

HOUSE BILL NO. HB0335

Standard nonforfeiture law for annuities.

Sponsored by: Representative(s) Hinckley

A BILL

for

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

5

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

7

8 **Section 1.** W.S. 26-16-403(a)(intro) and (ii),
9 26-16-404(a), (b)(intro), (i) and by creating new
10 subsections (e) through (g) and 26-16-411 are amended to
11 read:

12

13 **26-16-403. Contract provisions.**

14

15 (a) In the case of contracts issued on or after the
16 operative date of this article as defined in W.S.
17 26-16-411, no annuity contract, except as stated in W.S.

1 26-16-402, shall be delivered or issued for delivery in
2 this state unless it contains in substance the following
3 provisions, or corresponding provisions which the
4 commissioner determines are at least as favorable to the
5 contract holder, upon cessation of payment of
6 considerations under the contract or upon the written
7 request of the contract owner:

8
9 (ii) If a contract provides for a lump sum
10 settlement at maturity, or at any other time, that upon
11 surrender of the contract at or prior to the commencement
12 of any annuity payments, the company shall pay instead of
13 any paid-up annuity benefit a cash surrender benefit in an
14 amount as is specified in W.S. 26-16-405, 26-16-406,
15 26-16-408 and 26-16-409, provided the company ~~reserves~~ may
16 reserve the right to defer the payment of the cash
17 surrender benefit for a period ~~of~~ not to exceed six (6)
18 months after demand therefor with surrender of the contract
19 and after making written request and receiving the written
20 approval of the commissioner. The request shall address
21 the necessity and equitability to all policyholders of the
22 deferral;

23

1 **26-16-404. Minimum nonforfeiture amounts upon which**
2 **certain minimum values are to be based.**

3
4 (a) The minimum values as specified in W.S. 26-16-405
5 through 26-16-409 of any paid-up annuity, cash surrender or
6 death benefits available under an annuity contract shall be
7 based upon minimum nonforfeiture amounts as defined in
8 subsections (b) through ~~(d)~~ (f) of this section.

9
10 (b) ~~For contracts providing for flexible~~
11 ~~considerations~~ The minimum nonforfeiture amounts shall be
12 governed by the following:

13
14 (i) ~~The provisions of this paragraph apply to~~
15 ~~contracts issued before July 1, 2003 and on and after July~~
16 ~~1, 2007.~~ The minimum nonforfeiture amount at any time at or
17 prior to the commencement of any annuity payments shall be
18 equal to an accumulation up to that time at ~~a rate~~ rates of
19 interest ~~of three percent (3%) per annum~~ as provided in
20 subsection (e) of this section of percentages of the net
21 considerations paid prior to that time decreased by the sum
22 of any prior withdrawals from or partial surrenders of the
23 contract accumulated at ~~a rate~~ rates of interest ~~of three~~
24 ~~percent (3%) per annum~~ as provided in subsection (e) of

1 this section and the amount of any indebtedness to the
2 company on the contract, including interest due and
3 accrued, ~~and increased by any existing additional amount~~
4 ~~the company credits to the contract.~~ The net
5 considerations for a given contract year used to define the
6 minimum nonforfeiture amount shall be an amount ~~not less~~
7 ~~than zero and shall be~~ equal to ~~the corresponding~~ eighty-
8 seven and one-half percent (87½%) of the gross
9 considerations credited to the contract during that
10 contract year; ~~less an annual contract charge of thirty~~
11 ~~dollars (\$30.00) and less a collection charge of one dollar~~
12 ~~and twenty-five cents (\$1.25) per consideration credited to~~
13 ~~the contract during that contract year. The percentages of~~
14 ~~net considerations shall be sixty-five percent (65%) of the~~
15 ~~net consideration for the first contract year and eighty-~~
16 ~~seven and one-half percent (87 1/2%) of the net~~
17 ~~considerations for the second and later contract years.~~
18 ~~Notwithstanding the immediately preceding sentence, the~~
19 ~~percentage shall be sixty-five percent (65%) of the portion~~
20 ~~of the total net consideration for any renewal contract~~
21 ~~year which exceeds by not more than two (2) times the sum~~
22 ~~of those portions of the net considerations in all prior~~
23 ~~contract years for which the percentage was sixty-five~~
24 ~~percent (65%);~~

1

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

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6 (i) The lesser of:

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8 (A) Three percent (3%) per annum; or

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10 (B) The five (5) year constant maturity
11 treasury rate reported by the federal reserve as of a date,
12 or average over a period, rounded to the nearest one-
13 twentieth of one percent (.05%), specified in the contract
14 no longer than fifteen (15) months prior to the contract
15 issue date or redetermination date under paragraph (ii) of
16 this subsection, reduced by one hundred twenty-five (125)
17 basis points. Notwithstanding this subparagraph, the
18 resulting interest rate shall not be less than one percent
19 (1%).

20

21 (ii) The interest rate shall apply for an
22 initial period and may be redetermined for additional
23 periods. It shall be specified in the contract if the
24 interest rate will be reset. The redetermination date,

1 basis and period, if any, shall be stated in the contract.
2 The basis is the date or average over a specified period
3 that produces the value of the five (5) year constant
4 maturity treasury rate to be used at each redetermination
5 date.

6
7 (f) During the period or term that a contract
8 provides substantive participation in an equity indexed
9 benefit, it may increase the reduction described in
10 paragraph (e)(ii) of this section by up to an additional
11 one hundred (100) basis points to reflect the value of the
12 equity index benefit. The present value at the contract
13 issue date, and at each redetermination date thereafter, of
14 the additional reduction shall not exceed the market value
15 of the benefit. The commissioner may require a
16 demonstration that the present value of the additional
17 reduction does not exceed the market value of the benefit.
18 Lacking such a demonstration that is acceptable to the
19 commissioner, the commissioner may disallow or limit the
20 additional reduction.

21
22 (g) The commissioner may adopt rules to implement the
23 provisions of paragraph (e)(ii) of this section and to
24 provide for further adjustments to the calculation of

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

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6 **26-16-411. Operative date of article.**

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8 (a) After May 20, 1981, any company may file with the
9 commissioner a written notice of its election to comply
10 with this article after a specified date before May 20,
11 1983. After filing the notice, then upon the specified
12 date, which is the operative date of this article for that
13 company, this article is operative with respect to annuity
14 contracts thereafter issued by that company. If a company
15 does not make an election, the operative date of this
16 article for that company is May 20, 1983.

17
18 (b) Beginning July 1, 2005, any company may apply to
19 the commissioner for permission to elect to apply the
20 provisions of this article on a contract form by contract
21 form basis.

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23 (c) After July 1, 2007, this article is operative
24 with respect to all annuity contracts.

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

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4 **Section 3.** This act is effective July 1, 2005.

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(END)