

# SB2872



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB2872

Introduced 1/16/2026, by Sen. Julie A. Morrison

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/229.4a

Amends the Illinois Insurance Code. Provides that specified provisions of the Standard Nonforfeiture Law for Individual Deferred Annuities shall not apply to contingent deferred annuities. Provides that, notwithstanding this exemption, the Director of Insurance shall have the authority to adopt, by rule, nonforfeiture benefits for contingent deferred annuities that are, in the opinion of the Director, equitable to the contract holder, appropriate given the risks insured, and, to the extent possible, consistent with the general intent of the provisions concerning individual deferred annuities. Effective immediately.

LRB104 16830 BAB 30239 b

A BILL FOR

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by  
5 changing Section 229.4a as follows:

6 (215 ILCS 5/229.4a)

7 Sec. 229.4a. Standard Nonforfeiture Law for Individual  
8 Deferred Annuities.

9 (1) Title. This Section shall be known as the Standard  
10 Nonforfeiture Law for Individual Deferred Annuities.

11 (2) Applicability.

12 (A) This Section shall not apply to any reinsurance,  
13 group annuity purchased under a retirement plan or plan of  
14 deferred compensation established or maintained by an  
15 employer (including a partnership or sole proprietorship)  
16 or by an employee organization, or by both, other than a  
17 plan providing individual retirement accounts or  
18 individual retirement annuities under Section 408 of the  
19 Internal Revenue Code, as now or hereafter amended,  
20 premium deposit fund, variable annuity, investment  
21 annuity, immediate annuity, any deferred annuity contract  
22 after annuity payments have commenced, or reversionary  
23 annuity, nor to any contract which shall be delivered

1 outside this State through an agent or other  
2 representative of the company issuing the contract.

3 (B) Subsections (3) through (8) shall not apply to  
4 contingent deferred annuities. Notwithstanding this  
5 exemption, the Director shall have the authority to adopt,  
6 by rule, nonforfeiture benefits for contingent deferred  
7 annuities that are, in the opinion of the Director,  
8 equitable to the contract holder, appropriate given the  
9 risks insured, and, to the extent possible, consistent  
10 with the general intent of this Section.

11 (3) Nonforfeiture Requirements.

12 (A) In the case of contracts issued on or after the  
13 operative date of this Section as defined in subsection  
14 (13), no contract of annuity, except as stated in  
15 subsection (2), shall be delivered or issued for delivery  
16 in this State unless it contains in substance the  
17 following provisions, or corresponding provisions which in  
18 the opinion of the Director of Insurance are at least as  
19 favorable to the contract holder, upon cessation of  
20 payment of considerations under the contract:

21 (i) That upon cessation of payment of  
22 considerations under a contract, or upon the written  
23 request of the contract owner, the company shall grant  
24 a paid-up annuity benefit on a plan stipulated in the  
25 contract of such value as is specified in subsections  
26 (5), (6), (7), (8), and (10);

1           (ii) If a contract provides for a lump sum  
2 settlement at maturity, or at any other time, that  
3 upon surrender of the contract at or prior to the  
4 commencement of any annuity payments, the company  
5 shall pay in lieu of a paid-up annuity benefit a cash  
6 surrender benefit of such amount as is specified in  
7 subsections (5), (6), (8), and (10). The company may  
8 reserve the right to defer the payment of the cash  
9 surrender benefit for a period not to exceed 6 months  
10 after demand therefor with surrender of the contract  
11 after making written request and receiving written  
12 approval of the Director. The request shall address  
13 the necessity and equitability to all policyholders of  
14 the deferral;

15           (iii) A statement of the mortality table, if any,  
16 and interest rates used calculating any minimum  
17 paid-up annuity, cash surrender, or death benefits  
18 that are guaranteed under the contract, together with  
19 sufficient information to determine the amounts of the  
20 benefits; and

21           (iv) A statement that any paid-up annuity, cash  
22 surrender, or death benefits that may be available  
23 under the contract are not less than the minimum  
24 benefits required by any statute of the state in which  
25 the contract is delivered and an explanation of the  
26 manner in which the benefits are altered by the

1           existence of any additional amounts credited by the  
2           company to the contract, any indebtedness to the  
3           company on the contract, or any prior withdrawals from  
4           or partial surrenders of the contract.

5           (B) Notwithstanding the requirements of this Section,  
6           a deferred annuity contract may provide that if no  
7           considerations have been received under a contract for a  
8           period of 2 full years and the portion of the paid-up  
9           annuity benefit at maturity on the plan stipulated in the  
10          contract arising from prior considerations paid would be  
11          less than \$20 monthly, the company may at its option  
12          terminate the contract by payment in cash of the then  
13          present value of the portion of the paid-up annuity  
14          benefit, calculated on the basis on the mortality table,  
15          if any, and interest rate specified in the contract for  
16          determining the paid-up annuity benefit, and by this  
17          payment shall be relieved of any further obligation under  
18          the contract.

19          (4) Minimum values. The minimum values as specified in  
20          subsections (5), (6), (7), (8), and (10) of any paid-up  
21          annuity, cash surrender, or death benefits available under an  
22          annuity contract shall be based upon minimum nonforfeiture  
23          amounts as defined in this subsection.

24                 (A) (i) The minimum nonforfeiture amount at any time at  
25                 or prior to the commencement of any annuity payments shall  
26                 be equal to an accumulation up to such time at rates of

1 interest as indicated in subdivision (4)(B) of the net  
2 considerations (as hereinafter defined) paid prior to such  
3 time, decreased by the sum of paragraphs (a) through (d)  
4 below:

5 (a) Any prior withdrawals from or partial  
6 surrenders of the contract accumulated at rates of  
7 interest as indicated in subdivision (4)(B);

8 (b) An annual contract charge of \$50, accumulated  
9 at rates of interest as indicated in subdivision  
10 (4)(B);

11 (c) Any premium tax paid by the company for the  
12 contract, accumulated at rates of interest as  
13 indicated in subdivision (4)(B); and

14 (d) The amount of any indebtedness to the company  
15 on the contract, including interest due and accrued.

16 (ii) The net considerations for a given contract year  
17 used to define the minimum nonforfeiture amount shall be  
18 an amount equal to 87.5% of the gross considerations,  
19 credited to the contract during that contract year.

20 (B) The interest rate used in determining minimum  
21 nonforfeiture amounts shall be an annual rate of interest  
22 determined as the lesser of 3% per annum and the  
23 following, which shall be specified in the contract if the  
24 interest rate will be reset:

25 (i) The 5-year Constant Maturity Treasury Rate  
26 reported by the Federal Reserve as of a date, or

1 average over a period, rounded to the nearest 1/20th  
2 of one percent, specified in the contract no longer  
3 than 15 months prior to the contract issue date or  
4 redetermination date under subdivision (4) (B) (iv);

5 (ii) Reduced by 125 basis points;

6 (iii) Where the resulting interest rate is not  
7 less than 0.15%; and

8 (iv) The interest rate shall apply for an initial  
9 period and may be redetermined for additional periods.  
10 The redetermination date, basis, and period, if any,  
11 shall be stated in the contract. The basis is the date  
12 or average over a specified period that produces the  
13 value of the 5-year Constant Maturity Treasury Rate to  
14 be used at each redetermination date.

15 (C) During the period or term that a contract provides  
16 substantive participation in an equity indexed benefit, it  
17 may increase the reduction described in subdivision  
18 (4) (B) (ii) above by up to an additional 100 basis points  
19 to reflect the value of the equity index benefit. The  
20 present value at the contract issue date, and at each  
21 redetermination date thereafter, of the additional  
22 reduction shall not exceed market value of the benefit.  
23 The Director may require a demonstration that the present  
24 value of the additional reduction does not exceed the  
25 market value of the benefit. Lacking such a demonstration  
26 that is acceptable to the Director, the Director may

1 disallow or limit the additional reduction.

2 (D) The Director may adopt rules to implement the  
3 provisions of subdivision (4)(C) and to provide for  
4 further adjustments to the calculation of minimum  
5 nonforfeiture amounts for contracts that provide  
6 substantive participation in an equity index benefit and  
7 for other contracts that the Director determines  
8 adjustments are justified.

9 (5) Computation of Present Value. Any paid-up annuity  
10 benefit available under a contract shall be such that its  
11 present value on the date annuity payments are to commence is  
12 at least equal to the minimum nonforfeiture amount on that  
13 date. Present value shall be computed using the mortality  
14 table, if any, and the interest rates specified in the  
15 contract for determining the minimum paid-up annuity benefits  
16 guaranteed in the contract.

17 (6) Calculation of Cash Surrender Value. For contracts  
18 that provide cash surrender benefits, the cash surrender  
19 benefits available prior to maturity shall not be less than  
20 the present value as of the date of surrender of that portion  
21 of the maturity value of the paid-up annuity benefit that  
22 would be provided under the contract at maturity arising from  
23 considerations paid prior to the time of cash surrender  
24 reduced by the amount appropriate to reflect any prior  
25 withdrawals from or partial surrenders of the contract, such  
26 present value being calculated on the basis of an interest

1 rate not more than 1% higher than the interest rate specified  
2 in the contract for accumulating the net considerations to  
3 determine maturity value, decreased by the amount of any  
4 indebtedness to the company on the contract, including  
5 interest due and accrued, and increased by any existing  
6 additional amounts credited by the company to the contract. In  
7 no event shall any cash surrender benefit be less than the  
8 minimum nonforfeiture amount at that time. The death benefit  
9 under such contracts shall be at least equal to the cash  
10 surrender benefit.

11 (7) Calculation of Paid-up Annuity Benefits. For contracts  
12 that do not provide cash surrender benefits, the present value  
13 of any paid-up annuity benefit available as a nonforfeiture  
14 option at any time prior to maturity shall not be less than the  
15 present value of that portion of the maturity value of the  
16 paid-up annuity benefit provided under the contract arising  
17 from considerations paid prior to the time the contract is  
18 surrendered in exchange for, or changed to, a deferred paid-up  
19 annuity, such present value being calculated for the period  
20 prior to the maturity date on the basis of the interest rate  
21 specified in the contract for accumulating the net  
22 considerations to determine maturity value, and increased by  
23 any additional amounts credited by the company to the  
24 contract. For contracts that do not provide any death benefits  
25 prior to the commencement of any annuity payments, present  
26 values shall be calculated on the basis of such interest rate

1 and the mortality table specified in the contract for  
2 determining the maturity value of the paid-up annuity benefit.  
3 However, in no event shall the present value of a paid-up  
4 annuity benefit be less than the minimum nonforfeiture amount  
5 at that time.

6 (8) Maturity Date. For the purpose of determining the  
7 benefits calculated under subsections (6) and (7), in the case  
8 of annuity contracts under which an election may be made to  
9 have annuity payments commence at optional maturity dates, the  
10 maturity date shall be deemed to be the latest date for which  
11 election shall be permitted by the contract, but shall not be  
12 deemed to be later than the anniversary of the contract next  
13 following the annuitant's seventieth birthday or the tenth  
14 anniversary of the contract, whichever is later.

15 (9) Disclosure of Limited Death Benefits. A contract that  
16 does not provide cash surrender benefits or does not provide  
17 death benefits at least equal to the minimum nonforfeiture  
18 amount prior to the commencement of any annuity payments shall  
19 include a statement in a prominent place in the contract that  
20 such benefits are not provided.

21 (10) Inclusion of Lapse of Time Considerations. Any  
22 paid-up annuity, cash surrender, or death benefits available  
23 at any time, other than on the contract anniversary under any  
24 contract with fixed scheduled considerations, shall be  
25 calculated with allowance for the lapse of time and the  
26 payment of any scheduled considerations beyond the beginning

1 of the contract year in which cessation of payment of  
2 considerations under the contract occurs.

3 (11) Proration of Values; Additional Benefits. For a  
4 contract which provides, within the same contract by rider or  
5 supplemental contract provision, both annuity benefits and  
6 life insurance benefits that are in excess of the greater of  
7 cash surrender benefits or a return of the gross  
8 considerations with interest, the minimum nonforfeiture  
9 benefits shall be equal to the sum of the minimum  
10 nonforfeiture benefits for the annuity portion and the minimum  
11 nonforfeiture benefits, if any, for the life insurance portion  
12 computed as if each portion were a separate contract.  
13 Notwithstanding the provisions of subsections (5), (6), (7),  
14 (8), and (10), additional benefits payable in the event of  
15 total and permanent disability, as reversionary annuity or  
16 deferred reversionary annuity benefits, or as other policy  
17 benefits additional to life insurance, endowment, and annuity  
18 benefits, and considerations for all such additional benefits,  
19 shall be disregarded in ascertaining the minimum nonforfeiture  
20 amounts, paid-up annuity, cash surrender, and death benefits  
21 that may be required under this Section. The inclusion of such  
22 benefits shall not be required in any paid-up benefits, unless  
23 the additional benefits separately would require minimum  
24 nonforfeiture amounts, paid-up annuity, cash surrender, and  
25 death benefits.

26 (12) Rules. The Director may adopt rules to implement the

1 provisions of this Section.

2 (13) Effective Date. After August 6, 2004 (the effective  
3 date of Public Act 93-873), a company may elect to apply its  
4 provisions to annuity contracts on a contract form-by-contract  
5 form basis before July 1, 2006. In all other instances, this  
6 Section shall become operative with respect to annuity  
7 contracts issued by the company on or after July 1, 2006.

8 (14) (Blank).

9 (Source: P.A. 102-775, eff. 5-13-22; 103-154, eff. 6-30-23.)

10 Section 99. Effective date. This Act takes effect upon  
11 becoming law.