

LEGISLATIVE BILL 373

Approved by the Governor March 17, 2021

Introduced by Pahls, 31.

A BILL FOR AN ACT relating to the Standard Nonforfeiture Law for Individual Deferred Annuities; to amend section 44-407.14, Reissue Revised Statutes of Nebraska; to change the interest rate for minimum nonforfeiture amounts as prescribed; and to repeal the original section.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 44-407.14, Reissue Revised Statutes of Nebraska, is amended to read:

44-407.14 (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 set forth in subsection (2) of this section of the net considerations paid prior to such time, decreased by the sum of subdivisions (1)(a)(i) through (iv) of this section:

(i) Any prior withdrawals from or partial surrenders of the contract, accumulated at rates of interest as set forth in subsection (2) of this section;

(ii) An annual contract charge of fifty dollars, accumulated at rates of interest as set forth in subsection (2) of this section;

(iii) Any premium tax paid by the company for the contract, accumulated at rates of interest as set forth in subsection (2) of this section; and

(iv) The amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract.

(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 consideration credited to the contract during that contract year.

(2) The interest rate used in determining the minimum nonforfeiture amount 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 subdivision (2)(d) of this section;

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

(c) The resulting interest rate shall not be less than fifteen basis points ~~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 subdivision (2)(b) of this section 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 director 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 director, the director may disallow or limit the additional reduction.

(4) The director may adopt rules to implement the provisions of subsection (3) of this section 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 director determines adjustments are justified.

Sec. 2. Original section 44-407.14, Reissue Revised Statutes of Nebraska, is repealed.