



SPONSOR: Rep. Bush & Sen. Mantzavinos
Reps. Baumbach, Brady, Ramone; Sen. Ennis

HOUSE OF REPRESENTATIVES
151st GENERAL ASSEMBLY

HOUSE BILL NO. 3

AN ACT TO AMEND TITLE 18 OF THE DELAWARE CODE RELATING TO STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend § 2929A (d) (5)b.1.C. of Title 18 of the Delaware Code by making deletions as shown by strike
2 through and insertions as shown by underlining as follows:

3 § 2929A Standard nonforfeiture law; individual deferred annuities

4 (d) The minimum values as specified in subsections (e), (f), (g), (h) and (j) of this section of any paid-up annuity,
5 cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as
6 defined in this subsection:

7 (5) The minimum values as specified in paragraphs (e), (f), (g), (h) and (j) of this section of any paid-up
8 annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum
9 nonforfeiture amounts as defined in this paragraph.

10 b.1. The interest rate used in determining minimum nonforfeiture amounts shall be an annual rate of
11 interest determined as the lesser of 3% per annum and paragraphs (d)(5)b.1.A. through C. of this section as
12 follows, which must be specified in the contract if the interest rate will be reset:

13 A. the 5-year Constant Maturity Treasury Rate reported by the Federal Reserve as of a date, or
14 as an average over a period, rounded to the nearest 1/20th of 1% specified in the contract no longer than
15 15 months prior to the contract issue date or redetermination date under paragraph (d)(5)b.2. of this
16 section;

17 B. Reduced by 125 basis points;

18 C. Where the resulting interest rate is not less than ~~4%~~ 0.15%.

19 Section 2. Application

20 This Act shall apply only to annuity products delivered or issued for delivery in this State on or after the effective
21 date.

22 Section 3. Effective Date.

This Act shall take effect upon enactment.

SYNOPSIS

This Act incorporates recent changes adopted by the National Association of Insurance Commissioners to Model Law #805 “Standard Nonforfeiture Law – Individual Deferred Annuities” that address the impact on annuity products by the current low interest rate environment. Generally speaking, the standard Nonforfeiture Law requires that an individual deferred annuity contract provide the contract holder with a paid-up annuity or cash surrender benefits of a minimum amount if the contract holder surrenders the policy (e.g. stops making payments) during the accumulation period. The nonforfeiture amount is the deferred annuity’s accumulated value, minus certain charges (such as prior withdrawals and loans), based on interest rate minimums regulated by statute. Due to the COVID-19 pandemic, market interest rates have fallen so low as to render unrealistic the old statutory rates that insurance companies were required to use in determining the amount to return to contract holders. The NAIC has determined this threatens the availability of annuity products to consumers and, as such, adopted a change to the interest rate from 1% to 0.15%.