

Article - Insurance

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§16-504.

(a) The minimum values specified under §§ 16-505 through 16-509 of this subtitle of any paid-up annuity, cash surrender, or death benefits under an annuity contract shall be based on minimum nonforfeiture amounts calculated under this section.

(b) (1) At any time before or at the start of any annuity payments, the minimum nonforfeiture amount under an annuity contract shall equal the remainder of:

(i) the accumulation until that time, of the net considerations paid prior to that time, at an interest rate determined under subsection (c) of this section; less

(ii) the sum of:

1. any withdrawal from or partial surrender of the contract accumulated at the interest rate determined under subsection (c) of this section;

2. an annual contract charge of \$50 accumulated at the interest rate determined under subsection (c) of this section;

3. any premium tax actually paid by the company for the contract, not to include a premium tax credited back to the company, accumulated at the interest rate determined under subsection (c) of this section; and

4. any indebtedness to the insurer on the contract, including interest due and accrued.

(2) The net considerations for a given contract year used to calculate the minimum nonforfeiture amount shall equal 87.5% of the gross considerations credited to the contract during that contract year.

(c) (1) The interest rate used to determine the minimum nonforfeiture amounts under subsection (b) of this section shall be an annual rate of interest that is equal to the lesser of:

(i) 3% per year; or

(ii) the 5-year constant maturity treasury rate reported by the Federal Reserve Board.

(2) The 5-year constant maturity treasury rate under paragraph (1)(ii) of this subsection shall be:

(i) 1. as of a date not more than 15 months before either the contract issue date or redetermination date; or

2. averaged over a period of not more than 15 months before the contract issue date or redetermination date; and

(ii) rounded to the nearest one-twentieth of 1% and then reduced by 125 basis points.

(3) The interest rate calculated under paragraphs (1) and (2) of this subsection may not be less than 1%.

(4) (i) The interest rate calculated under paragraphs (1) and (2) of this subsection:

1. shall apply to the initial contract period; and

2. may be redetermined for additional periods.

(ii) The contract shall state:

1. whether the interest rate will be redetermined; and

2. the interest rate redetermination date, basis, and period, if any.

(d) (1) During the period that a contract provides for substantive participation in an equity index benefit, the insurer may increase the 125 basis points under subsection (c)(2)(ii) of this section up to an additional 100 basis points to reflect the value of the equity index benefit.

(2) On the issue date of the contract, and on each redetermination date, the present value of the additional reduction may not exceed the market value of the equity index benefit.

(3) (i) The Commissioner may require the insurer to demonstrate that the present value of the additional reduction does not exceed the market value of the equity index benefit.

(ii) If the Commissioner finds that the demonstration under subparagraph (i) of this paragraph is inadequate, the Commissioner may disallow or limit the additional reduction.

(e) (1) The Commissioner may adopt regulations to implement the provisions of this section.

(2) The regulations under paragraph (1) of this subsection may provide for:

(i) adjustments to the calculation of the minimum nonforfeiture amount for contracts that provide substantive participation in an equity index benefit; and

(ii) adjustments for other contracts as determined by the Commissioner.

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