

SESSION OF 2004

## SUPPLEMENTAL NOTE ON SENATE BILL NO. 508

As Recommended by Senate Committee on  
Financial Institutions and Insurance

### **Brief\***

SB 508 enacts the standard nonforfeiture law for individual deferred annuities. The bill becomes effective on July 1, 2004, and after that date, but before July 1, 2006, companies may elect to apply the changes to annuity contracts on a contract form-by-contract form basis. All the provisions of the bill become operative with respect to all annuity contracts issued by a company after July 1, 2006. The provisions of the existing standard nonforfeiture law for individual deferred annuities is repealed on July 1, 2006.

The major changes in the new law relate to a minimum nonforfeiture rate and the nonforfeiture benefit calculation. The minimum forfeiture rate will be determined using the five-year constant maturity treasury rate reported by the Federal Reserve less 125 basis points. Additionally, the bill establishes a cap of three percent and a minimum of one percent. The nonforfeiture benefit is based on a calculation of 87.5 percent of first-year considerations (increased from 65 percent for fixed and flexible consideration contracts).

### **Background**

SB 508 was requested by the Insurance Commissioner and supported by the American Council of Life Insurers. The proponents explained that the changes are appropriate, necessary, and balance the needs of companies for relief in times of low interest rates and protection of the consumer through appropriate rate guarantees and assurances that consumers have earlier access to more of their money.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>