

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 184

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES COGHILL, Harris

Introduced: 3/28/03

Referred: Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to individual deferred annuities; and providing for an effective date."**

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

3 * **Section 1.** AS 21.45.305(c) is repealed and reenacted to read: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 an additional period; 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.

30 * **Sec. 2.** This Act takes effect July 1, 2003.