



## MEMORANDUM

**TO:** Loretta Medved, Ohio Department of Insurance

**FROM:** Christopher Smyke, Regulatory Policy Advocate

**DATE:** August 28, 2018

**RE:** **CSI Review – Life and Annuity Products (OAC 3901-6-02, 3901-6-05, and 3901-6-13)**

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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 three no change rules proposed by the Ohio Department of Insurance (ODI) for their statutorily-required five-year review. The rule package was submitted to the CSI Office on June 25, 2018 and the public comment period was held open through July 11, 2018. No comments were received during CSI review.

Ohio Administrative Code (OAC) 3901-6-02 sets minimum requirements for the forms provided to consumers when an insurance company solicits services or collects premiums for life insurance when it's sold in correlation with a mutual fund or other security. OAC 3901-6-05 establishes standards on the conduct of insurers and agents during the replacement of existing life insurance and annuities. OAC 3901-6-13 requires insurers and agents to enact certain standards and procedures when recommending annuity products to consumers. All three rules are proposed with no changes.

Prior to filing with CSI, ODI sent an email to industry stakeholders and trade groups including, but not limited to, the Association of Ohio Life Insurance Companies, the American Council of

Life Insurance, the National Association of Insurance and Financial Advisors, and the Professional Independent Agents Association. ODI received a comment that OAC 3901-6-05 is duplicative of OAC 3901-6-13 and suggested that either the language pertaining to annuities should be rescinded or OAC 3901-6-05 ought to be rescinded in its entirety. ODI reviewed each rule and responded that the annuity language in each rule, while similar, perform separate functions and were based off of National Association of Insurance Commissioners (NAIC) models and designed to work in concert. As a result, ODI declined to incorporate the suggested change. No comments were received during the CSI public comment period.

The rule impacts all insurance companies which sell life and annuity products in Ohio. The impact is largely administrative in nature, requiring staff time and resources to explain policies and products to customers each time a life insurance or annuity transaction takes place. The BIA justifies the rules as a necessary measure for consumer protection by setting standards when an insurance company solicits, sells, replaces, or recommends a life insurance or annuity product.

### **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.

CC: Emily Kaylor, Lt. Governor's Office