

ORIGINAL SENATE
FILE NO. 0019

ENROLLED ACT NO. 3, SENATE

FIFTY-EIGHTH LEGISLATURE OF THE STATE OF WYOMING
2006 BUDGET SESSION

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

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

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

26-16-403. Contract provisions.

(a) In the case of contracts issued on or after the operative date of this article as defined in W.S. 26-16-411, no annuity contract, except as stated in W.S. 26-16-402, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which the commissioner determines are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract or upon the written request of the contract owner:

(ii) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company shall pay instead of any paid-up annuity benefit a cash surrender benefit in an amount as is specified in W.S. 26-16-405, 26-16-406, 26-16-408 and 26-16-409, provided the company ~~reserves~~ may reserve the right to defer the payment of the cash surrender benefit for a period ~~of not to exceed~~ six (6) months after demand therefore with surrender of the

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contract and after making written request and receiving the written approval of the commissioner. The request shall address the necessity and equitability to all policyholders of the deferral;

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

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

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

(i) ~~The provisions of this paragraph apply to contracts issued before July 1, 2003 and on and after July 1, 2007.~~ The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to that time at ~~a rate~~ rates of interest ~~of three percent (3%) per annum of percentages as provided in subsection (e) of this section~~ of the net considerations paid prior to that time decreased by the sum of any prior withdrawals from or partial surrenders of the contract accumulated at ~~a rate~~ rates of interest ~~of three percent (3%) per annum provided in subsection (e) of this section,~~ an annual contract charge of fifty dollars (\$50.00), accumulated at rates of interest as provided in subsection (e) of this section, and any premium tax paid by the company for the contract, accumulated at rates of interest as provided in subsection (e) of this section, and the amount of any indebtedness to the company on the contract, including interest due and accrued. ~~.7, and~~

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~~increased by any existing additional amount the company credits to the contract.~~ The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount ~~not less than zero and shall be equal to the corresponding~~ eighty-seven and one-half percent (87 1/2%) of the gross considerations credited to the contract during that contract year; ~~less an annual contract charge of thirty dollars (\$30.00) and less a collection charge of one dollar and twenty five cents (\$1.25) per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty five percent (65%) of the net consideration for the first contract year and eighty seven and one half percent (87 1/2%) of the net considerations for the second and later contract years. Notwithstanding the immediately preceding sentence, the percentage shall be sixty five percent (65%) of the portion of the total net consideration for any renewal contract year which exceeds by not more than two (2) times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty five percent (65%);~~

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

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

(A) The five (5) year constant maturity treasury rate reported by the federal reserve as of a date, or average over a period, rounded to the nearest one-twentieth of one percent (.05%), specified in the contract no longer than fifteen (15) months prior to the contract

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issue date or redetermination date under paragraph (iii) of this subsection;

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

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

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

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

(g) The commissioner may adopt rules to implement the provisions of subsection (f) of this section and to provide for further adjustments to the calculation of minimum

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nonforfeiture amounts for contracts that provide substantive participation in an equity index benefit and for other contracts that the commissioner determines are justified.

26-16-411. Operative date of article.

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

(b) Beginning July 1, 2006, any company may elect to apply the provisions of this article on a contract form by contract form basis to all annuity contracts thereafter issued.

(c) On or after July 1, 2007, this article is operative with respect to all annuity contracts thereafter issued.

Section 2. W.S. 26-16-404(c) and (d) is repealed.

Section 3. The requirements of this act shall apply only to annuity contracts delivered or issued for delivery in this state on or after July 1, 2006.

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Section 4. This act is effective July 1, 2006.

(END)

Speaker of the House

President of the Senate

Governor

TIME APPROVED: _____

DATE APPROVED: _____

I hereby certify that this act originated in the Senate.

Chief Clerk