



# LAWS OF ALASKA

**2003**

**Source**

SCS CSSSHB 184(L&C) am S

**Chapter No.**

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**AN ACT**

Relating to individual deferred annuities; and providing for an effective date.

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**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

THE ACT FOLLOWS ON PAGE 1



## AN ACT

1 Relating to individual deferred annuities; and providing for an effective date.

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3 \* **Section 1.** AS 21.45.305(c) is repealed and reenacted to read:

4 (c) The minimum values as specified in (d) - (g) and (i) of this section of any  
5 paid-up annuity, cash surrender, or death benefits available under an annuity contract  
6 shall be based upon minimum nonforfeiture amounts as defined in this section:

7 (1) The minimum nonforfeiture amount at any time at or before the  
8 commencement of any annuity payments shall be equal to an accumulation up to that  
9 time at a rate of interest established under (2) of this subsection of the net  
10 considerations as defined in this paragraph paid before that time, decreased by the sum  
11 of (A) any prior withdrawals from or partial surrenders of the contract accumulated at  
12 a rate of interest established under (2) of this subsection; (B) the amount of any  
13 indebtedness to the company on the contract, including interest due and accrued; (C)  
14 an annual contract charge of \$50, accumulated at a rate of interest established under  
15 (2) of this subsection; and (D) any premium tax paid by the company for the contract,

1 accumulated at a rate of interest established under (2) of this subsection. The net  
2 considerations for a given contract year used to define the minimum nonforfeiture  
3 amount shall be an amount equal to 87 1/2 percent of the corresponding gross  
4 considerations credited to the contract during that contract year.

5 (2) The interest rate used in determining minimum nonforfeiture  
6 amounts shall be an annual rate of interest determined as the lesser of three percent a  
7 year or the following, which shall be specified in the contract if the interest rate will be  
8 reset: (A) the five-year constant maturity treasury rate reported by the federal reserve  
9 as of a date, or average over a period, rounded to the nearest 1/20 of one percent,  
10 specified in the contract not more than 15 months before the contract issue date or  
11 redetermination date under (D) of this paragraph; (B) reduced by 125 basis points; (C)  
12 where the resulting interest rate is not less than one percent; and (D) the interest rate  
13 must apply for an initial period and may be redetermined for additional periods; the  
14 redetermination date, basis, and period, if any, must be stated in the contract; the basis  
15 is the date or average over a specified period that produces the value of the five-year  
16 constant maturity treasury rate to be used at each redetermination date.

17 (3) During the period or term that a contract provides substantive  
18 participation in an equity indexed benefit, the contract may increase the reduction  
19 described in (2)(B) of this subsection by up to an additional 100 basis points to reflect  
20 the value of the equity index benefit. The present value at the contract issue date, and  
21 at each following redetermination date, of the additional reduction may not exceed the  
22 market value of the benefit. The director may require a demonstration of the present  
23 value of the additional reduction and may disallow or limit the additional reduction if  
24 the demonstration does not prove that the present value of the additional reduction  
25 does not exceed the market value of the benefit.

26 (4) The director may by regulation provide for further adjustments to  
27 the calculation of minimum nonforfeiture amounts for contracts that provide  
28 substantive participation in an equity index benefit or for other contracts that the  
29 director determines require adjustment. An adjustment to the calculation of minimum  
30 nonforfeiture amounts authorized under this subsection may not result in an interest  
31 rate of less than one percent.

1     \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3           TRANSITION PERIOD FOR ANNUITY CONTRACTS; APPLICABILITY OF  
4 ACT. (a) During the period that begins on the effective date of this Act and ends on the day  
5 before the date that is two years after the effective date of this Act, an insurer may elect to  
6 comply with this Act for an annuity contract entered into on or after the effective date of this  
7 Act.

8           (b) All annuity contracts entered into on or after the date that is two years after the  
9 effective date of this Act are subject to this Act.

10          (c) This Act does not apply to an annuity contract entered into before the effective  
11 date of this Act.

12     \* **Sec. 3.** This Act takes effect July 1, 2003.