

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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House Bill 5999 (as reported without amendment)  
Sponsor: Representative Andrew Richner  
House Committee: Insurance and Financial Services  
Senate Committee: Financial Services

**CONTENT**

The bill would amend Section 4072 of the Insurance Code to lower the minimum nonforfeiture rate for individual deferred annuity contracts from 3% to 1.5% per year. The bill also would redefine the term "maturity value" to refer to an annual interest rate of 1.5%, instead of 3%. The 1.5% rates would begin on the bill's effective date and continue until January 1, 2005.

(Section 4072 is known as the "standard nonforfeiture law for individual deferred annuities". In general, an annuity is a contract issued by a financial institution, including an insurance company, that repays the capital invested over a set period of time plus interest. The minimum nonforfeiture rate is the minimum interest rate guarantee that an insurer may use in an individual fixed annuity contract to determine its cash value. The "maturity value" of paid-up annuity benefits is used to determine the amount of a contract's cash surrender benefits.)

MCL 500.4072

Legislative Analyst: Suzanne Lowe

**FISCAL IMPACT**

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

Date Completed: 9-25-02

Fiscal Analyst: Maria Tyszkiewicz