MONTANA STATE AUDITOR
JOHN MORRISON

Protecting Montana's consumers through insurance and securities regulation

EXH. 3
DATE 1-19-05
HB 157

Non-forfeiture Benefits in Annuities
HB 157

Providing a solution to the fluctuation of interest rates in the market

This bill is based on a National Association of Insurance Commissioners (NAIC) model supported by the industry. It sets a formula tied to the federal treasury rate to determine a minimum payout to a consumer for an insurance contract.

Most of us remember the high interest rates of the 1980's as well as the very low interest rates in the current market. Insurance companies need to be able to offer a favorable rate to annuity policyowners over a long period of time. This bill provides a mechanism that allows the rate paid in an annuity to fluctuate with the 5-year constant maturity treasury rate as set by the Federal Reserve.

Non-forfeiture benefits for an insurance annuity contract relate to the cash value that develops over time in annuities and some life insurance products. Annuities are usually purchased as a way to save for retirement, so most annuities are held for a long period of time. During the policy period, market interest rates vary greatly – this bill would help address that issue of fluctuation.

Current Montana law sunsets this year and this new model will provide an equitable solution to the fluctuation of interest rates in the market for insurance annuity contracts.

840 Helena Avenue, Helena, MT 59601 • 1-800-332-6148 / 406-444-2040 / Fax: 406-444-3497 • web: sao.mt.gov / stateauditor@mt.gov