

Association of Ohio

AOLIC

Life Insurance Companies

**Senate Insurance Committee
Senate Bill 256
Proponent Testimony
November 30, 2021**

Chairman Hackett, Vice Chair Romanchuk, Ranking Member Craig and members of the Senate Insurance Committee, thank you for providing the opportunity to support Senate Bill 256.

The Association of Ohio Life Insurance Companies (“AOLIC”) is a trade association of most of the largest life insurance companies doing business in Ohio. We are the definitive voice for the life insurance industry in Ohio and strive to make Ohio the best life insurance state in the nation, for both companies and consumers.

AOLIC members include 14 domestic and foreign life insurers doing business throughout the state. Many of these companies offer their products throughout the United States, and are active in regulatory discussions in other jurisdictions. Continuity between states in which our companies do business is always important for our industry.

Senate Bill 256 includes the update to the minimum standard nonforfeiture interest rate consistent with the National Association of Insurance Commissioners’ (NAIC) most recent model law adopted in December of 2020. Generally speaking, the standard nonforfeiture law in Title 39 requires that an individual deferred annuity contract provide the contract holder with a paid-up annuity or cash surrender benefits of a minimum amount if the contract holder surrenders the policy (e.g. stops making payments) during the accumulation period. The nonforfeiture amount is the deferred annuity’s accumulated value minus certain charges (such as prior withdrawals and loans), based on interest rate minimums regulated by statute. In recent months, market interest rates have fallen so low as to render unrealistic the old statutory rates that insurance companies were required to use in determining the amount to return to contract holders. The NAIC has determined this threatens the availability of annuity products to consumers. Therefore, it is important to lower the rate floor in Ohio’s statute to be consistent with the model law.

The current interest rate environment creates unique challenges. In 2020, the yields for the U.S. 5-year and 10-year Treasuries have been as low as 0.19% and 0.52%. Therefore, the NAIC proposes lowering the standard minimum nonforfeiture rate from 1% to .15% in the model law. The .15% floor will only be triggered in low interest rate environments, such as the one we are currently experiencing and will only apply to newly issued contracts. While companies can invest in assets

MEMBER COMPANIES

Brighthouse Financial
Charlotte, North Carolina

The Cincinnati Life Insurance Co.
Cincinnati, Ohio

Encova Insurance
Columbus, Ohio

Genworth Financial, Inc.
Richmond, Virginia

Grange Life Insurance Co.
Columbus, Ohio

Great American Insurance Group
Cincinnati, Ohio

Guardian Life Insurance Company
New York, New York

MetLife
New York, New York

Nationwide
Columbus, Ohio

New York Life Insurance Co.
New York, New York

Primerica
Duluth, GA

Ohio National Life Insurance Co.
Cincinnati, Ohio

The Prudential Insurance Co. of America
Newark, New Jersey

Western & Southern Financial Group
Cincinnati, Ohio

with higher yields than US Treasuries, examination of the US Treasuries is appropriate when considering the level of guarantee that a product may support.

This statutory change is important for life insurance companies selling annuities in Ohio. To be competitive with other states who have adopted the new rate, Ohio should adopt the new minimum nonforfeiture rate. Furthermore, realistically linking the standard minimum nonforfeiture rate with the current market environment ultimately benefits the consumers in allowing annuities to be more competitive with lower premiums. We ask for your favorable consideration of Senate Bill 256.