

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 58th Legislature (2021)

4 ENGROSSED SENATE  
5 BILL NO. 529

By: Quinn of the Senate

6 and

7 Mize of the House  
8  
9

10 An Act relating to life insurance and annuities;  
11 amending 36 O.S. 2011, Section 4030.5, which relates  
12 to minimum nonforfeiture amounts; modifying  
13 calculation of certain interest rate; and providing  
14 an effective date.

15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

16 SECTION 1. AMENDATORY 36 O.S. 2011, Section 4030.5, is  
17 amended to read as follows:

18 Section 4030.5. A. The minimum values as specified in Sections  
19 4030.6, 4030.7, 4030.8, 4030.9 and 4030.11 of this title, of any  
20 paid-up annuity, cash surrender or death benefits available under an  
21 annuity contract shall be based upon minimum nonforfeiture amounts  
22 as defined in this section.

23 B. 1. The minimum nonforfeiture amount at any time at or prior  
24 to the commencement of any annuity payments shall be equal to an

1 accumulation up to such time at rates of interest as indicated in  
2 subsection C of this section of the net considerations, as  
3 hereinafter defined, paid prior to such time, decreased by the sum  
4 of:

- 5 a. any prior withdrawals from or partial surrenders of  
6 the contract accumulated at rates of interest  
7 indicated in subsection C of this section,
- 8 b. an annual contract charge of Fifty Dollars (\$50.00),  
9 accumulated at rates of interest indicated in  
10 subsection C of this section,
- 11 c. any premium tax paid by the company for the contract,  
12 accumulated at rates of interest indicated in  
13 subsection C of this section, and
- 14 d. the amount of any indebtedness to the company on the  
15 contract, including interest due and accrued.

16 2. The net considerations for a given contract year used to  
17 define the minimum nonforfeiture amount shall be an amount equal to  
18 eighty-seven and one-half percent (87.5%) of the gross  
19 considerations credited to the contract during that contract year.

20 C. The interest rate used in determining minimum nonforfeiture  
21 amounts shall be an annual rate of interest determined as the lesser  
22 of three percent (3%) per annum and the following, which shall be  
23 specified in the contract if the interest rate will be reset:

24

1        1. The five-year Constant Maturity Treasury Rate reported by  
2 the Federal Reserve as of a date, or average over a period, rounded  
3 to the nearest one-twentieth of one percent (1/20 of 1%), specified  
4 in the contract no longer than fifteen (15) months prior to the  
5 contract issue date or redetermination date under paragraph 4 of  
6 this subsection;

7        2. Reduced by one hundred twenty-five (125) basis points;

8        3. If the resulting interest rate is not less than ~~one percent~~  
9 ~~(1%)~~ fifteen one-hundredths of one percent (.15%); and

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

16       D. During the period or term that a contract provides  
17 substantive participation in an equity indexed benefit, it may  
18 increase the reduction described in paragraph 2 of subsection C of  
19 this section by up to an additional one hundred (100) basis points  
20 to reflect the value of the equity index benefit. The present value  
21 at the contract issue date, and at each redetermination date  
22 thereafter, of the additional reduction shall not exceed the market  
23 value of the benefit. The Commissioner may require a demonstration  
24 that the present value of the additional reduction does not exceed

1 the market value of the benefit. Lacking such a demonstration that  
2 is acceptable to the Commissioner, the Commissioner may disallow or  
3 limit the additional reduction.

4 E. The Commissioner may adopt rules to implement the provisions  
5 of paragraph 4 of subsection C of this section and to provide for  
6 further adjustments to the calculation of minimum nonforfeiture  
7 amounts for contracts that provide substantive participation in an  
8 equity index benefit and for other contracts that the Commissioner  
9 determines are justified.

10 SECTION 2. This act shall become effective November 1, 2021.

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12 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE, dated 04/07/2021 - DO  
13 PASS.  
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