

Regular Session, 2003

ACT No. 386

HOUSE BILL NO. 2012 (Substitute for House Bill No. 1422 by Representative Hebert)

BY REPRESENTATIVE HEBERT

AN ACT

To amend and reenact R.S. 22:173.1(C)(introductory paragraph) and to enact R.S. 22:173.1(L), relative to standard nonforfeiture law for individual deferred annuities; to provide for minimum values; to provide for net considerations; to provide for interest rates; to provide for the authority of the commissioner; to provide for rules; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:173.1(C)(introductory paragraph) is hereby amended and reenacted and R.S. 22:173.1(L) is hereby enacted to read as follows:

§173.1. Standard nonforfeiture law for individual deferred annuities

* * *

C. Prior to July 1, 2005, any company may elect to comply with either the provisions of this Subsection, or the provisions of Subsection L of this Section. On and after July 1, 2005, all companies shall comply with the provisions of Subsection L of this Section. The minimum values as specified in Subsections D, E, F, G, and H of any paid-up annuity, cash surrender, or death benefits available under an

annuity contract shall be based upon minimum nonforfeiture amounts as defined in this Section: :

* * *

L. The minimum values as specified in Subsections D, E, F, G, and I of this Section of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this Subsection, as follows:

(1)(a) The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest as indicated in Paragraph (2) of this Subsection of the net considerations, as hereinafter defined, paid prior to such time, decreased by the sum of Items (i) and (ii) of this Subparagraph:

(i) Any prior withdrawals from or partial surrenders of the contract accumulated at rates of interest as indicated in Paragraph (2) of this Subsection; and

(ii) An annual contract charge of fifty dollars, accumulated at rates of interest as indicated in Paragraph (2) of this Subsection;

(iii) Any premium tax paid by the company for the contract, accumulated at rates of interest as indicated in Paragraph (2) of this Subsection; and

(iv) The amount of any indebtedness to the company on the contract, including interest due and accrued.

(b) The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to

eighty-seven and one-half percent of the gross considerations credited to the contract during that contract year.

(2) The interest rate used in determining minimum nonforfeiture amounts shall be an annual rate of interest determined as the lesser of three percent per annum and the following, which shall be specified in the contract if the interest rate will be reset:

(a) 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 one-twentieth of one percent, specified in the contract no longer than fifteen months prior to the contract issue date or redetermination date under Subparagraph (2)(d) of this Subsection;

(b) Reduced by one hundred twenty-five basis points;

(c) Where the resulting interest rate is not less than one percent;

and

(d) The interest rate shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis, and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year Constant Maturity Treasury Rate to be used at each redetermination date.

(3) During the period or term that a contract provides substantive participation in an equity indexed benefit, it may increase the reduction described in Subparagraph (2)(b) of this Subsection by up to an additional one hundred basis points to reflect the value of the equity index benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The commissioner may

require a demonstration that the present value of the additional reduction does not exceed the market value of the benefit. Lacking such a demonstration that is acceptable to the commissioner, the commissioner may disallow or limit the additional reduction.

(4) The commissioner may adopt rules to implement the provisions of Paragraph (3) of this Subsection and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity index benefit and for other contracts that the commissioner determines adjustments are justified.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____