

## Senate Bill No. 924

### CHAPTER 148

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

[Approved by Governor August 19, 2016. Filed with  
Secretary of State August 19, 2016.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 924, 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 means-tested government benefits, including, but not limited to, Medi-Cal or the veterans' aid and attendance benefit.

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

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

10509.913. (a) "Annuity" means an annuity that is an insurance product under California law that is individually solicited, regardless of whether or not the product is classified as an individual or group annuity.

(b) "Commissioner" means the Insurance Commissioner.

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

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

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

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

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

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

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

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

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

(4) Reissued with any reduction in cash value.

(5) Used in a financed purchase.

(i) “Suitability information” means information that is reasonably appropriate to determine the suitability of a recommendation, including all of the following:

(1) Age.

(2) Annual income.

(3) Financial situation and needs, including the financial resources used for the funding of the annuity.

(4) Financial experience.

(5) Financial objectives.

(6) Intended use of the annuity.

(7) Financial time horizon.

(8) Existing assets, including investment and life insurance holdings.

(9) Liquidity needs.

(10) Liquid net worth.

(11) Risk tolerance.

(12) Tax status.

(13) Whether or not the consumer has a reverse mortgage.

(14) Whether or not the consumer intends to apply for means-tested government benefits, including, but not limited to, Medi-Cal or the veterans’ aid and attendance benefit.