

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

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FISCAL IMPACT STATEMENT

LS 6468

BILL NUMBER: SB 171

NOTE PREPARED: Feb 7, 2007

BILL AMENDED: Feb 6, 2007

SUBJECT: Annuity Recommendations and Predatory Insurance Practices.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill makes the law concerning annuity purchase or exchange recommendations made to senior consumers apply to all consumers. The bill provides that engaging in certain dishonest or predatory insurance practices in marketing or sales of insurance to members of the U.S. Armed Forces are unfair and deceptive acts and practices of insurance. It allows the Insurance Commissioner to adopt rules to define and protect members of the U.S. Armed Forces from dishonest or predatory insurance practices.

Effective Date: January 1, 2008.

Explanation of State Expenditures: (Revised) The bill adds certain practices regarding annuity recommendations to consumers as unfair and deceptive acts. The Department of Insurance (DOI) must adopt a rule to establish a method for making determinations as to whether a purchase or an exchange is unsuitable for a 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 advise the DOI Commissioner. In addition, the bill provides that engaging in certain dishonest or predatory insurance practices in marketing or sales of insurance to members of the U.S. Armed Forces are unfair and deceptive acts and practices of insurance. The DOI is allowed to adopt rules to provide for these unfair and deceptive acts and practices of insurance.

The above provisions could add additional administrative expenses 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: As a result of the hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the DOI Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

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.