HB 938 -- ANNUITY CONTRACTS

SPONSOR: Luetkemeyer

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Financial Services by a vote of 19 to 0.

This bill amends the formula that may be used for determining the minimum present value of an annuity when it is terminated early. Current law requires these contracts to offer a minimum interest rate of 3%. The bill removes this minimum and allows these contracts to offer a rate that is tied to the five-year Constant Maturity Treasury Rate, as reported by the Federal Reserve. The bill allows the sellers of annuities to continue to use the current formula until July 1, 2006. The current law is set to expire on July 1, 2004.

FISCAL NOTE: No impact on General Revenue Fund in FY 2005, FY 2006, and FY 2007. Total Estimated Net Income on Other State Funds of $0 to $17,500 in FY 2005, $0 in FY 2006, and $0 in FY 2007.

PROPONENTS: Supporters say that this change to the minimum percentage rate on annuities will allow the market to determine the rate of return. The provision is taken from model language provided by the National Association of Insurance Commissioners, and 14 states have already enacted this legislation. Without it, insurers could be forced to withdraw some annuity products from the market, resulting in Missouri investors having fewer investment choices.

Testifying for the bill were Representative Luetkemeyer; General American Mutual Insurance; Metropolitan Life Insurance; Life Insurance Association; Prudential Insurance; and American International Group Insurance.

OPPONENTS: There was no opposition voiced to the committee.

Richard Smreker, Senior Legislative Analyst