

SENATE BILL REPORT

SB 5793

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 20, 2003

Title: An act relating to minimum nonforfeiture amounts applicable to certain contracts of life insurance and annuities.

Brief Description: Changing on a temporary basis the minimum nonforfeiture amounts applicable to certain contracts of life insurance and annuities.

Sponsors: Senators Winsley and Prentice.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 2/20/03 [DPS].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 5793 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Roach and Zarelli.

Staff: Alison Mendiola-Hamilton (786-7576)

Background: If a life insurance policy or annuity contract provides for flexible considerations, a policy holder is able to "cash out" of the policy before maturity. The minimum nonforfeiture amount is paid, based on net considerations, at an interest rate of 3 percent per annum.

Insurers are required to have a reserve equal to the minimum nonforfeiture amount.

Summary of Substitute Bill: The minimum nonforfeiture amount of any life insurance or annuity contract issued between July 1, 2003, and July 1, 2005, is based on an interest rate of one and one-half percent per annum.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is an effort to deal with the lower interest rates in our economy today. Eighteen other states have taken similar action. Insurers are requested to have reserves equal to the minimum guarantee.

Testimony Against: None.

Testified: Basil Badley, ACLI (pro).