

SUMMARY OF LEGISLATIVE PROPOSALS

DEPT. CODE	DATE
	8/25/75

ATTENTION: LEGISLATIVE SECRETARY
GOVERNOR'S OFFICE
COMMONWEALTH OF PENNSYLVANIA

THIS SUMMARY IS: ☒ AN OPINION
☐ A JUSTIFICATION

OF: ☐ A PROPOSED AMENDMENT
☐ PROPOSED LEGISLATION
☒ PENDING LEGISLATION

FROM: Benn Prybutok, Legislative Liaison Insurance Department Tier 4, Finance Building Telephone: 787-3485 and 787-6174	FOR OFFICIAL USE ONLY	
	APPROVED BY	DATE
	ATTORNEY GENERAL	
	BUDGET SECRETARY	

A. PENDING LEGISLATION: Senate Bill 636 (Pr.#675) Sponsors: Hankins, Holl, et.al.
Senate Bill 637 (Pr.#676) Sponsors: Hankins, Holl, et.al.

OR BILL NUMBER:

B. PROPOSED LEGISLATION: (GIVE CONTENT, PURPOSE AND FUNCTION)

Senate Bill 636 - Amending the Insurance Department Law, further regulating the computation of the reserve liability of life and health and accident insurance policies and annuity contracts.

Senate Bill 637 - Amending the Insurance Company Law, increasing the interest rate for computation of minimum nonforfeiture benefits and cash surrender values required in life insurance policies.

C. PREVIOUS HISTORY

Referred to Senate Insurance Committee, April 28, 1975.

D. DEPARTMENT POSITION: (EXPRESS SUPPORT, OPPOSITION, PROBLEM OR NEED AND JUSTIFY — USE ADDITIONAL SHEETS IF NECESSARY)

These companion Bills involve somewhat complicated actuarial concepts. Together, they have three main provisions. These are:

(1) they would raise the interest assumption on reserves for life insurance policies from 3½% to 4%;

(2) they would raise the interest assumption on single premium immediate annuities from 4% to 6%;

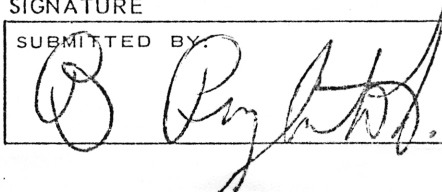
(3) they would change the basis on which accident and health insurance reserves are computed from a fixed table at a fixed rate, to a table and rate to be determined by the Insurance Commissioner.

The Insurance Department supports Senate Bill 636 and Senate Bill 637 in principle. However, we regard the proposed 6% interest rate for "single premium immediate annuity contracts" found on page 3, lines 24-25 of the Bill to be excessive. Instead, we propose that the wording on page 3, line 24-25, "and six percentum (6%) interest for single premium immediate annuity contracts", be stricken and that the wording "for single premium immediate annuity contracts, and interest rate to be approved from time to time by the Insurance Commissioner", be inserted.

With the above-noted proviso, the Insurance Department supports the passage of Senate Bill 636 and Senate Bill 637.

SIGNATURE

SUBMITTED BY:



DATE FILED: