

**CHAPTER 86. PREMIUM AND RETIREMENT  
DEPOSIT FUNDS**

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**Authority**

The provisions of this Chapter 86 issued under sections 202 and 354 of The Insurance Company Law of 1921 (40 P. S. §§ 364 and 382); and sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412), unless otherwise noted.

**Source**

The provisions of this Chapter 86 adopted March 5, 1976, effective March 6, 1976, 6 Pa.B. 416, unless otherwise noted.

**Cross References**

This chapter cited in 31 Pa. Code § 87.13 (relating to modified premium life insurance policies).

**§ 86.1. Definitions.**

The following terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

*Premium deposit fund*—Amounts paid in and held for payments of future contractual obligations of policyholders or contractholders under an individual life insurance policy or an individual annuity contract.

*Retirement deposit fund*—Paid-in amounts and interests credited thereon held for the purchase at a future date of annuity benefits for the policyholder of an individual life policy or the contractholder of an individual annuity contract.

**§ 86.2. Purpose.**

In transacting business, life insurance companies and fraternal benefit societies, for the convenience of policyholders and contractholders, accept funds for paying premiums or considerations falling due in the future. This chapter allows life insurance companies and fraternal benefit societies to accept deposits under an individual life insurance policy or an individual annuity contract only under the conditions and limitations set forth in this chapter. When this chapter was

adopted, life insurance policies and annuity contracts generally provided for the payment of fixed premium amounts. Therefore, the chapter was designed to apply to fixed premium policies and contracts. In the current Pennsylvania marketplace, both fixed premium and flexible premium policies and contracts are marketed and sold and this chapter recognizes a distinction between fixed premium policies and contracts, and flexible premium policies and contracts and establishes deposit limits which are applicable to moneys held in premium deposit funds and retirement funds of both types of premium payment policies and contracts.

**Source**

The provisions of this § 86.2 amended July 21, 2000, effective July 22, 2000, 30 Pa.B. 3658. Immediately preceding text appears at serial pages (265027) to (265028).

**§ 86.3. Limit on fund amounts.**

(a) The maximum amount which may be held by the insurer for payment of future premiums, according to provisions in a fixed premium life insurance policy, contract, rider or endorsement, is the present value of gross premiums payable in the future discounted at the interest rate or rates guaranteed in the policy, contract, rider or endorsement.

(b) The maximum amount which may be held by the insurer for payment of future premiums, according to provisions in a flexible premium life insurance policy, contract, rider or endorsement, is the present value of the premium payments necessary to maintain the policy or contract in force to the maturity date, based on guaranteed charges and credits.

(c) The maximum amount which may be held by the insurer for payment of future annuity considerations, according to provisions in a fixed premium annuity contract, rider or endorsement, is the present value of gross considerations payable in the future under the annuity contract, rider or endorsement, discounted at the interest rate or rates guaranteed.

(d) The maximum amount which may be held by the insurer in a retirement deposit fund, established according to provisions in a fixed premium life insurance policy or fixed premium annuity contract, rider or endorsement, is the sum of gross premiums or gross considerations payable under the base life insurance policy or base annuity contract.

(e) The amount which may be held by the insurer in a retirement deposit fund, established according to provisions in a flexible premium life insurance policy, contract, rider or endorsement, is not subject to any maximum or other limit. The amounts held in a retirement deposit fund are subject to the requirements and provisions of section 410A of The Insurance Company Law of 1921 (40 P. S. § 510.1).

(f) The amount which may be held by the insurer in a premium deposit fund or a retirement deposit fund, established according to provisions in a flexible premium annuity contract, rider or endorsement, is not subject to any maximum or

other limit. The amounts held in a retirement deposit fund are subject to section 410C of The Insurance Company Law of 1921 (40 P. S. § 510b) relating to standard nonforfeiture law for individual deferred annuities.

**Source**

The provisions of this § 86.3 amended July 21, 2000, effective July 22, 2000, 30 Pa.B. 3658. Immediately preceding text appears at serial page (265028).

**§ 86.4. Interest rates.**

The interest rate or rates guaranteed to be paid on the amount held in a premium deposit fund or a retirement deposit fund shall be clearly stated in policy, contract, rider or endorsement. Language which tends to invite misrepresentation is prohibited.

**Source**

The provisions of this § 86.4 amended July 21, 2000, effective July 22, 2000, 30 Pa.B. 3658. Immediately preceding text appears at serial page (265028).

**§ 86.5. Reserve requirements.**

Insurers are required to maintain reserves for a premium or retirement deposit fund according to the insurance laws and regulations of the Commonwealth.

**§ 86.6. Ownership.**

Ownership of the fund may not be vested in depositors other than the policyholder or contractholder unless the policy, contract, rider or endorsement provides otherwise.

**§ 86.7. Restriction on automatic premium loan.**

Unpaid premiums and considerations shall be paid from the deposit fund prior to application of any automatic premium loan unless the policyholder, contract holder or fund-owner selects otherwise.

**§ 86.8. Return of deposit funds.**

The funds shall be payable in cash upon death and may be used to increase nonforfeiture values for the policyholder or contract holder only.

**§ 86.9. Deferment of and charges against withdrawal.**

A provision shall be included to allow the fund-owner to withdraw the fund subject solely to the condition, if stated in the policy, contract, rider or endorsement, that reserves to the insurer the right to defer payment for 6 months. Charges against withdrawal shall be disclosed in policy, contract, rider or endorsement.

**§ 86.10. Projection of results and report of fund balance.**

If sales promotion literature illustrates the projected results of the retirement deposit fund, the guaranteed interest rate or rates shall be used regardless of whether or not projected results are also shown on the basis of the rate currently being paid or some lesser rate. The insurer shall furnish each owner of a retirement deposit fund with a written report on the accumulated balance of the fund at least once a year.

**Source**

The provisions of this § 86.10 amended July 21, 2000, effective July 22, 2000, 30 Pa.B. 3658. Immediately preceding text appears at serial page (265029).

**§ 86.11. Deceptive practices prohibited.**

Sales promotion literature and contract forms may not create the impression that the funds are the same as a savings account or deposit in a banking or saving institution and the use of documents which bear resemblance to savings bank passbooks or similar items is prohibited.

**§ 86.12. Exemption.**

This chapter does not apply to variable life policies or variable annuity contracts. It also does not apply to policies, contracts, riders or endorsements issued for funding pension or profit-sharing plans which are qualified under the Internal Revenue Code of 1954 and are regulated by the Employee Retirement Income Security Act of 1974 (Pub. L. 93-406) (88 Stat. 829).

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