

SENATE BILL NO. 344
INTRODUCED BY R. LAIBLE

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE MINIMUM NONFORFEITURE AMOUNT TO 1.5 PERCENT A YEAR INTEREST FROM 3 PERCENT A YEAR INTEREST WITH RESPECT TO CERTAIN ANNUITY CONTRACTS PROVIDING FOR FLEXIBLE CONSIDERATIONS; AMENDING SECTION 33-20-505, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-20-505, MCA, is amended to read:

"33-20-505. Minimum nonforfeiture amounts. (1) The minimum values as specified in 33-20-506 through 33-20-509 and 33-20-511 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.

(2) (a) With respect to contracts providing for flexible considerations, 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 ~~such that~~ that time at a rate of interest of ~~3%~~ 1.5% a year of percentages of the net considerations (~~as hereinafter defined~~) paid prior to ~~such that~~ that time, decreased by the sum of any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of ~~3%~~ 1.5% a year and the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by existing additional amounts credited by the company to the contract.

(b) The net consideration for a given contract year used to define the minimum nonforfeiture amount ~~shall~~ must be an amount not less than zero and ~~shall~~ must be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of \$30 and less a collection charge of \$1.25 ~~per for each~~ consideration credited to the contract during that contract year. The percentages of net consideration ~~shall~~ must be 65% of the net consideration for the first contract year and 87 1/2% of the net consideration for the second and later contract years. ~~Notwithstanding~~ Regardless of the provisions of the preceding sentence, the percentage ~~shall~~ must be 65% of the portion of the total net consideration for any renewal contract year ~~which that~~ that exceeds by not more than two times the sum of those portions of the net consideration in all prior contract years for which the percentage was 65%.

(3) With respect to contracts providing for fixed schedule consideration, minimum nonforfeiture amounts

~~shall~~ must be calculated on the assumption that consideration is paid annually in advance and ~~shall~~ must be defined in the same manner as for contracts with flexible payments of consideration ~~which~~ that are paid annually with two exceptions:

(a) The portion of the net consideration for the first contract year to be accumulated ~~shall~~ must be the sum of 65% of the net consideration for the first contract year plus 22 1/2% of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years.

(b) The annual contract charge ~~shall~~ must be the lesser of \$30 or 10% of the gross annual consideration.

(4) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts ~~shall~~ must be defined in the same manner as for contracts with flexible payments of consideration, except that the percentage of net consideration used to determine the minimum nonforfeiture amount ~~shall~~ must be equal to 90% and the net consideration ~~shall~~ must be the gross consideration less a contract charge of \$75."

NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 3. Applicability.** [This act] applies to annuity contracts that are entered into or renewed on or after July 1, 2003.

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