

House Amendment 1172

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1 1 Amend House File 647 as follows:
1 2 #1. Page 5, by inserting after line 8, the
1 3 following:
1 4 ____ Section 508.38, subsection 2,
1 5 unnumbered paragraph 1, Code 2003, is amended by
1 6 striking the unnumbered paragraph and inserting in
1 7 lieu thereof the following:
1 8 In the case of contracts issued on or after the
1 9 operative date of this section as defined in
1 10 subsection 11, no contract of annuity, except as
1 11 stated in subsection 1, shall be delivered or issued
1 12 for delivery in this state unless it contains in
1 13 substance the following provisions, or corresponding
1 14 provisions that in the opinion of the commissioner are
1 15 at least as favorable to the contract holder, upon
1 16 cessation of payment of considerations under the
1 17 contract:
1 18 Sec. ____ Section 508.38, subsection 2, paragraphs
1 19 a and b, Code 2003, are amended by striking the
1 20 paragraphs and inserting in lieu thereof the
1 21 following:
1 22 a. That upon cessation of payment of
1 23 considerations under a contract or upon the written
1 24 request of the contract owner, the company shall grant
1 25 a paid-up annuity benefit on a plan stipulated in the
1 26 contract of such value as is specified in subsections
1 27 4, 5, 6, 7, and 9.
1 28 b. If a contract provides for a lump sum
1 29 settlement at maturity, or at any other time, that
1 30 upon surrender of the contract at or prior to the
1 31 commencement of any annuity payments, the company
1 32 shall pay in lieu of a paid-up annuity benefit a cash
1 33 surrender benefit of such amount as is specified in
1 34 subsections 4, 5, 7, and 9. The company may reserve
1 35 the right to defer the payment of such case surrender
1 36 benefit for a period not to exceed six months after
1 37 demand therefore with surrender of the contract after
1 38 making written request and receiving written approval
1 39 of the commissioner. The request shall address the
1 40 necessity and equitability to all policyholders of the
1 41 deferral.
1 42 Sec. ____ Section 508.38, subsections 3 and 11,
1 43 Code 2003, are amended by striking the subsections and
1 44 inserting in lieu thereof the following:
1 45 3. The minimum values as specified in subsections
1 46 4, 5, 6, 7, and 9 of any paid-up annuity, cash
1 47 surrender, or death benefits available under an
1 48 annuity contract shall be based upon minimum
1 49 nonforfeiture amounts as defined in this section.
1 50 a. The minimum nonforfeiture amount at any time at
2 1 or prior to the commencement of any annuity payments
2 2 shall be equal to an accumulation up to such time at
2 3 rates of interest as indicated in paragraph "b" of the
2 4 net considerations (as hereinafter defined) paid prior
2 5 to such time, decreased by the sum of all of the
2 6 following:
2 7 (1) Any prior withdrawals from or partial
2 8 surrenders of the contract accumulated at rates of
2 9 interest as indicated in paragraph "b".
2 10 (2) An annual contract charge of fifty dollars,
2 11 accumulated at rates of interest as indicated in
2 12 paragraph "b".
2 13 (3) The amount of any indebtedness to the company
2 14 on the contract, including interest due and accrued.
2 15 The net considerations for a given contract year
2 16 used to define the minimum nonforfeiture amount shall
2 17 be an amount equal to eighty-seven and one-half
2 18 percent of the gross considerations credited to the
2 19 contract during the contract year.
2 20 b. The interest rate used in determining minimum
2 21 nonforfeiture amounts shall be an annual rate of
2 22 interest determined as the lesser of three percent per
2 23 annum and all of the following, which shall be
2 24 specified in the contract if the interest rate will be

2 25 reset:

2 26 (1) The five-year constant maturity treasury rate
2 27 reported by the federal reserve as of a date, or
2 28 average over a period, rounded to the nearest one=
2 29 twentieth of one percent, specified in the contract no
2 30 longer than fifteen months prior to the contract issue
2 31 date or redetermination date under subparagraph (4).

2 32 (2) The result of subparagraph (1) shall be
2 33 reduced by one hundred twenty-five basis points.

2 34 (3) The resulting interest guarantee shall not be
2 35 less than one percent.

2 36 (4) The interest rate shall apply for an initial
2 37 period and may be redetermined for additional periods.
2 38 The redetermination date, basis, and period, if any,
2 39 shall be stated in the contract. The basis is the
2 40 date or average over a specified period that produces
2 41 the value of the five-year constant maturity treasury
2 42 rate to be used at each redetermination date.

2 43 During the period or term that a contract provides
2 44 substantive participation in an equity indexed
2 45 benefit, it may increase the reduction described in
2 46 subparagraph (2), by up to an additional one hundred
2 47 basis points to reflect the value of the equity index
2 48 benefit. The present value at the contract issue date
2 49 and at each redetermination date thereafter of the
2 50 additional reduction shall not exceed the market value
3 1 of the benefit. The commissioner may require a
3 2 demonstration that the present value of the reduction
3 3 does not exceed the market value of the benefit.
3 4 Lacking such a demonstration that is acceptable to the
3 5 commissioner, the commissioner may disallow or limit
3 6 the additional reduction.

3 7 The commissioner may adopt rules to implement the
3 8 provisions of subparagraph (4), and to provide for
3 9 further adjustments to the calculation of minimum
3 10 nonforfeiture amounts for contracts that provide
3 11 substantive participation in an equity index benefit
3 12 and for other contracts that the commissioner
3 13 determines adjustments are justified.

3 14 11. After the effective date of this Act, a
3 15 company may elect to apply its provisions to annuity
3 16 contracts on a contract form-by-form basis before the
3 17 second anniversary of the effective date of this Act.
3 18 In all other instances, this section shall become
3 19 operative with respect to annuity contracts issued by
3 20 the company two years after the effective date of this
3 21 Act.>

3 22 #2. By renumbering, redesignating, and correcting
3 23 internal references as necessary.

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HOFFMAN of Crawford

3 28 HF 647.503 80

3 29 jj/pj