

House Research Act Summary

CHAPTER: 261 (H.F. 1134/S.F. 877) VETOED **SESSION:** 2012 Regular Session

TOPIC: Requiring that annuities sold by insurance companies and agents be suitable for the consumer

Date: May 2, 2012

Analyst: Tom Pender (651) 296-1885

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This act deals with regulation of the sale of annuity products. Annuities are regulated as a life insurance product. (Life insurance insures against a short life, while an annuity insures against a long life.) The focus of this act is on requiring that an annuity product recommended to a consumer by an insurance agent be suitable for that consumer. It adds a new requirement that the insurance company independently review the agent's suitability determination. The act is mostly based on the model regulation of annuities adopted by the National Association of Insurance Commissioners (NAIC), which is the national organization of state insurance regulators.

- 1** **Suitability of insurance.** Eliminates annuities from Minnesota's general insurance suitability law because suitability of annuities will instead be covered by this act, which is specific to annuities.
- 2** **Criteria for course accreditation.** Specifies the sources and knowledge required for insurance continuing education courses.
- 3** **Suitability of insurance for customer.** Same type of change as section 1.
- 4** **Exemptions.** Specifies the types of products or situations to which this act does not apply.
- 5** **Definitions.** Defines nine terms used in this act.
- 6** **Duties of insurers and insurance producers.** Specifies what insurance companies and insurance agents (now called in our laws "insurance producers") are required to do to recommend and sell annuity products that are suitable to the individual customer. Subdivision 8 deals with the interaction between this bill and the sale of annuities by securities broker-dealers under the federal FINRA law.
- 7** **Insurance producer training.** Requires Minnesota life insurance agents who want to sell annuities to take a four-hour continuing education course in suitability to prepare them to comply with this law. Specifies the content of the course. Permits life insurance agents to continue to sell annuities without

taking the course until July 1, 2013. (Courses may not be readily available for a while.)

- 8 Penalties.** Specifies the power of the Minnesota Commissioner of Commerce to take enforcement actions for violation of this act by insurance companies and insurance agents. The enforcement actions can involve requiring an insurance company or agent to take corrective action for the benefit of the consumer who was sold an unsuitable annuity or penalizing the insurance company or agent. Specifies that nothing in this act affects an insurance company's responsibility for the acts of its agents or existing consumer remedies under federal or state law, including a consumer's right to sue. Permits the commissioner to increase or decrease a penalty based upon "aggravating or mitigating circumstances."
- 9 Record keeping.** Specifies how long and in what form insurance companies and insurance agents must keep records of annuity recommendations and supporting information.
- 10 Relationship to other laws; enforcement.** Specifies that nothing in this act limits the commissioner of commerce's enforcement authority under other laws.
- 11 Effective date.** Makes this act effective January 1, 2013.