

**From:** Charles Storrow <chuck@leoninepublicaffairs.com>  
**Sent:** Tuesday, April 20, 2021 9:44 AM  
**To:** Ann Cummings <ACUMMING@leg.state.vt.us>  
**Cc:** Faith Brown <FBrown@leg.state.vt.us>  
**Subject:** [External] S.88/Section 33

[External]

Dear Senator Cummings,

I am writing to simply let you know that our client, American International Group (AIG), is the proponent behind bill section 33 in S.88, which the House Commerce Committee added to that bill.

Section 33 relates to the interest component of the payout of the amount a person has paid into an annuity if the person surrenders the annuity before it is fully paid for. Specifically, section 33 would reduce the floor or minimum rate of interest that is to be applied to the payout from 1.0% to 0.15%.

This change reflects action the NAIC took in December 2020 to amend its model law on the forfeiture of standard deferred annuities, which the VT statute amended in section 33 is based on. The NAIC took that action due to the low interest rate environment that is currently prevailing. When someone buys an annuity from a life insurer the company invests the money in very conservative, safe financial instruments, typically US Treasury bonds. The interest rate on those bonds has dropped considerably—to as low as 0.19%. If the payout to someone who surrenders an annuity bears interest at rates higher than what is earned on the underlying investment it will, over time, create a disincentive to offer and sell annuities.

Because annuities are very low yield investments they are not for everyone, but they are an option for people who want a guaranteed lifetime stream of retirement income. Section 33 would help preserve the economic incentive for life insurers to continue to sell annuities.

I am not necessarily seeking to testify to the Finance Committee but instead just wanted to let you know that our client is the proponent of the issue. But, if desired I'd be happy to talk with your committee.

Finally, I should mention that while DFR does not oppose section 33 it wants the effective date for that section to be July 1, 2022 and that in the meantime per section 33a it will report the legislature by January 15, 2022 as to whether the drop in the interest rate is appropriate. Our client AIG is fine with all of that.

Thank you—Chuck Storrow

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