

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 333

(Senators Astle and Klausmeier)

Finance

Health and Government Operations

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**Individual Deferred Annuities - Minimum Nonforfeiture Amount - Interest Rate  
on Accumulations**

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This bill reduces, from 3% to 1.5%, the minimum interest rate that must be paid on the nonforfeiture amount under an annuity contract upon cancellation.

The bill is effective June 1, 2003 and terminates May 31, 2005.

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**Fiscal Summary**

**State Effect:** Minimal increase in special fund revenues in FY 2003 and 2004 from form filing fees collected by the Maryland Insurance Administration. Expenditures would not be affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** The minimum nonforfeiture amount under an annuity contract that provides for flexible payments on or before the start of annuity payouts upon cancellation is the accumulated amount of the annuity until that time, at a 3% interest rate, of the percentages of net amount paid before that time and any existing additional amount credited by the insurer to the contract, less the sum of: (1) any withdrawal from or partial surrender of the contract accumulated at 3% interest; and (2) any indebtedness to the insurer on the contract, including interest due and accrued.

The net amounts paid for a given contract year used to calculate the minimum nonforfeiture amount equals the remainder of the corresponding gross amount credited to the account during the contract year, less the sum of a \$30 annual contract charge and a \$1.25 per payment collection charge. The net payments into the annuity for a given contract year may not be less than zero. The percentage of net payments into the annuity contract for the first year is 65%. Generally, the percentage is 87.5% in subsequent contract years.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2003  
mam/jr Revised - Senate Third Reader - March 25, 2003

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