

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 184(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/4/03

Referred: Rules

Sponsor(s): REPRESENTATIVES COGHILL, Harris, Lynn

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3 * **Section 1.** AS 21.45.305(c) is repealed and reenacted to read: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

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

1 TRANSITION PERIOD FOR ANNUITY CONTRACTS; APPLICABILITY OF
2 ACT. During the period that begins on the effective date of this Act and ends on the day
3 before the date that is two years after the effective date of this Act, this Act applies to an
4 annuity contract when the contract form for that annuity is approved by the director of the
5 division of insurance. For an annuity contract not otherwise affected by this section, this Act
6 applies to annuity contracts beginning on the date that is two years after the effective date of
7 this Act.

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