

## SB 536 -2 STAFF MEASURE SUMMARY

### Senate Committee On Judiciary

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**Meeting Dates:** 1/25, 3/21

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#### **WHAT THE MEASURE DOES:**

Creates professional standards for the recommendation or sale of annuities. Defines “financial professional” (professional) and “material conflict of interest.” Requires a professional to request particular information from a prospective purchaser (purchaser) that is reasonably necessary to make a recommendation regarding whether an annuity is appropriate for the purchaser. Requires professional, when making that recommendation, to act in the best interests of the purchaser. Requires disclosures by the professional to the purchaser. Describes training and supervision standards and records retention requirements. Clarifies definition of a "variable annuity" or "variable life insurance." Directs the Director of the Department of Business and Consumer Services (DCBS) to adopt rules related to these standards and enforcement. Takes effect on the 91<sup>st</sup> day following sine die, with a delayed operative date of January 1, 2024.

*REVENUE: No revenue impact*

*FISCAL: Has minimal fiscal impact*

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

-2 Creates professional standards for the recommendation or sale of annuities. Defines terms, including “annuity,” “consumer profile information,” “financial professional,” (professional) and “material conflict of interest.” Provides the types of financial services that are excluded from the measure. Requires a professional to request particular information from a prospective purchaser (purchaser) that is reasonably necessary to make a recommendation regarding whether an annuity is appropriate for the purchaser. Requires professional, when making that recommendation, to act in the best interests of the purchaser. Requires disclosures by the professional to the purchaser. Describes training and supervision standards and records retention requirements, including insurer directions. Allows the Director of the Department of Business and Consumer Services (DCBS) to adopt rules related to these standards and enforcement. Allows DCBS to require an insurer, producer, contractor or general independent agency, to take reasonably appropriate corrective action; allows DCBS to impose a civil penalty or other sanction for violation. States that the best interests standards laid out in the measure do not create a private cause of action for violations. Clarifies definition of a "variable annuity" or "variable life insurance." Makes technical corrections and modifies definitions. Takes effect on the 91<sup>st</sup> day following sine die, with a delayed operative date of January 1, 2024.

##### **BACKGROUND:**

An annuity is a contract that is issued by insurance companies and sold by various agents or brokers. The contract requires the insurance company to make payments to the purchaser, either immediately or in the future. An annuity can be purchased with a lump-sum payment or paid over time. People usually buy an annuity to assist with retirement income, but there are other uses for annuities. Annuities can provide periodic payments over a certain time period, death benefits, and tax-deferred growth.

Annuities are regulated at the state level. Variable annuities are regulated at the federal level.

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In 2019, the National Association of Insurance Commissioners (NAIC) Annuity Suitability Working Group completed updates to Model Laws #275. The stated goal of the Working Group was to "seek clear, enhanced standards for annuity sales so consumers understand the products they purchase, are made aware of any material conflicts of interest, and are assured those selling the products do not place their financial interests above consumers' interests."

SB 536 creates professional standards for the recommendation or sale of annuities and allows DCBS to adopt rules related to these standards and enforcement.