

FINAL BILL REPORT

2SSB 5793

C 91 L 04

Synopsis as Enacted

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

Sponsors: Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Winsley and Prentice).

Senate Committee on Financial Services, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: The Insurance Commissioner is responsible for regulating life insurance and annuities in Washington State. Generally, these types of insurance require the insurer to pay a minimum interest rate of 3 percent of any paid-up annuity, or life insurance death benefit, if an insured person opts to "cash out" a policy prior to its maturity.

In recent years, with interest rates the lowest they have been in decades, it is believed to be financially inequitable to require insurers to pay 3 percent per year on annuity contracts, essentially requiring insurance companies to offer contractual minimum rates in excess of actual market rates.

The National Association of Insurance Commissioners (NAIC) adopts model legislation on various issues, in order to update and correct insurance regulatory concepts. The NAIC developed model legislation regarding minimum nonforfeiture rates in 2003, and more than a dozen states have adopted the model.

Summary: The NAIC model minimum nonforfeiture rate legislation is adopted in Washington State. The indexed interest rate is within a range: not less than 1 percent nor more than 3 percent, creating a statutory floor and ceiling.

For the first two years after this law's effective date, insurers can use the old law or the new one in their contracts. As of July 1, 2006, the new law applies to all new contracts.

Votes on Final Passage:

Senate	46	0
House	96	0

Effective: July 1, 2004