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FISCAL IMPACT REPORT

SPONSOR: SFC DATE TYPED: 03/03/03 HB _____

SHORT TITLE: Nonforfeiture Interest on Deferred Annuities SB 658/SFCS

ANALYST: Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

Duplicates HB 592

SOURCES OF INFORMATION

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

The Senate Finance Committee Substitute for Senate Bill 658 amends the Standard Nonforfeiture Law--Individual Deferred Annuities to reflect model language of the National Association of Insurance Commissioners (NAIC).

The bill also provides flexibility to lower the interest rate (currently at 3%) used to determine minimum nonforfeiture values.

Significant Issues

Interest rates are lower today in the United States than they have been in a long time. In particular, driven by the market and monetary policy, short-term interest rates have plunged. Insurers have requested relief from the requirements of the standard nonforfeiture law for deferred annuities.

SB 658 incorporates an interest rate index approach which allows the rate to be the lesser of 3% or the adjusted index, with the interest rate not to fall below 1%. Without revisions proposed by the bill, the NAIC believes annuity products may be withdrawn from the market and not be available to New Mexicans. The ultimate solution of an indexed approach has a substantial af-

fect on insurer solvency.

FISCAL IMPLICATIONS

Annuity insurers will file new policy forms with the insurance division. The PRC considers the fiscal impact of SB 658 to be minimal.

ADMINISTRATIVE IMPLICATIONS

Annuity insurers will file new policy forms with the insurance division.

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