

STATE OF OHIO
DEPARTMENT OF INSURANCE
50 West Town Street, 3rd Floor, Suite 300
Columbus, Ohio 43215

IN THE MATTER OF PUBLIC HEARING :
FOR THE RESCISSION OF OHIO :
ADMINISTRATIVE CODE SECTION 3901-6-13 : NOTICE OF PUBLIC HEARING
AND THE PROMULGATION OF OHIO :
ADMINISTRATIVE CODE SECTION 3901-6-13 :

Pursuant to section 119.03 of the Ohio Revised Code, the Superintendent of Insurance, State of Ohio, will hold a public hearing at 10:00 a.m., on Monday, January 4, 2021, to consider the rescission of Ohio Administrative Code section 3901-6-13, Suitability in annuity transactions, and the promulgation of Ohio Administrative Code section 3901-6-13, Suitability in annuity transactions. Due to the pending COVID-19 pandemic and social distancing concerns, the hearing will be conducted remotely by video conferencing coordinated by the Department. Instructions and a web link and/or telephone number for accessing the hearing will be provided on the Department's web site, www.insurance.ohio.gov. Alternatively, a request for the web link and/or telephone number may be submitted to ecomment@insurance.ohio.gov.

The purpose of this rule is to require insurance agents, as defined in this rule, to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers, including fraternal benefit societies, to establish and maintain a system to supervise recommendations so that the insurance needs and financial objectives of consumers, at the time of the transaction, are effectively addressed.

The purpose of rescinding this rule is LSC requires that the rule be rescinded and adopted as a new rule because greater than 50% of the text is affected.

The purpose of promulgating this rule is LSC requires that the rule be rescinded and adopted as a new rule because greater than 50% of the text is affected. The proposed changes will bring this rule into compliance with the National Association of Insurance Commissioners' (NAIC) recently adopted national model regulation. Amendments to this rule will build on the leadership Ohio has established on this critical consumer protection and ensure that Ohio regulations are consistent with the uniform standards of the NAIC model and with all parallel federal regulations.

Additionally, Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Public Law Number 111-203, 111th Cong., 2d sess. (July 21, 2010) gives states authority

to regulate the sale of fixed annuities when certain conditions are met. This includes a limited time to substantially meet or exceed the minimum requirements of the NAIC model and any successor modifications. The NAIC considers the 2020 revisions to be a successor modification to the model, and shall be implemented to avoid federal preemption.

The new standard proposed in this rule ensures that consumers can expect that the licensed professionals they trust to make recommendations on annuity products are acting in the consumers' best interest. The revisions require agents and insurers to act with "reasonable diligence, care, and skill" in making a recommendation and add heightened supervision requirements for Insurers to ensure compliance with the new standard. These requirements include knowing the consumer's financial situation and objectives, understanding the available options, having a reasonable basis for believing the recommended option is in the consumer's best interest, and disclosing their compensation and any conflicts of interest.

Requests for copies of this rule should be addressed to Tina Chubb, Ohio Department of Insurance, 50 West Town Street, 3rd Floor, Suite 300 Columbus, Ohio 43215, or proposed rules can be viewed online at www.insurance.ohio.gov.

C. Daniel Bradford, Staff Attorney