CONCISE EXPLANATORY STATEMENT

Insurance Regulation 12 – Suitability in Annuity Transactions

The Department of Business Regulation ("Department") hereby adopts amendments to Insurance Regulation 12 effective June 1, 2011 and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The Department makes these amendments in order to update the regulation to the current version of the National Association of Insurance Commissioners model regulation and strengthen protections for consumers of annuity products. There are no substantive differences between the text of the proposed rule as published in accordance with R.I. Gen. Laws § 42-35-3 and the rule as adopted. Two persons filed comments which the department considered as follows:

1. One commenter noted that the Concise Summary indicated that the regulation applied to life insurance and asked for an amendment. There is no procedure to amend a Concise Summary, which is not part of the regulation, however, the Department confirms that the regulation does not apply to life insurance.

2. One commenter noted that the Department added “or contestability” to section 6(A)(4) of the regulation. The Department is aware that this phrase is not in the NAIC Model and noted that fact in its Concise Statement. However, the Department believes that the phrase is necessary to protect Rhode Island consumers.

3. The Department declines to amend the penalty language. Rhode Island does not have a schedule of penalties and the language used is, therefore, appropriate.

4. One commentator requested that the Department provide a database for section 7 compliance so that insurers will not have to request hard copies from producers. The Department does not yet have this capability but is working on it and hopes in the future to have such information available electronically.