



MEMORANDUM

TO: Loretta Medved, Ohio Department of Insurance

FROM: Danielle Dillard, Director of Regulatory Policy

DATE: August 22, 2018

RE: **CSI Review – Life Annuity Products (OAC 3901-1-47, 3901-6-01, 3901-6-03 and 3901-6-14)**

On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Agency as provided for in ORC 107.54.

Analysis

This rule package consists of two no-change rules and two amended rules submitted by the Ohio Department of Insurance (ODI) as part of the statutorily required five-year rule review. The rule package was submitted to the CSI Office on June 21, 2017 and the public comment period was held open through July 11, 2017. No comments were received during this time.

Ohio Administrative Code (OAC) 3901-1-47 is a no-change rule that provides a regulatory framework for the solicitation of annuities, and requires the use of a disclosure statement in conjunction with the sale of single premium deferred annuities. OAC 3901-6-01 is a no-change rule that identifies and prohibits the use of certain statements, illustrations and advertisements, acts, practices, and contract forms pertaining to the solicitation and sale of life insurance annuity contracts.

OAC 3901-6-03 provides standards for the disclosure of certain minimum information about life contracts. It also prescribes the use of the National Association of Insurance Commissioners (NAIC) buying guide. The Department is amending the rule to include the buyer's guide as an

appendix in order to maintain compliance with rule formatting and establish consistency within the annuity disclosure rule. OAC 3901-6-14 provides standards for the disclosure of certain minimum information about life insurance contracts. It 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 reflects the NAIC model and buyers guides, and the Department is amending the rule to align with the current NAIC model.

As part of early stakeholder outreach, the Department requested comments from stakeholders, interested parties, and trade associations such as the Association of Ohio Life Insurance Companies, the American Council of Life Insurers, the National Association of Insurance and Financial Advisors, and the Ohio Insurance Agents Association. The rule was also posted on the Department's website for review. No comments were received during early outreach, however the proposed amendment to OAC 3901-6-14 was an industry requested change, and ODI worked closely with stakeholders to develop the amendment. No comments were received during the CSI review period.

The rules impact insurers and agents selling life and annuity products. The nature of the adverse impact is administrative, and mainly involves employee time for compliance. Insurers and agents must provide disclosure forms and buyer's guides in the course of everyday business. Staff will need to become familiarized with the proposed changes in order to continue to provide adequate and accurate information to consumers. ODI justifies any adverse impacts by noting that life and annuity products are complex and can be confusing to consumers. The rules ensure that agents do a thorough job of soliciting life and annuity products so consumers can make an informed decision when purchasing them. It also notes that the rules provide a straightforward framework for insurers and agents to conduct solicitation activities and maintain compliance.

Recommendation

For the reasons explained above, this office does not have any recommendations regarding this rule package.

Conclusion

Based on the above comments, the CSI Office concludes that the Ohio Department of Insurance should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.