

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 791
Version: Second engrossment

DATE: April 25, 2013

Authors: Hortman and others

Subject: Requiring suitability in marketing of annuities

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 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, especially considering the age of the consumer. It adds a new requirement that the insurance company independently review the insurance agent's suitability determination. The bill is based upon the model regulation of annuities adopted by the National Association of Insurance Commissioners (NAIC), which is the national organization of state insurance regulators.

Section

- 1 Exemptions.** Specifies the types of annuity products or situations to which this act does not apply.
- 2 Definitions.** Defines ten terms used in this act. The definition of "suitability information" is especially important.
- 3 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 for the individual customer. Subdivision 8 deals with the interaction between this bill and the sale of annuities by securities broker-dealers under the federal Financial Industry Regulatory Authority ("FINRA") law.
- 4 Insurance producer training.** Requires Minnesota life insurance agents who want to sell

Section

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.

- 5 Penalties.** Specifies the penalties and other actions the commissioner of commerce may take against insurers and insurance producers (“agents”) for violations of this act. This includes the possibility of the commissioner requiring an insurance company or insurance producer to take corrective action on behalf of any consumer harmed by a failure to comply with this act.
- 6 Record keeping.** Specifies how long and in what form insurance companies and insurance agents must keep records of annuity recommendations and supporting information.
- 7 Relationship to other laws.** Provides that nothing in this act may be interpreted as affecting orders of the commissioner of commerce or consent decrees or otherwise limit the power of the commissioner regarding sales of annuities.
- 8 Effective date.** Makes this act effective June 1, 2013.