

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7952
BILL NUMBER: SB 634

NOTE PREPARED: Apr 21, 2005
BILL AMENDED: Apr 19, 2005

SUBJECT: Insurance Product Regulation Compact and Senior Annuities.

FIRST AUTHOR: Sen. Paul
FIRST SPONSOR: Rep. Hoffman

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL IMPACT: State
DEDICATED
FEDERAL

Summary of Legislation: This bill provides for an interstate insurance product regulation compact. It also prohibits certain recommendations to senior consumers concerning annuities and provides for enforcement.
Effective Date: July 1, 2005.

Explanation of State Expenditures: *Interstate Insurance Product Regulation Compact.* This legislation does not require any increased expenditures relative to the compact. The Interstate Insurance Product Regulation Commission established by the bill may accept contributions and other forms of funding from the National Association of Insurance Commissioners (NAIC), compacting states, and other sources. This does not require a state to contribute funding, nor does it set guidelines for assessments or contribution requirements from states. In addition, the Commission is funded by filing fees from each insurer and third party filer filing a product with the Commission. The state may make a contribution to the Commission, but is not required to do so. Any cost of this bill is contingent upon administrative action.

Background Information on Interstate Compact: This bill allows the Department of Insurance (DOI) to enter into an interstate insurance compact. The compact establishes the Interstate Insurance Product Regulation Commission. The compact is intended to (1) protect the interest of consumers of individual and group annuity, life insurance, disability income, and long-term care insurance products; (2) develop uniform standards for insurance products; (3) establish a central clearinghouse to receive and provide prompt review of insurance products; (4) give appropriate regulatory approval to product filings and advertisements that meet the uniform standard; and (5) improve coordination of regulatory resources and expertise between state insurance departments regarding the setting of uniform standards and review of covered insurance products.

The Commission is responsible for reviewing rates and forms to be used in multiple states. This will not take the place of DOI review of rates and forms used only in Indiana. This may reduce the workload of the DOI; however, no estimate is available at this time. The state may opt into the compact as well as withdraw at any time.

Senior Consumers and Annuities. The bill adds certain practices regarding recommendations to senior consumers as unfair and deceptive acts. The DOI must adopt a rule to establish a method for making determinations as to whether a purchase or an exchange is unsuitable for a senior consumer. The DOI commissioner may conduct an investigation, pursue an enforcement action, and take other official action to ensure compliance. The commissioner may consult with the securities commissioner and use the resources of the securities commissioner in making a final determination regarding any issue concerning compliance. If the securities commissioner is informed of a suspected violation, the securities commissioner must timely advise the DOI commissioner. The above provisions could add additional administrative expenditures to the DOI and the Securities Commissioner within the Secretary of State's Office. However, these agencies should be able to implement these provisions within their existing budget levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Securities Commissioner, Secretary of State's Office; DOI.

Local Agencies Affected:

Information Sources: Jim Atterholt, Commissioner, DOI, 317-232-3520.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.