

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5210 SB	<b>Title:</b> Annuity transactions	<b>Agency:</b> 160-Office of Insurance Commissioner
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
<b>Account</b>					
Insurance Commissioners Regulatory Account-State 138-1	48,908	13,939	62,847	27,878	27,878
<b>Total \$</b>	48,908	13,939	62,847	27,878	27,878

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 2(2) requires a producer, when making a recommendation of an annuity, to act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if they have satisfied the obligations regarding care, disclosure, conflict of interest and documentation.

Section 2(4)(a) prohibits an insurer, except as permitted under Subsection (3), from issuing an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity would effectively address the particular consumer's financial situation, insurance needs, and financial objectives based on the consumer's consumer profile information.

Section 2(4)(b) requires an insurer to establish and maintain a supervision system that is reasonably designed to achieve the insurer's and the producer's compliance with Section 2.

Section 2(6) puts the responsibility for compliance with Section 2 directly on the insurer. If a violation occurs, either because of the action or inaction of the insurer, or its producer, the Office of Insurance Commissioner (OIC) may order a) an insurer to take reasonably appropriate corrective action for any consumer harmed by a failure by the insurer, an entity contracted to perform the insurer's supervisory duties, or by the producer; b) a general agency, independent agency or the producer to take reasonably appropriate corrective action for any consumer harmed by the producer's violation; and/or c) appropriate penalties and sanctions.

Section 2(11) authorizes the OIC to adopt rules necessary to implement and administer Section 2.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Section 2(2) requires a producer, when making a recommendation of an annuity, to act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if they have satisfied the obligations regarding care, disclosure, conflict of interest and documentation.

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producer to take reasonably appropriate corrective action for any consumer harmed by the producer’s violation; and/or c) appropriate penalties and sanctions. OIC anticipates an average of an additional two enforcement cases per year to address the new insurer and producer carrier requirements. Investigations and enforcement actions generally require between 25-80 hours each, per enforcement case. For purposes of this fiscal note, it is assumed that investigations will require an average of 40 hours per case and enforcement actions will require an average of 40 per case requiring 80 hours (2 investigations x 40 hours) of an Investigator 3 and 80 hours (2 enforcement actions x 40 hours) of an Insurance Enforcement Specialist beginning in FY2024. Additionally, in FY2024, one-time costs of 20 hours of an Insurance Enforcement Specialist will be required to respond to industry and OIC staff inquiries; and provide advice and advisory opinions about the implementation of the bill.

Section 2(11) authorizes the OIC to adopt rules necessary to implement and administer Section 2. In FY2024, ‘normal’ rulemaking is required to align Chapters 284-17 and 284-23 WAC with Section 2 of the bill.

Ongoing costs:  
Salary, benefits and associated costs for .05 FTE Investigator 3 and .05 FTE Insurance Enforcement Specialist beginning in FY2024.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	48,908	13,939	62,847	27,878	27,878
Total \$			48,908	13,939	62,847	27,878	27,878

#### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
A-Salaries and Wages	29,447	8,254	37,701	16,508	16,508
B-Employee Benefits	9,679	2,897	12,576	5,794	5,794
C-Professional Service Contracts					
E-Goods and Other Services	9,782	2,788	12,570	5,576	5,576
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	48,908	13,939	62,847	27,878	27,878

#### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Functional Program Analyst 4	80,952	0.1		0.0		
Insurance Enforcement Specialist	88,056	0.1	0.1	0.1	0.1	0.1
Investigator 3	77,028	0.1	0.1	0.1	0.1	0.1
Senior Policy Analyst	108,432	0.2		0.1		
Total FTEs		0.3	0.1	0.2	0.1	0.1

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 2(11) authorizes the Office of Insurance Commissioner to adopt rules necessary to implement and administer Section 2. In FY2024, ‘normal’ rulemaking is required to align Chapters 284-17 and 284-23 WAC with Section 2 of the bill.