

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 373

Introduced by Pahls, 31.

Read first time January 13, 2021

Committee: Banking, Commerce and Insurance

- 1 A BILL FOR AN ACT relating to the Standard Nonforfeiture Law for
- 2 Individual Deferred Annuities; to amend section 44-407.14, Reissue
- 3 Revised Statutes of Nebraska; to change the interest rate for
- 4 minimum nonforfeiture amounts as prescribed; and to repeal the
- 5 original section.
- 6 Be it enacted by the people of the State of Nebraska,

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

3 44-407.14 (1)(a) The minimum nonforfeiture amount at any time at or
4 prior to the commencement of any annuity payments shall be equal to an
5 accumulation up to such time at rates of interest as set forth in
6 subsection (2) of this section of the net considerations paid prior to
7 such time, decreased by the sum of subdivisions (1)(a)(i) through (iv) of
8 this section:

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

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

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

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

20 (b) The net considerations for a given contract year used to define
21 the minimum nonforfeiture amount shall be an amount equal to eighty-seven
22 and one-half percent of the gross consideration credited to the contract
23 during that contract year.

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

28 (a) The five-year Constant Maturity Treasury Rate reported by the
29 Federal Reserve as of a date, or average over a period, rounded to the
30 nearest one-twentieth of one percent, specified in the contract no longer
31 than fifteen months prior to the contract issue date or redetermination

1 date under subdivision (2)(d) of this section;

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

3 (c) The resulting interest rate shall not be less than fifteen basis
4 points ~~one percent~~; and

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

10 (3) During the period or term that a contract provides substantive
11 participation in an equity indexed benefit, it may increase the reduction
12 described in subdivision (2)(b) of this section by up to an additional
13 one hundred basis points to reflect the value of the equity index
14 benefit. The present value at the contract issue date, and at each
15 redetermination date thereafter, of the additional reduction shall not
16 exceed the market value of the benefit. The director may require a
17 demonstration that the present value of the additional reduction does not
18 exceed the market value of the benefit. Lacking such a demonstration that
19 is acceptable to the director, the director may disallow or limit the
20 additional reduction.

21 (4) The director may adopt rules to implement the provisions of
22 subsection (3) of this section and to provide for further adjustments to
23 the calculation of minimum nonforfeiture amounts for contracts that
24 provide substantive participation in an equity index benefit and for
25 other contracts that the director determines adjustments are justified.

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