



Senate Fiscal Agency
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Senate Bill 624 (as introduced 9-1-21)
Sponsor: Senator Lana Theis
Committee: Insurance and Banking

Date Completed: 10-19-21

CONTENT

The bill would amend the standard nonforfeiture law for individual deferred annuities, within the Insurance Code, to modify the interest rate used in determining minimum nonforfeiture amount.

Under the law, the minimum value of a paid-up annuity, cash surrender, or death benefits available under an annuity contract must be based on a minimum nonforfeiture amount.

The interest rate used in determining minimum nonforfeiture amount must be an annual rate of interest determined as the lesser of 3.0% per annum and the following, which must be specified in the contract if the interest rate will be reset:

- The five-year constant maturity treasury rate reported by the Federal Reserve as of a date, or average over a period, rounded to the nearest 1/20 of 1.0%, specified in the contract no longer than 15 months before the contract issue date or redetermination date.
- Reduced by 125 basis points.
- Where the resulting interest rate is not less than 1.0%.
- The interest rate must apply for an initial period and may be redetermined for additional periods.

The bill would decrease, from 1.0% to 0.15%, the resulting interest rate referenced above.

MCL 500.4072

BACKGROUND

The National Association of Insurance Commissioners (NAIC) is a standard-setting and regulatory support profit organization that provides expertise, data, and analysis for insurance commissioners and regulators in the 50 states, the District of Columbia, and the five United States territories. Although the NAIC cannot directly amend a state's laws, many states use the NAIC models when drafting their own laws and regulations.

In December 2020, the NAIC voted to amend the Standard Nonforfeiture Law for Individual Deferred Annuities (Model 805) to lower, from 1.0% to 0.15%, the minimum nonforfeiture interest rate for individual deferred annuities. (The minimum nonforfeiture rate is the lowest interest rate guarantee an insurer may use in an annuity contract to determine the annuity's cash value.)

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Raczowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.