

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 791  
**Version:** As introduced

**DATE:** February 26, 2013

**Authors:** Hortman 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.

#### Section

- 1**      **Suitability of insurance for customer.** Eliminates annuities from Minnesota's general insurance suitability law because suitability of annuities will be covered by this act, which is specific to annuities.
- 2**      **Exemptions.** Specifies the types of products or situations to which this act does not apply.
- 3**      **Definitions.** Defines nine terms used in this act.
- 4**      **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.
- 5**      **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. Permits life insurance agents to continue to sell annuities without taking the course until July 1, 2014.

- 6 Penalties.** Specifies the penalties and other actions the commissioner of commerce may take against insurers and insurance producers (“agents”) for violations of this act.
- 7 Record keeping.** Specifies how long and in what form insurance companies and insurance agents must keep records of annuity recommendations and supporting information.
- 8 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.
- 9 Effective date.** Makes this act effective January 1, 2013.