

STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

**Fiscal:** No Fiscal Impact

**Revenue:** No Revenue Impact

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**Action Date:** 04/27/15

**Action:** Do Pass The A-Eng Bill.

**Meeting Dates:** 04/27

**Vote:**

Yeas: 4 - Beyer, Girod, Monroe, Riley

Exc: 1 - Thomsen

**Prepared By:** James LaBar, Committee Administrator

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**WHAT THE MEASURE DOES:**

Allows the Department of Consumer and Business Services to adopt rules regulating penalties, fees, and charges imposed on certain withdrawals from individual deferred annuity policies. Becomes operative January 1, 2016, and applies to contracts entered into on or after operative date. Declares emergency, effective upon passage.

**ISSUES DISCUSSED:**

- Appropriate scope of rulemaking authority for Department
- Focus on prohibiting “last in, first out methods”
- Definition of “reasonable” in context of surrender charges

**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

Under individual deferred annuity contracts, policy holders make premium payments that accumulate over several years, usually on a tax-deferred basis, to provide future retirement income. The contracts often include surrender charges for withdrawals made prior to maturity or after the owner or annuitant dies; these charges can vary significantly, depending on the method of calculation used by the insurance company. House Bill 2467A gives the Department of Consumer and Business Services authority to adopt rules regulating surrender charges for contracts entered into or renewed on or after January 1, 2016.