MAINE STATE LEGISLATURE

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2	DATE: 5-7-03 (Filing No. S-) (4)
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6	INSURANCE AND FINANCIAL SERVICES
8	Reported by:
10	Reproduced and distributed under the direction of the Secretary of the Senate.
12	STATE OF MAINE
14	STATE OF MAINE SENATE 121ST LEGISLATURE
16	FIRST REGULAR SESSION
18	COMMITTEE AMENDMENT "A" to S.P. 121, L.D. 342, Bill, "An
20	Act to Amend the Law Relating to Annuities"
22	Amend the bill by striking out everything after the title and before the summary and inserting in its place the following:
24	'Emergency preamble. Whereas, Acts of the Legislature do not
26	become effective until 90 days after adjournment unless enacted as emergencies; and
28	Whereas, national financial markets have been severely and
30	adversely affected as the result of the events of September 11, 2001, and those events have affected the economy of the State; and
32	Whomas
34	Whereas, events surrounding recent improprieties by major publicly traded companies such as Enron have severely and adversely affected national financial markets and those events
36	have affected the economy of the State; and
38	Whereas, as a result of these events, earnings on investment
40	vehicles of all types have been significantly reduced, and this situation will continue to exist for the foreseeable future; and
42	Whereas, one financial investment vehicle essential to
4.4	citizens of this State is annuities; and

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Who	ereas,	the a	availa	abili	ty of	annui	ity c	ontracts	provi	ding
flexible	consi	iderati	ions v	will	become	virtu	ally	nonexist	ent if	the
laws of	this	State	are	not	change	d to	refl	ect curre	ent ma	rket
condition	ns: an	ď								

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSA §2544, as enacted by PL 1979, c. 442, §4, is amended to read:

§2544. Minimum values

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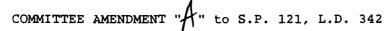
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The minimum values as specified in sections 2545 to 2548 and section 2550 of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall must be based upon minimum nonforfeiture amounts as defined in this section.

- 1. With-respect-to-centracts-providing-for-flexible censiderations, the The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall must be equal to an accumulation up to that time at a rate of interest of-3%-per-year-of-percentages as permitted under subsection 1-A of the net considerations, as hereinafter defined, paid prior to that time, decreased by the sum of:
- A. Any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest ef-3%-per-year as permitted under subsection 1-A; and
 - B. The amount of any indebtedness to the insurer on the contract, including interest due and accrued and-increased by-any-existing-additional-amounts-eredited-by-the-insurer to-the-contract.;
 - C. An annual contract charge of \$50, accumulated at a rate of interest as permitted under subsection 1-A; and
- D. Any premium tax paid by the insurer for the contract, accumulated at a rate of interest as permitted under subsection 1-A.
- The net considerations for a given contract year used to define the minimum nonforfeiture amount shall must be an amount net-less than-zero-and-shall-be equal to 87 1/2% of the corresponding

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COMMITTEE AMENDMENT



	gross considerations credited to the contract during that
2	contract year less-an-annual-contract-charge-of-\$30-and-less-a
	collection-charge-of\$1.25per-consideration-credited-te-the
4	contractduringthatcontractyear. Thepercentagesofnet considerationsshallbe65%ofthenetconsiderationforthe
6	first-contract-year-and-87-1/2%-of-the-net-considerations-for-the
	2nd-and-later-contract-yearsNotwithstanding-the-provisions-of
8	theprecedingsentence,thepercentageshall-be65%efthe
	pertion-of-the-total-net-consideration-fer-any-renewal-centract
10	year-which-exceeds-by-not-more-than-2-times-the-sum-of-these
	pertiens-of-the-net-considerations-in-all-prier-contract-years
12	for-which-the-percentage-was-65%+
14	1-A. The rate of interest used in determining minimum
	nonforfeiture amounts must be determined in accordance with the
16	following requirements and specified in any contract providing
	for recalculation of the rate of interest permitted under this
18	subsection.
20) The mate of interest must be an enough mate of interest
20	A. The rate of interest must be an annual rate of interest determined as the lesser of 3% per annum and the 5-year
22	
44	Constant Maturity Treasury Rate reported by the Federal Reserve rounded to the nearest 1/20th of 1% as of a date, or
24	average over a period, specified in the contract that is no
	later than 15 months prior to the contract issue date or the
26	redetermination date decreased by 125 basis points as long
	as the resulting rate of interest is not less than 1%.
28	
	B. The rate of interest applies for an initial period and
30	may be redetermined for additional periods. The
	redetermination date, basis and period, if any, must be
32	stated in the contract. The basis is the date or average
	over a specified period that produces the value of the
34	5-year Constant Maturity Treasury Rate to be used at each
	redetermination date.
36	
	C. During the period or term that a contract provides
38	substantive participation in an equity indexed benefit, the
	contract may increase the reduction described in paragraph A
40	by up to an additional 100 basis points to reflect the value
	of the equity indexed benefit. The present value at the
42	contract issue date, and at each redetermination date
	thereafter of the additional reduction may not exceed the

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demonstration is not accepted.

market value of the benefit. The superintendent may require

a demonstration that the present value of the additional reduction does not exceed the market value of the benefit

and may disallow or limit the reduction if such a

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COMMITTEE AMENDMENT

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	D. The superintendent may adopt rules to implement this
2	subsection and to provide for further adjustments to the
	minimum nonforfeiture amounts for contracts providing for
4	substantive participation in an equity indexed benefit and
	for contracts for which the superintendent determines
6	adjustments are appropriate. Rules adopted pursuant to this
	subsection are routine technical rules as defined in Title
8	5, chapter 375, subchapter 2-A.
10	2With-respect-to-contracts-providing-for-fixed-scheduled
	eensiderations,-minimum-nonforfeiture-amounts-shall-be-ealeulated
12	ontheassumptionthatconsiderationsarepaidannuallyin
	advanceandshallbedefinedasforcontractswithflexible
14	considerations-which-are-paid-annually-with-2-exceptions+
16	ATheportion-ofthenetconsideration-forthefirst
	eentract-year-to-be-accumulated-shall-be-the-sum-of-65%-of
18	the-net-eensideration-for-the-first-contract-year-plus-22
	1/2%-of-the-excess-of-the-net-consideration-for-the-first
20	eentract-year-over-the-lesser-of-the-net-considerations-for
	the-2nd-and-3rd-contract-years;-and
22	
	BThe-annual-contract-charge-shall-be-the-lesser-of-\$30-or
24	10%-ef-the-gress-annual-eensideration-
26	3Withrespecttocontractsprovidingforasingle
	consideration, - minimum-nonforfeiture-amounts-shall-be-defined-as
28	forcontractswithflexibleconsiderations,exceptthatthe
	percentage-of-net-consideration-used-to-determine-the-minimum
30	nenferfeitureamountshallbeequalto90%andthenet
	eensideration-shall-be-the-gress-consideration-less-a-eentract
32	eharge-of-\$75+
34	4. Notwithstanding this section, an insurer may elect to
	apply provisions of this section related to the rate of interest
36	used to determine minimum nonforfeiture amounts on a contract
	form basis.
38	
40	This subsection is repealed 2 years from the effective date of
40	this subsection.
43	Emergency clause. In view of the emergency cited in the
42	preamble, this Act takes effect when approved.'
4.4	predible, this Act cakes effect when approved.
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46	SUMMARY
-70	D CAMPAILARE
48	This amendment replaces the bill. The amendment decreases
	the rate-of-return requirements for annuity considerations from

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3.0% to the lesser of 3% or an interest rate indexed to the

COMMITTEE AMENDMENT

COMMITTEE AMENDMENT "A" to S.P. 121, L.D. 342

5-year Constant Maturity Treasury Rate of the Federal Reserve. The amendment also permits an insurer to apply the interest rate provision annuity contracts on a contract form basis until 2 years after the effective date of the provision. The amendment also adds an emergency preamble and emergency clause.

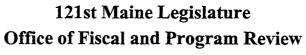
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FISCAL NOTE REQUIRED (See attached)

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LD 342

An Act to Amend the Law Relating to Annuities



LR 1256(02)

Fiscal Note for Bill as Amended by Committee Amendment 'A' S-114
Committee: Insurance and Financial Services
Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - General Fund

Fiscal Detail and Notes

Any additional costs to the Department of Professional and Financial Regulation in implementing this bill can be absorbed by the Department utilizing existing budgeted resources.