

Senate Bill No. 426

CHAPTER 100

An act to repeal and add Section 10168.4 of the Insurance Code, relating to annuities.

[Approved by Governor July 15, 2015. Filed with
Secretary of State July 15, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

SB 426, Leyva. Annuities: cash surrender benefits.

Existing law governs annuities and, for those insurance contracts that provide cash surrender benefits, prescribes the cash surrender benefit available prior to maturity. Existing law also requires the death benefit under these contracts to be at least equal to the cash surrender benefit.

This bill would instead require the death benefit payable under contracts issued or delivered on or after January 1, 2016, to persons 65 years of age or older to be at least equal to the annuity value or accumulation value, excluding any surrender charges or penalties upon death. The bill would also make technical changes.

The people of the State of California do enact as follows:

SECTION 1. Section 10168.4 of the Insurance Code is repealed.

SEC. 2. Section 10168.4 is added to the Insurance Code, to read:

10168.4. Contracts that provide cash surrender benefits shall comply with all of the following:

(a) Cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued on the indebtedness, and increased by any existing additional amounts credited by the company to the contract.

(b) For purposes of subdivision (a), the present value shall be calculated on the basis of an interest rate that is not more than 1 percent higher than the interest rate specified in the contract for accumulating the net considerations to determine the maturity value.

(c) The cash surrender benefit shall not be less than the minimum nonforfeiture amount at the time of the surrender.

(d) (1) Except as otherwise provided in paragraph (2), the death benefit shall be at least equal to the cash surrender benefit.

(2) For contracts issued or delivered on or after January 1, 2016, to persons who are 65 years of age or older, the death benefit shall be at least equal to the annuity value or accumulation value, excluding any surrender charges or penalties upon death.