

Introduced by Senator Roth

January 28, 2016

An act to amend Section 10509.913 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 924, as introduced, Roth. Insurance: annuity transactions.

Under existing law, the Insurance Commissioner, who controls the California Department of Insurance, regulates the insurance industry. Existing law requires insurers and insurance producers, as defined, to comply with specified requirements regarding the purchase, exchange, or replacement of an annuity recommended to a consumer, including, but not limited to, having reasonable grounds for the insurance producer believing the annuity transaction would be suitable for the consumer based on "suitability information," including, among other factors, age, annual income, and whether the consumer has a reverse mortgage. Existing law authorizes the commissioner to require certain actions by, and impose sanctions and penalties on, insurers and their agents for a violation of these provisions.

This bill would add to the suitability information whether the consumer intends to apply for government benefits.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 10509.913 of the Insurance Code is
- 2 amended to read:

1 10509.913. (a) “Annuity” means an annuity that is an insurance
2 product under California law that is individually solicited,
3 *regardless of* whether the product is classified as an individual or
4 group annuity.

5 (b) “Commissioner” means the Insurance Commissioner.

6 (c) “Continuing education credit” or “CE credit” means one
7 continuing education credit hour as defined in Section 2188.2(i)
8 of Title 10 of the California Code of Regulations.

9 (d) “Continuing education provider” or “CE provider” means
10 an individual or entity that is certified to offer continuing education
11 courses pursuant to Section 2186.1(b) and Section 2188 of Title
12 10 of the California Code of Regulations.

13 (e) “Insurance producer” means a person required to be licensed
14 under California law to sell, solicit, or negotiate insurance,
15 including annuities. An insurance producer is also referred to in
16 this article as a “producer.”

17 (f) “Insurer” means a company required to be licensed or to
18 hold a certificate of authority, or both, under California law to
19 provide insurance products, including annuities.

20 (g) “Recommendation” means advice or guidance provided or
21 ~~made~~, *made* by an insurance producer or by an ~~insurer~~, *insurer* to
22 an individual consumer that results in a purchase, exchange, or
23 replacement of an annuity in accordance with that advice or
24 guidance.

25 (h) “Replacement” means a transaction in which a new policy
26 or contract is to be purchased, and it is known or should be known
27 to the proposing producer, or to the proposing insurer, *regardless*
28 *of* whether ~~or not~~ there is a producer, that by reason of the
29 transaction, an existing policy or contract has been or is to be any
30 of the following:

31 (1) Lapsed, forfeited, surrendered or partially surrendered,
32 assigned to the replacing insurer, or otherwise terminated.

33 (2) Converted to reduced paid-up insurance, continued as
34 extended term insurance, or otherwise reduced in value by the use
35 of nonforfeiture benefits or other policy values.

36 (3) Amended so as to effect either a reduction in benefits or a
37 reduction in the term for which coverage would otherwise remain
38 in force or for which benefits would be paid.

39 (4) Reissued with any reduction in cash value.

40 (5) Used in a financed purchase.

- 1 (i) “Suitability information” means information that is
2 reasonably appropriate to determine the suitability of a
3 recommendation, including all of the following:
4 (1) Age.
5 (2) Annual income.
6 (3) Financial situation and needs, including the financial
7 resources used for the funding of the annuity.
8 (4) Financial experience.
9 (5) Financial objectives.
10 (6) Intended use of the annuity.
11 (7) Financial time horizon.
12 (8) Existing assets, including investment and life insurance
13 holdings.
14 (9) Liquidity needs.
15 (10) Liquid net worth.
16 (11) Risk tolerance.
17 (12) Tax status.
18 (13) Whether ~~or not~~ the consumer has a reverse mortgage.
19 (14) *Whether the consumer intends to apply for government*
20 *benefits.*

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