

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 164  
Finance

(Senator Feldman)

Health and Government Operations

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**Insurance – Annuities – Nonforfeiture – Interest Rate**

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This bill lowers the minimum nonforfeiture rate for a life insurance/annuity policy (the minimum interest rate that an insurer uses to determine the cash value of a policy as it grows over time) from 1% to 0.15%.

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**Fiscal Summary**

**State Effect:** Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2023. MIA can likely handle the review of any additional filings using existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The value of any paid-up annuity, cash surrender, or death benefits under a life-insurance/annuity contract must be based on the minimum nonforfeiture amount calculations established by Insurance Law. Before or at the start of any annuity payments, the minimum nonforfeiture amount must equal the remainder of the accumulation of the net considerations paid prior to that time, at an interest rate determined in the following manner less the sum of withdraws, annual contract charges, premium taxes paid for the contract, and any insurer debt for the contract, as specified.

Generally, the interest rate used to determine minimum nonforfeiture amounts as they grow over time must be an annual interest rate equal to the lesser of (1) 3% per year or (2) the

five-year constant maturity rate reported by the Federal Reserve Board; however, the interest rate may not be less than 1% per year.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 119 (Delegate Qi) - Health and Government Operations.

**Information Source(s):** Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - January 21, 2022  
js/jc Third Reader - February 17, 2022

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