SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 237

PRINTER'S NO. 747

AMOUNT

No significant Impact

FUND

General

DATE INTRODUCED

Feb. 19, 2009

PRIME SPONSOR

Senator Corman

HISTORY OF BILL

Referred to BANKING AND INSURANCE, Feb. 19, 2009
Reported as amended, March 10, 2009
First consideration, March 10, 2009
Re-referred to APPROPRIATIONS, March 18, 2009
Re-reported as amended, March 23, 2009

DESCRIPTION AND PURPOSE OF BILL

An Act amending the act of May 17, 1921 (P.L. 682, No. 284), known at The Insurance Company Law of 1921, further providing for annual and other reports; and providing for suitability of annuity transactions.

Senate Bill 237 amends the Insurance Company Law of 1921 to provide for the suitability of annuity transactions. The bill applies to any recommendation to purchase or exchange an annuity made to a consumer by an insurer or insurance producer.

The bill does not apply to the following:

- Direct response solicitations;
- Annuity contracts used to fund employee pensions or welfare benefits plans;
- A governmental or church plan defined in section 414 of the Internal Revenue Code of 1986;
- A non-qualified deferred compensation arrangement;
- Liabilities associated with personal injury litigation or any dispute or claim resolution process; and

- Prepaid funeral contracts.

The insurer or insurance producer must have reasonable grounds for believing that the recommended annuity purchase is suitable for the consumer based on facts disclosed by the consumer. The insurer or insurance producer must make a reasonable effort to obtain information on the consumer's financial status, tax status, investment objectives, or other reasonable information.

If a consumer fails to provide the necessary information or fails to follow the recommendation of the insurer or insurance producer, the insurer or insurance producer has no obligations under the act.

The insurer or insurance producer is required to maintain records related to the provisions of this act.

The Department of Insurance is required to enforce this act. If it is determined at a department hearing that the act has been violated, the Insurance Commissioner may impose various orders and penalties.

FISCAL IMPACT:

The enactment of this legislation will have no significant fiscal impact to the Commonwealth. Any costs to the Insurance Department associated with oversight, review, enforcement, and regulatory purposes would be minimal and absorbed within existing operating appropriations.