



SB 192 (Scott) – Sale of Annuities

NAIFA-California Position: OPPOSE

National Association of Insurance and Financial Advisors – California (NAIFA-California) is an association representing over 5,000 insurance professionals from all sectors of the industry, including life, health, property, casualty and financial services.

BACKGROUND

For years, in an effort to help improve the annuity marketplace in California, NAIFA-California has strongly supported efforts to provide appropriate product disclosures, enhance consumer protections, improve agent education, increase fines and penalties and fund enforcement actions. We have worked closely with the Department in their past efforts to protect the senior population, and consumers in general, but feel that their effort to pass SB 192, which would impose unworkable suitability standards on agents and insurers, is unwarranted at this time.

In 2003, NAIFA-California actively participated in numerous policy hearings and meetings that resulted in the protections established by SB 620 (Scott). We have also illustrated over the years our commitment to ensuring that life insurance and annuity products remain a valuable and safe investment tool for all California consumers while helping to make sure that sales practices are appropriate for all consumers. NAIFA-California worked with Senator Scott and the DOI on SB 618 in 2003 and SB 1273 in 2004 that enhanced the penalties for bad actors and AB 2316 (Chan) in 2004, which provided for a \$1 assessment on all life policies and annuities sold in California to enhance the DOI's investigations and enforcement efforts pertaining to the sale of life insurance and annuities.

In addition to being unwarranted, SB 192 is premature at this time. In January 2005, all of the provisions of SB 620 were fully implemented and the DOI began collecting a \$1 assessment required by AB 2316. In addition, NAIFA-California and the insurers are currently working with the DOI on regulations to further enhance the provisions in SB 620 and SB 2173 from several years ago. It is imperative that the laws and regulations that have already been passed and are currently being developed be fully implemented prior to adding more administrative burdens to the agents and insurers doing business in California.

NAIFA-California would also encourage the Legislature to ask the DOI to demonstrate they are willing to take the enforcement actions necessary to stop the bad actors from doing business in California. Simply passing laws and promulgating regulations does not remove the bad actors from the business. The most effective way to remove bad actors from the marketplace is by the DOI taking the enforcement actions necessary to remove them from the business. The Legislature has given the DOI the tools, penalties and funding to get the bad actors and the burden should now be on the DOI to prove that they are willing and able to do the job.

Lastly, the suitability standards in the bill are based upon those in law for long-term care insurance---a totally different product line; however, they substantially exceed the long-term care standards by requiring information that is not possible to provide, in many instances, and may be substantially more than the senior would like to provide.

SOLUTION

The National Association of Insurance Commissioners (NAIC) spent years developing a model regulation to protect seniors in annuity transactions. Those model regulations were finalized by the NAIC in September of 2003. NAIFA-California would encourage the Legislature and the DOI use the NAIC model as the blueprint for further discussion.

It is for these reasons that NAIFA-California opposes SB 192 (Scott). For more information on NAIFA-California's position, please contact NAIFA-California's legislative advocate, Shari McHugh at 916/440-0850. Thank you.