
SENATE BILL 5671

State of Washington

61st Legislature

2009 Regular Session

By Senators Berkey, Franklin, Shin, and Haugen; by request of Insurance Commissioner

Read first time 01/28/09. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to the suitability of annuities sold in Washington;
2 adding a new section to chapter 48.23 RCW; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature is concerned that because
5 financial contracts sold by insurers are increasingly complex,
6 consumers are more susceptible to misunderstanding the product they
7 purchase, resulting in a financial burden on the owner of an annuity
8 and the government when an unsuitable product is purchased. The
9 legislature finds that consumers rely heavily on the insurance
10 producers and insurers selling annuities for accurate, descriptive
11 information when purchasing annuities and may be easily misled about
12 the risks and benefits of the product being purchased.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.23 RCW
14 to read as follows:

15 (1) An annuity sold in Washington must be suitable to the age and
16 financial situation of the owner.

17 (a) Marketing, advertising, and sales practices of insurers and

1 insurance producers must conform to criteria or standards designed to
2 protect the owner from harmful sales practices and from the purchase of
3 annuities unsuitable to the consumer.

4 (b) Insurance producers and insurers must not recommend annuities
5 that are not suitable for the specific purchaser.

6 (2) Purchasers are entitled to a clear written description of the
7 annuity at the time of solicitation on a summary disclosure form
8 adopted by rule of the commissioner.

9 (a) The insurer or insurance producer must provide the summary of
10 the annuity being sold to the purchaser at the time of solicitation,
11 explaining the annuity contract, its terms, conditions, surrender
12 charges, and asserted and promised performance in clear language. The
13 summary must follow the disclosure form required by the commissioner.

14 (b) If an annuity is not sold by direct marketing, the summary must
15 be provided to the purchaser no later than at the time the contract is
16 delivered to the owner.

17 (3) Prior to issuing an annuity, the insurer must obtain sufficient
18 information from the purchaser to verify the suitability of the
19 proposed sale and to enable the prospective owner to make an informed
20 purchase.

21 (4) After considering relevant standards adopted by the national
22 association of insurance commissioners, other states, and other
23 agencies of this state that regulate the sale of annuities, the
24 commissioner shall adopt, by rule, standards for insurers and insurance
25 producers to follow to ensure annuities sold are suitable for the
26 purchaser, and that purchasers make informed purchases of annuity
27 products.

28 (5) This section does not apply to a person that does not hold, and
29 is not required to hold: (a) A certificate of authority pursuant to
30 RCW 48.05.030; or (b) a license pursuant to RCW 48.17.060.

31 (6) This section does not affect the application of chapter 21.20
32 RCW.

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