prevailing state assumed interest rates vary by product feature as indicated in Schedules A, B, C1 through C9, and D1 through D9 in Part III of this ruling
- The schedule indicates the highest prevailing state assumed interest rate permitted as of January 1 of the year for valuation of policies of the specified type issued in that year, under the valuation laws of at least 26 states
Prior to 1988, pursuant to section 807(d)(4)(A) as then in effect, there was no prevailing state assumed interest rates for non-cancellable accident and health insurance policies. Therefore, in accordance with section 807(d)(4)(D), as then in effect, prevailing state assumed interest rates to be used in calculating non-cancellable accident and health insurance reserves were those applicable to whole life insurance policies
The rates indicated for life insurance are the prevailing state assumed interest rates for all life insurance, including ordinary, industrial, group, and credit policies
- The year indicated is the first year the respective interest rate may be used for federal income tax purposes
- For policies issued prior to 1946, the prevailing state assumed interest rate is 4 percent
- For 1982 only, 5 5 percent is the prevailing state assumed interest rate for single premium life insurance.

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

Part III, Schedule A—1983–1992 Inclusive**

STATUTORY VALUATION INTEREST RATES BASED ON THE 1980 AMENDMENTS
TO THE NAIC STANDARD VALUATION LAWA Life insurance¹ valuation

Guarantee Duration (years)	Calendar Year of Issue									
	1983 ²	1984 ²	1985 ²	1986 ²	1987 ²	1988 ³	1989 ³	1990 ³	1991 ³	1992 ³
10 or fewer	7 25	7 25	7 25	7 25	6 50	6 00	6 00	6 00	6 00	6 00
More than 10 but not more than 20	6 75	6 75	6 75	6 75	6 00	6 00	6 00	6 00	6 00	6 00
More than 20	6 00	6 00	6 00	6 00	5 50	5 50	5 50	5 50	5 50	5 50

Source (1) Rates for 1983 from National Association of Insurance Commissioners ("NAIC"), *NAIC Proceedings*, 1983 Vol I, at 353ff
(2) Rates for 1984 and later years calculated from the monthly averages, ending June 30 of the preceding year, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

*The terms used in the schedules in Part III of this ruling are those used in the Standard Valuation Law and are defined at the conclusion of Part III. All changes from the precise wording of that law have been made only for clarity and are not intended to have substantive effect.

**These are the only products in Part III for which 1992 prevailing state assumed interest rates are provided.

NOTES TO PART III, SCHEDULE A

- 1 Prior to 1988, pursuant to section 807(d)(4)(A) as then in effect, there were no prevailing state assumed interest rates for non-cancellable accident and health insurance policies. Therefore, in accordance with section 807(d)(4)(D), as then in effect, prevailing state assumed interest rates used in calculating non-cancellable accident and health insurance reserves are those applicable to whole life policies.
- 2 Prior to 1988, pursuant to section 807(d)(4)(C) as then in effect, the issuer of a nonannuity contract could elect to determine the prevailing state assumed rate of interest as of the beginning of the calendar year preceding the calendar year in which the contract was issued.
- 3 Beginning in 1988, pursuant to section 807(d)(2)(B), the interest rate used in computing reserves is the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate. As the applicable federal interest rates for 1988 through 1992 exceed the prevailing state assumed interest rates for those years as shown in this schedule, the interest rates to be used for this product for section 807 purposes are the applicable federal interest rates shown in the table in Part IV of this ruling. Note, however, that section 807(d)(4)(A)(ii) permits an election to recompute the applicable federal interest rate if certain conditions are satisfied.

Part III, Schedule B—1983–1991 Inclusive

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

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

Calendar Year of Issue	Valuation Interest Rate
1983	11 25
1984	11 25
1985	11 00
1986	9 25
1987	8 00
1988	8 75*
1989	8 75*
1990	8 25*
1991	8 25*

*The applicable federal interest rates for 1988 and later years must be used in computing reserves under section 807 if they exceed the prevailing state assumed interest rates specified in this schedule. See applicable federal interest rates set forth in Part IV of this ruling.

Part III, Schedule C1—1983

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1983 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	11 25	9 25	8 25
		More than 5, but not more than 10	10 75	9 25	8 25
		More than 10, but not more than 20	8 25	7 00	6 75
		More than 20	6 75	5 75	5 75
Yes	No	5 or fewer	11 75	9 75	8 75
		More than 5, but not more than 10	11 25	9 75	8 75
		More than 10, but not more than 20	8 75	7 50	7 00
		More than 20	7 00	6 25	6 25
No	Yes or No	5 or fewer	11 25	NOT APPLICABLE	
		More than 5, but not more than 10	10 75		
		More than 10, but not more than 20	9 75		
		More than 20	7 75		

Source Rates for 1983 calculated from the monthly averages ending June 30, 1983, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C2—1984

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1984 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	11 25	9 25	8 00
		More than 5, but not more than 10	10 75	9 25	8 00
		More than 10, but not more than 20	8 25	7 00	6 75
		More than 20	6 75	5 75	5 75
Yes	No	5 or fewer	11 75	9 75	8 50
		More than 5, but not more than 10	11 25	9 75	8 50
		More than 10, but not more than 20	8 75	7 50	7 00
		More than 20	7 00	6 25	6 25
No	Yes or No	5 or fewer	11 25	NOT APPLICABLE	
		More than 5, but not more than 10	10 75		
		More than 10, but not more than 20	9 75		
		More than 20	7 50		

Source Rates for 1984 calculated from the monthly averages ending June 30, 1984, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C3—1985

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1985 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	11 00	9 00	8 00
		More than 5, but not more than 10	10 50	9 00	8 00
		More than 10, but not more than 20	8 25	7 00	6 50
		More than 20	6 50	5 75	5 75
Yes	No	5 or fewer	11 50	9 50	8 50
		More than 5, but not more than 10	11 00	9 50	8 50
		More than 10, but not more than 20	8 50	7 50	7 00
		More than 20	7 00	6 25	6 25
No	Yes or No	5 or fewer	11 00		
		More than 5, but not more than 10	10 50	NOT APPLICABLE	
		More than 10, but not more than 20	9 50		
		More than 20	7 50		

Source Rates for 1985 calculated from the monthly averages ending June 30, 1985, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C4—1986

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1986 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	9 25	7 75	6 75
		More than 5, but not more than 10	8 75	7 75	6 75
		More than 10, but not more than 20	7 50	6 50	6 00
		More than 20	6 00	5 50	5 50
Yes	No	5 or fewer	9 50	8 00	7 25
		More than 5, but not more than 10	9 25	8 00	7 25
		More than 10, but not more than 20	7 75	6 75	6 50
		More than 20	6 50	5 75	5 75
No	Yes or No	5 or fewer	9 25		
		More than 5, but not more than 10	8 75	NOT APPLICABLE	
		More than 10, but not more than 20	8 00		
		More than 20	6 50		

Source Rates for 1986 calculated from the monthly averages ending June 30, 1986, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C5—1987

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1987 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	8 00	6 75	6 25
		More than 5, but not more than 10	7 75	6 75	6 25
		More than 10, but not more than 20	7 00	6 00	5 75
		More than 20	5 75	5 25	5 25
Yes	No	5 or fewer	8 50	7 25	6 50
		More than 5, but not more than 10	8 00	7 25	6 50
		More than 10, but not more than 20	7 25	6 50	6 00
		More than 20	6 00	5 50	5 50
No	Yes or No	5 or fewer	8 00	NOT APPLICABLE	
		More than 5, but not more than 10	7 75		
		More than 10, but not more than 20	7 25		
		More than 20	6 00		

Source Rates for 1987 calculated from the monthly averages ending June 30, 1987, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C6—1988

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1988 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	8 75	7 50 ^v	6 75 ^v
		More than 5, but not more than 10	8 50	7 50*	6 75
		More than 10, but not more than 20	7 25*	6 25 ^v	6 00 ^v
		More than 20	6 00 ^v	5 25*	5 25 ^v
Yes	No	5 or fewer	9 25	7 75 ^v	7 00 ^v
		More than 5, but not more than 10	8 75	7 75*	7 00*
		More than 10, but not more than 20	7 50 ^v	6 50*	6 25*
		More than 20	6 25 ^v	5 75 ^v	5 75 ^v
No	Yes or No	5 or fewer	8 75	NOT APPLICABLE	
		More than 5, but not more than 10	8 50		
		More than 10, but not more than 20	7 75*		
		More than 20	6 25*		

Source Rates for 1988 calculated from the monthly averages ending June 30, 1988, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

*As the applicable federal interest rate for 1988 of 7.77 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 7.77 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C7—1989

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1989 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	8 75	7 25*	6 50*
		More than 5, but not more than 10	8 25	7 25*	6 50 ^r
		More than 10, but not more than 20	7 25*	6 25*	6 00 ^r
		More than 20	6 00*	5 25*	5 25*
Yes	No	5 or fewer	9 00	7 50*	7 00*
		More than 5, but not more than 10	8 75	7 50*	7 00 ^c
		More than 10, but not more than 20	7 50*	6 50*	6 25*
		More than 20	6 25*	5 50*	5 50 ^c
No	Yes or No	5 or fewer	8 75		
		More than 5, but not more than 10	8 25	NOT APPLICABLE	
		More than 10, but not more than 20	7 50*		
		More than 20	6 25*		

Source Rates for 1989 calculated from the monthly averages ending June 30, 1989, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

*As the applicable federal interest rate for 1989 of 8 16 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8 16 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C8—1990

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1990 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	8 25*	7 00*	6 25*
		More than 5, but not more than 10	8 00*	7 00*	6 25*
		More than 10, but not more than 20	7 00*	6 25*	5 75 ^r
		More than 20	5 75*	5 25*	5 25*
Yes	No	5 or fewer	8 50	7 25*	6 50 ^c
		More than 5, but not more than 10	8 25*	7 25*	6 50*
		More than 10, but not more than 20	7 50*	6 50*	6 25*
		More than 20	6 25*	5 50*	5 50 ^c
No	Yes or No	5 or fewer	8 25*		
		More than 5, but not more than 10	8 00*	NOT APPLICABLE	
		More than 10, but not more than 20	7 25*		
		More than 20	6 00*		

Source Rates for 1990 calculated from the monthly averages ending June 30, 1990, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

*As the applicable federal interest rate for 1990 of 8 37 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8 37 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule C9—1991

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1991 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

Cash Settlement Options ²	Future Interest Guarantee ²	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	8 25 ¹	7 00 ²	6 25
		More than 5, but not more than 10	8 00 ³	7 00 ⁴	6 25 ⁵
		More than 10, but not more than 20	7 00 ⁶	6 25 ⁷	5 75 ⁸
		More than 20	5 75 ⁹	5 25 ¹⁰	5 25 ¹¹
Yes	No	5 or fewer	8 75	7 25 ¹²	6 75 ¹³
		More than 5, but not more than 10	8 25 ¹⁴	7 25 ¹⁵	6 75 ¹⁶
		More than 10, but not more than 20	7 50 ¹⁷	6 50 ¹⁸	6 25 ¹⁹
		More than 20	6 25 ²⁰	5 50 ²¹	5 50 ²²
No	Yes or No	5 or fewer	8 25 ²³	NOT APPLICABLE	
		More than 5, but not more than 10	8 00 ²⁴		
		More than 10, but not more than 20	7 25 ²⁵		
		More than 20	6 00 ²⁶		

Source Rates for 1991 calculated from the monthly averages ending June 30, 1991, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

*As the applicable federal interest rate for 1991 of 8.42 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8.42 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D1—1983

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1983 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

Cash Settlement Options ²	Future Interest Guarantee ²	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	12 75	11 75	8 75
		More than 5, but not more than 10	12 25	11 75	8 75
		More than 10, but not more than 20	11 25	10 75	8 25
		More than 20	9 25	9 25	7 25
Yes	No	5 or fewer	13 50	12 25	9 25
		More than 5, but not more than 10	12 75	12 25	9 25
		More than 10, but not more than 20	11 75	11 25	8 75
		More than 20	9 75	9 75	7 75

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D2—1984**STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1984 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	12 75	11 75	8 50
		More than 5, but not more than 10	12 25	11 75	8 50
		More than 10, but not more than 20	11 25	10 75	8 00
		More than 20	9 25	9 25	7.00
Yes	No	5 or fewer	13 25	12 25	9 25
		More than 5, but not more than 10	12.75	12 25	9 25
		More than 10, but not more than 20	11 75	11 25	8 50
		More than 20	9 75	9 75	7.50

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D3—1985**STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1985 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	12.50	11 50	8 50
		More than 5, but not more than 10	12.00	11.50	8 50
		More than 10, but not more than 20	11 00	10 50	8 00
		More than 20	9.00	9 00	7 00
Yes	No	5 or fewer	13 00	12 00	9 00
		More than 5, but not more than 10	12 50	12 00	9 00
		More than 10, but not more than 20	11.50	11 00	8 50
		More than 20	9 50	9 50	7 50

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D4—1986**STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1986 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	10 25	9 50	7.25
		More than 5, but not more than 10	10 00	9 50	7 25
		More than 10, but not more than 20	9 25	8 75	6 75
		More than 20	7 75	7 75	6 00
Yes	No	5 or fewer	10.75	10 00	7.75
		More than 5, but not more than 10	10 25	10 00	7.75
		More than 10, but not more than 20	9 50	9 25	7.25
		More than 20	8 00	8 00	6 50

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D5—1987

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1987 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	9 00	8 50	6 50
		More than 5, but not more than 10	8 75	8 50	6 50
		More than 10, but not more than 20	8 00	7 75	6 25
		More than 20	6 75	6 75	5 50
Yes	No	5 or fewer	9 50	8 75	6 75
		More than 5, but not more than 10	9 00	8 75	6 75
		More than 10, but not more than 20	8 50	8 00	6 50
		More than 20	7 25	7 25	6 00

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D6—1988

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1988 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	10 00	9 25	7 00*
		More than 5, but not more than 10	9 50	9 25	7 00*
		More than 10, but not more than 20	8 75	8 50	6 75*
		More than 20	7 50*	7 50*	6 00*
Yes	No	5 or fewer	10 25	9 50	7 50*
		More than 5, but not more than 10	10 00	9 50	7 50*
		More than 10, but not more than 20	9 25	8 75	7 00*
		More than 20	7 75*	7 75*	6 25*

*As the applicable federal interest rate for 1988 of 7 77 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 7 77 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D7—1989

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1989 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	9 75	9 00	7 00*
		More than 5, but not more than 10	9 50	9 00	7 00*
		More than 10, but not more than 20	8 75	8 25	6 50*
		More than 20	7 25*	7 25*	5 75*
Yes	No	5 or fewer	10 00	9 50	7 25*
		More than 5, but not more than 10	9 75	9 50	7 25*
		More than 10, but not more than 20	9 00	8 75	7 00*
		More than 20	7 50*	7 50*	6 25*

*As the applicable federal interest rate for 1989 of 8 16 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8 16 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types.

Part III, Schedule D8—1990

*STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1990 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	9 25	8.50	6 50*
		More than 5, but not more than 10	8 75	8 50	6 50*
		More than 10, but not more than 20	8 25*	8 00*	6 25*
		More than 20	7 00*	7.00*	5 50*
Yes	No	5 or fewer	9 50	8 75	7 00*
		More than 5, but not more than 10	9 25	8.75	7 00*
		More than 10, but not more than 20	8 50	8 25*	6 50*
		More than 20	7.25*	7 25*	6 00*

*As the applicable federal interest rate for 1990 of 8 37 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8 37 percent

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

Part III, Schedule D9—1991

**STATUTORY VALUATION INTEREST RATES BASED ON NAIC STANDARD VALUATION LAW
FOR 1991 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

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	9 25	8 75	6 75*
		More than 5, but not more than 10	9 00	8 75	6 75*
		More than 10, but not more than 20	8 25*	8 00*	6 25*
		More than 20	7 00*	7 00*	5 75*
Yes	No	5 or fewer	9 75	9 00	7 00*
		More than 5, but not more than 10	9 25	9 00	7 00*
		More than 10, but not more than 20	8 75	8 25*	6 75*
		More than 20	7 25*	7 25*	6 00*

*As the applicable federal interest rate for 1991 of 8 42 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under section 807 is 8 42 percent.

See material at the end of Part III for definition of issue year basis, change in fund basis, cash settlement options, future interest guarantee, guarantee duration, and plan types

DEFINITION OF TERMS IN SCHEDULES IN PART III*

Issue Year Basis

An issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract

Change in Fund Basis

The change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

Cash Settlement Options

The distinction is between an annuity or guaranteed interest contract that provides a cash settlement option and an annuity or guaranteed interest contract that does not provide a cash settlement option. For example, a deferred annuity that provides a lump sum option at the end of the deferred period provides a cash settlement option. A deferred annuity with no options other than the annuity payments does not provide a cash settlement option.

Future Interest Guarantee

In the case of annuities or guaranteed interest contracts valued on an issue year basis, the distinction is between an annuity or guaranteed interest contract that guarantees interest on considerations received more than one year after issue or purchase and an annuity or guaranteed interest contract that does not include that guarantee. In the case of contracts valued on a change in fund basis, the distinction is between contracts that guarantee interest rates on considerations received more than 12 months beyond the valuation date and those contracts that do not include that guarantee.

Guarantee Duration

Life Insurance

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force, either on a basis guaranteed in the policy, or under options to convert to plans of life insurance with premium rates or nonforfeiture values (or both) that are guaranteed in the original policy.

*The terms used in the schedules in Part III of this ruling are those used in the Standard Valuation Law. All changes from the precise wording of that law have been made only for clarity and are not intended to have substantive effect.

*Annuities and Guaranteed Interest Contracts
with Cash Settlement Options*

For annuities and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee durations in excess of twenty years

*Annuities and Guaranteed Interest Contracts
with No Cash Settlement Options*

For annuities and guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence

Plan Type

Plan Type A

At any time policyholder may withdraw funds only (1) with the adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five years or more, or (3) as an immediate life annuity Plan Type A also includes policies that do not permit withdrawals

Plan Type B

Before expiration of the interest rate guarantee, policyholder may withdraw funds only (1) with adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five years or more Plan Type B also includes policies that do not permit withdrawals before expiration of the interest rate guarantee At the end of the interest rate guarantee, funds may be withdrawn without adjustment in a single sum or installments over fewer than five years

Plan Type C

Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over fewer than five years either (1) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund

Part IV. Applicable Federal Interest Rates—1988–1992 Inclusive.

TABLE OF APPLICABLE FEDERAL INTEREST RATES FOR PURPOSES OF SECTION 807

<i>Year</i>	<i>Interest Rate</i>
1988	7 77
1989	8 16
1990	8 37
1991	8 42
1992	8 40

Source For 1988, Rev. Rul. 88-16, 1988-1 C.B. 266, for 1989, Rev. Rul. 88-101A, 1988-2 C.B. 136, for 1990, Rev. Rul. 89-127, 1989-2 C.B. 215, for 1991, Rev. Rul. 90-99, 1990-2 C.B. 199, and for 1992, Rev. Rul. 91-62, 1991-2 C.B. 357

**EFFECT ON OTHER REVENUE
RULINGS**

Rev. Rul. 87-26 is supplemented by the addition of a table listing the applicable federal interest rates under section 807 for 1988 through 1992. Rev. Rul. 87-26 is clarified with respect to the schedules of prevailing state assumed interest rates and prevailing commissioners' standard tables of mortality and morbidity for years before 1984, and is supplemented with respect to the schedules for years beginning after December 31, 1983. As so clarified and supplemented, Rev. Rul. 87-26 is superseded with respect to the schedules. The holdings in Rev. Rul. 87-26 with respect to Issues (1) to (4) are not superseded.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1992. See Rev. Rul. 92-1, page 288.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 1992. See Rev. Rul. 92-8, page 290.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 1992. See Rev. Rul. 92-13, page 291.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of April 1992. See Rev. Rul. 92-23, page 292.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of May 1992. See Rev. Rul. 92-33, page 293.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 1992. See Rev. Rul. 92-39, page 294.

Subpart E—Definitions and Special Rules

Section 817.—Treatment of Variable Contracts

26 CFR 1.817-5 Diversification requirements for variable annuity, endowment, and life insurance contracts

The procedure for obtaining relief described in section 1.817-5(a)(2) of the regulations for the inadvertent failure of the assets in a segregated asset account to be adequately diversified is described. See Rev. Proc. 92-25, page 741.