

**DEPARTMENT OF FINANCE BILL ANALYSIS**

**AMENDMENT DATE:** June 28, 2011  
**POSITION:** Neutral

**BILL NUMBER:** SB 715  
**AUTHOR:** R. Calderon  
**RELATED BILLS:** AB 689

**BILL SUMMARY: Annuity Transactions**

This bill would establish a new regulatory framework for consumer suitability of annuity transactions.

**FISCAL SUMMARY**

The Department of Insurance (DOI) indicates this bill would result in minor and absorbable costs of \$8,000 annually to train DOI staff on Financial Industry Regulatory Authority (FINRA) regulations and case law.

**COMMENTS**

The Department of Finance is neutral on this bill, which would provide additional safeguards related to annuity transactions.

Existing law regulates the sale of annuities and requires agents and insurers to fulfill certain requirements with regard to the replacement of existing life insurance policies and annuities.

This bill would (among other things):

- Require insurers to implement a system to supervise recommendations and to establish standards and procedures for recommendations to consumers that result in transactions involving annuity products, to ensure the insurance needs and financial objectives of the consumer are met.
- Stipulate that insurers and insurance producers must have reasonable grounds for believing that an annuity recommendation is suitable for the consumer, as specified.
- Provide that sales of annuities by FINRA broker-dealers that comply with FINRA suitability requirements, as specified, satisfy the suitability and supervision requirements of this bill.
- Require the Insurance Commissioner to adopt regulations to implement this bill, as specified.

This bill is substantially similar to AB 689 (Blumenfeld) of the 2011-12 Session, which Finance is also neutral on.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code		
		(Dollars in Thousands)								
	LA	CO	PROP	FC	2011-2012	FC	2012-2013	FC	2013-2014	
	RV	98								
0845/Insurance	SO	No			-----	No/Minor	Fiscal Impact	-----		0217
<u>Fund Code</u>	<u>Title</u>									
0217	Insurance Fund									

Analyst/Principal (0221) J. Fitzpatrick	Date	Program Budget Manager Lisa Ann L. Mangat	Date
--	------	--	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)