HOUSE RESEARCH =

Bill Summary =

FILE NUMBER: H.F. 1134 DATE: April 13, 2011

Version: First engrossment

Authors: Hoppe and others

Subject: Requiring suitability in marketing of annuities

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Overview

This bill 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 bill 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 bill would enact the model regulation of annuities adopted by the National Association of Insurance Commissioners (NAIC), which is the national organization of state insurance regulators.

- 1 **Limitation on combination policies.** Provides that a law that limits combining different types of insurance in a single policy does not prohibit adding certain health insurance indemnity coverages to a life insurance policy.
- 2 Suitability of insurance. Eliminates annuities from Minnesota's general insurance suitability law because suitability of annuities will be covered by this act, which is specific to annuities.
- **Suitability of insurance for customer.** Same type of change as section 2.
- **Exemptions.** Specifies the types of products or situations to which this act does not apply.
- **Definitions.** Defines ten terms used in this act.
- **Duties of insurers and insurance producers.** Specifies what insurance companies and insurance agents (now called in our laws "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.
- 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, 2012. (Courses may not be readily available for a while.)

- **Record keeping.** Specifies how long and in what form insurance companies and insurance agents must keep records of annuity recommendations and supporting information.
- **9 Effective date.** Makes this act effective January 1, 2012.