

## Rule Summary and Fiscal Analysis

### Part A - General Questions

**Rule Number:** 3901-6-14  
**Rule Type:** Amendment  
**Rule Title/Tagline:** Annuity disclosure.  
**Agency Name:** Department of Insurance  
**Division:**  
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#### I. Rule Summary

1. **Is this a five year rule review?** Yes
  - A. **What is the rule's five year review date?** 8/30/2018
2. **Is this rule the result of recent legislation?** No
3. **What statute is this rule being promulgated under?** 119.03
4. **What statute(s) grant rule writing authority?** 3901.041
5. **What statute(s) does the rule implement or amplify?** 3901.19 to 3901.21
6. **What are the reasons for proposing the rule?**

This rule is being reviewed as a part of the agency five year rule review.

7. **Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

The annuity disclosure rule provides standards for the disclosure of certain minimum information about annuity contracts. The rule specifies the minimum information that must be disclosed, the method for disclosing it, and the use and content of illustrations, during the sale of annuity contracts. The rule also prescribes the use of the National Association of Insurance Commissioners (NAIC) Buyer's Guide.

This rule was amended in 2013 to include the most recent NAIC model and buyers guides. Shortly after implementation industry discovered the model did not anticipate the emergence of the participating income annuity product design. Interested parties then worked with the NAIC to draft an amendment which was adopted by the NAIC working group in early March 2018. Proposed amendments to the rule include the amendment to the NAIC model.

8. **Does the rule incorporate material by reference? No**
9. **If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.71 to 121.76, please explain the basis for the exemption and how an individual can find the referenced material.**

*Not Applicable*

10. **If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

The department is revise filing this rule to address JCARR's recommended amendments to the RSFA.

## **II. Fiscal Analysis**

11. **As a result of this proposed rule, please estimate the increase / decrease in revenues or expenditures affecting this agency, or the state generally, in the current biennium or future years. If the proposed rule is likely to have a different fiscal effect in future years, please describe the expected difference and operation.**

This will have no impact on revenues or expenditures.

0.00

Not applicable.

12. **What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?**

The nature of any adverse impact would be employee time for compliance. Since these rules are in effect and are applied across the industry, the requirements such as providing disclosure forms and buyer's guides are included in conducting everyday business. The only associated increase would be familiarizing staff with the proposed changes to the rule.

13. **Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). No**
14. **Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No**

### **III. Common Sense Initiative (CSI) Questions**

15. **Was this rule filed with the Common Sense Initiative Office? Yes**
16. **Does this rule have an adverse impact on business? Yes**

- A. **Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? Yes**

This rule applies to insurers licensed to sell annuity products.

- B. **Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? Yes**

A violation of this rule by an insurer or agent shall be considered an unfair and deceptive trade practice and shall be subject to any one or more penalties set forth in sections 3901.19 to 3901.221 of the Revised Code.

- C. **Does this rule require specific expenditures or the report of information as a condition of compliance? Yes**

Insurers or insurance agents shall maintain or be able to make available to the superintendent records of the information collected from the consumer and other information provided in the disclosure statement (including illustrations) for eight years after the contract is delivered by the insurer.

For annuities in the payout period that include non-guaranteed elements and for deferred annuities in the accumulation period, the insurer shall provide each contract owner with a report, at least annually, on the status of the contract.