

SENATE FILE NO. SF0019

Standard nonforfeiture law for deferred annuities.

Sponsored by: Joint Corporations, Elections and Political
Subdivisions Interim Committee

A BILL

for

1 AN ACT relating to insurance; amending nonforfeiture
2 provisions in annuity contracts as specified; amending
3 minimum nonforfeiture amounts as specified; providing an
4 operative date; and providing for an effective date.

5

6 *Be It Enacted by the Legislature of the State of Wyoming:*

7

8 **Section 1.** W.S. 26-16-403(a)(intro) and (ii),
9 26-16-404(a), (b)(intro), (i) and by creating new
10 subsections (e) through (g) and 26-16-411 are amended to
11 read:

12

13 **26-16-403. Contract provisions.**

14

15 (a) In the case of contracts issued on or after the
16 operative date of this article as defined in W.S.

1 26-16-411, no annuity contract, except as stated in W.S.
2 26-16-402, shall be delivered or issued for delivery in
3 this state unless it contains in substance the following
4 provisions, or corresponding provisions which the
5 commissioner determines are at least as favorable to the
6 contract holder, upon cessation of payment of
7 considerations under the contract or upon the written
8 request of the contract owner:

9
10 (ii) If a contract provides for a lump sum
11 settlement at maturity, or at any other time, that upon
12 surrender of the contract at or prior to the commencement
13 of any annuity payments, the company shall pay instead of
14 any paid-up annuity benefit a cash surrender benefit in an
15 amount as is specified in W.S. 26-16-405, 26-16-406,
16 26-16-408 and 26-16-409, provided the company ~~reserves~~may
17 reserve the right to defer the payment of the cash
18 surrender benefit for a period ~~of~~ not to exceed six (6)
19 months after demand therefore with surrender of the
20 contract and after making written request and receiving the
21 written approval of the commissioner. The request shall
22 address the necessity and equitability to all policyholders
23 of the deferral;

24

1 **26-16-404. Minimum nonforfeiture amounts upon which**
2 **certain minimum values are to be based.**

3
4 (a) The minimum values as specified in W.S. 26-16-405
5 through 26-16-409 of any paid-up annuity, cash surrender or
6 death benefits available under an annuity contract shall be
7 based upon minimum nonforfeiture amounts as defined in
8 subsections (b) through ~~(d)~~ (f) of this section.

9
10 (b) ~~For contracts providing for flexible~~
11 ~~considerations~~ The minimum nonforfeiture amounts shall be
12 governed by the following:

13
14 (i) ~~The provisions of this paragraph apply to~~
15 ~~contracts issued before July 1, 2003 and on and after July~~
16 ~~1, 2007.~~ The minimum nonforfeiture amount at any time at or
17 prior to the commencement of any annuity payments shall be
18 equal to an accumulation up to that time at ~~a rate~~ rates of
19 interest ~~of three percent (3%) per annum of percentages~~ as
20 provided in subsection (e) of this section of the net
21 considerations paid prior to that time decreased by the sum
22 of any prior withdrawals from or partial surrenders of the
23 contract accumulated at ~~a rate~~ rates of interest ~~of three~~
24 ~~percent (3%) per annum~~ provided in subsection (e) of this

1 section, an annual contract charge of fifty dollars
2 (\$50.00), accumulated at rates of interest as provided in
3 subsection (e) of this section, and any premium tax paid by
4 the company for the contract, accumulated at rates of
5 interest as provided in subsection (e) of this section, and
6 the amount of any indebtedness to the company on the
7 contract, including interest due and accrued ~~.~~, ~~and~~
8 ~~increased by any existing additional amount the company~~
9 ~~credits to the contract.~~ The net considerations for a given
10 contract year used to define the minimum nonforfeiture
11 amount shall be an amount ~~not less than zero and shall be~~
12 equal to ~~the corresponding~~ eighty-seven and one-half
13 percent (87 ½%) of the gross considerations credited to the
14 contract during that contract year; ~~less an annual contract~~
15 ~~charge of thirty dollars (\$30.00) and less a collection~~
16 ~~charge of one dollar and twenty-five cents (\$1.25) per~~
17 ~~consideration credited to the contract during that contract~~
18 ~~year. The percentages of net considerations shall be sixty-~~
19 ~~five percent (65%) of the net consideration for the first~~
20 ~~contract year and eighty-seven and one-half percent~~
21 ~~(87 1/2%) of the net considerations for the second and~~
22 ~~later contract years. Notwithstanding the immediately~~
23 ~~preceding sentence, the percentage shall be sixty-five~~
24 ~~percent (65%) of the portion of the total net consideration~~

1 ~~for any renewal contract year which exceeds by not more~~
2 ~~than two (2) times the sum of those portions of the net~~
3 ~~considerations in all prior contract years for which the~~
4 ~~percentage was sixty five percent (65%);~~

5
6 (e) The interest rate used in determining minimum
7 nonforfeiture amounts shall be an annual rate of interest
8 determined as follows:

9
10 (i) The lesser of three percent (3%) per annum
11 and the following, which shall be specified in the contract
12 if the interest rate will be reset:

13
14 (A) The five (5) year constant maturity
15 treasury rate reported by the federal reserve as of a date,
16 or average over a period, rounded to the nearest one-
17 twentieth of one percent (.05%), specified in the contract
18 no longer than fifteen (15) months prior to the contract
19 issue date or redetermination date under paragraph (iii) of
20 this subsection;

21
22 (B) Reduced by one hundred twenty-five
23 (125) basis points.

24

1 (ii) Notwithstanding paragraph (i) of this
2 subsection, the resulting interest rate shall not be less
3 than one percent (1%);

4
5 (iii) The interest rate shall apply for an
6 initial period and may be redetermined for additional
7 periods. The redetermination date, basis and period, if
8 any, shall be stated in the contract. The basis is the
9 date or average over a specified period that produces the
10 value of the five (5) year constant maturity treasury rate
11 to be used at each redetermination date.

12
13 (f) During the period or term that a contract
14 provides substantive participation in an equity indexed
15 benefit, it may increase the reduction described in
16 subparagraph (e)(i)(B) of this section by up to an
17 additional one hundred (100) basis points to reflect the
18 value of the equity index benefit. The present value at
19 the contract issue date, and at each redetermination date
20 thereafter, of the additional reduction shall not exceed
21 the market value of the benefit. The commissioner may
22 require a demonstration that the present value of the
23 additional reduction does not exceed the market value of
24 the benefit. Lacking such a demonstration that is

1 acceptable to the commissioner, the commissioner may
2 disallow or limit the additional reduction.

3
4 (g) The commissioner may adopt rules to implement the
5 provisions of subsection (f) of this section and to provide
6 for further adjustments to the calculation of minimum
7 nonforfeiture amounts for contracts that provide
8 substantive participation in an equity index benefit and
9 for other contracts that the commissioner determines are
10 justified.

11
12 **26-16-411. Operative date of article.**

13
14 (a) After May 20, 1981, any company may file with the
15 commissioner a written notice of its election to comply
16 with this article after a specified date before May 20,
17 1983. After filing the notice, then upon the specified
18 date, which is the operative date of this article for that
19 company, this article is operative with respect to annuity
20 contracts thereafter issued by that company. If a company
21 does not make an election, the operative date of this
22 article for that company is May 20, 1983.

23

