



HOUSE COMMITTEE ON APPROPRIATIONS
2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL NO: 1119 PRINTER'S NO: 1322 PRIME SPONSOR: DeLuca

| FISCAL IMPACT SUMMARY | FY 2008/09 | FY 2009/10 |
|---|------------|------------|
| Expenditure Increase/(Decrease): | | |
| General Fund | \$0 | \$0 |

OVERVIEW:

House Bill 1119 amends the Insurance Company Law of 1921, adding Article IV-B to further relating to suitability of annuity transactions.

The act provides for duties of insurers and insurance producers in making recommendations to consumers for the purchase or exchange of annuities. The act specifies obligation limits on the part of insurance producers and insurers with regard to any recommendation that is reasonable. Under the act, compliance with the National Association of Securities Dealers conduct rules pertaining to suitability would satisfy the requirements regarding the recommendation of variable annuities. The act applies to any recommendation to purchase or exchange an annuity made to a consumer by an insurance producer, or an insurer where no producer is involved, that results in the purchase or exchange recommended, with some exceptions outlined under the act.

The Insurance Commissioner may order corrective actions in the event of any consumer harm under this "suitability" article. Likewise, the act outlines specific courses of action regarding penalties when a determination is made that the article has been violated. The Commissioner may have access to records of the information collected from the consumer and other information used in making the recommendations that were the basis for the insurance transaction for five years after the transaction is completed.

The act shall take effect in 60 days.

ANALYSIS:

House Bill 1119 is consistent with the National Association of Insurance Commissioners' (NAIC) model law. The Insurance Department does not anticipate any additional cost to the Commonwealth as a result of this legislation.

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DATE: June 15, 2009

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*