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TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS

Before the Senate Industry, Business and Labor Committee

March 9, 2021

House Bill 1153 – An Act Relating to the Interest Rate Used in Determining the Minimum Nonforfeiture Interest Amount for an Individual Deferred Annuity

Chairman Klein and members of the House Industry, Business and Labor Committee, I am writing on behalf of the American Council of Life Insurers (ACLI) to express our support for House Bill 1153, sponsored by Representative Keiser and Senator Klein.

If enacted, H. 1153 would update North Dakota's standard nonforfeiture law for individual deferred annuities to reflect a technical but important revision to its Model Law recently approved by the National Association of Insurance Commissioners (NAIC).

ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry and its consumers. Ninety million American families rely on the life insurance industry for financial protection and retirement security. Our member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, and reinsurance as well as supplemental benefits such as dental and vision plans.

ACLI members account for 94 percent of the annuity contracts issued in North Dakota. In 2019 alone, life insurers paid out $192 million in annuity benefits to North Dakota residents, helping them maintain financial security through their retirement years.

Existing North Dakota law requires that individual deferred annuity contracts provide the contract holder with a paid-up annuity or cash surrender benefit of a minimum amount if the contract holder stops making payments during the accumulation period. The **nonforfeiture amount** is the annuity's guaranteed minimum value, adjusted by any charges such as any withdrawals made or loans received by the contract holder, and is based on a minimum interest rate, which in North Dakota law is currently 1 percent. That law is based on an older version of the NAIC Model Law dating back almost 18 years.

In recent years, historically low U.S. Treasury interest rates have fallen so low as to render unrealistic the old statutory rates that insurance companies were required to use in determining the minimum amount to return to annuity contract holders. After review, the NAIC determined that this threatens the availability of annuity products to consumers and decided to lower the minimum interest rate required from 1 percent to .15 percent.

It is important to note that this interest rate change would apply to new business only – existing annuity contracts would remain unaffected. Notwithstanding the reference on page 1, line 7 to annuity contracts issued after July 31, 2005, we read this legislation as applying to contracts issued after the effective date of this legislation.

Chairman Klein and members of the Committee, I appreciate the opportunity you have given us to provide our comments on House Bill 1153 and stand ready to answer any questions you may have.

Respectfully submitted,

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