House Bill 539 (AS PASSED HOUSE AND SENATE)

By: Representative Harbin of the 80th

A BILL TO BE ENTITLED

AN ACT

To amend Code Section 33-28-3 of the Official Code of Georgia Annotated, relating to standard nonforfeiture provisions for individual deferred annuities, so as to provide for the calculation of minimum nonforfeiture amounts; to provide for certain minimum interest rates; to provide for the use of index rates of interest; to provide for rules and regulations; to provide for related matters; to provide an effective date; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Code Section 33-28-3 of the Official Code of Georgia Annotated, relating to standard nonforfeiture provisions for individual deferred annuities, is amended by striking subsection (d) and inserting in lieu thereof a new subsection (d) to read as follows:

"(d) The minimum values as specified in subsections (e) through (h) and (j) of this Code section of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined ~~in this subsection;~~

~~(1) 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 be equal to an accumulation up to such time at a rate of interest of 1 1/2 percent per annum of percentages of the net considerations as defined in paragraph (2) of this subsection paid prior to such time, decreased by the sum of any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of 1 1/2 percent per annum and the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by an existing additional amount credited by the company to the contract; provided that, on July 1, 2005, the rates of interest provided for in this paragraph shall increase from 1 1/2 percent per annum to 3 percent per annum and provided further that nothing in this paragraph shall impair or alter the provisions of any annuity contract in existence on June 3, 2003;~~

~~(2) The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of $30.00 and less a collection charge of $1.25 per consideration credited to the contract during that contract year. The percentages of net considerations shall be 65 percent of the net consideration for the first contract year and 87 1/2 percent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be 65 percent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was 65 percent;~~

~~(3) With respect to contracts providing for fixed, scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:~~

~~(A) The portion of the net consideration for the first contract year to be accumulated shall be the sum of 65 percent of the net consideration for the first contract year plus 22 1/2 percent 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; and~~

~~(B) The annual contract charge shall be the lesser of $30.00 or 10 percent of the gross annual consideration;~~

~~(4) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations, except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to 90 percent and the net consideration shall be the gross consideration less a contract charge of $75.00~~ by the Commissioner by rule and regulation based upon interest rates set by the Commissioner to reflect current and prevailing economic and financial conditions; provided, however, that such interest rates shall not be less than 1 percent per annum nor more than 3 percent per annum.″

SECTION 2.

This Act shall become effective on July 1, 2005.

SECTION 3.

All laws and parts of laws in conflict with this Act are repealed.