



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5050 (Substitute H-1 as reported without amendment)
Sponsor: Representative David Robertson
House Committee: Insurance
Senate Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Standard Nonforfeiture Law for Individual Deferred Annuities, within the Insurance Code, to establish a new minimum interest rate for determining the cash surrender value of a fixed annuity contract, beginning on January 1, 2005. The current minimum interest rate is 1.5% until 2005, when it will revert to 3%. The proposed minimum rate would be range from 1% to 3%, based on the five-year Constant Maturity Treasury Rate minus 125 basis points. Until January 1, 2005, insurers could proceed under either the existing or the new regulation.

(Under the Law, the minimum values of any paid-up annuity, cash surrender, or death benefits available under an annuity contract must be based on minimum nonforfeiture amounts described in the Law, depending on whether a contract provides for flexible considerations (amounts paid by the investor), fixed scheduled considerations, or a single consideration. "Minimum nonforfeiture amount" refers to accumulated payments, minus certain charges, such as prior withdrawals and loans, subject to the "minimum nonforfeiture rate", which is the minimum interest rate that an insurer may use to determine the minimum nonforfeiture amount.)

The bill also would require approval of the Commissioner of the Office of Financial and Insurance Services for an insurer to defer the payment of a cash surrender benefit.

MCL 500.4072

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 10-21-03

Fiscal Analyst: Maria Tyszkiewicz