



K a n s a s I n s u r a n c e D e p a r t m e n t

Sandy Praeger

COMMISSIONER OF INSURANCE

Bulletin 2005-3

TO: All Life Insurance Companies and Producers Writing Life Insurance

FROM: Sandy Praeger
Commissioner of Insurance

DATE: June 16, 2005

RE: Life Insurance and Annuities Suitability Regulations, K.A.R. 40-2-14a and 40-2-14b

On May 27, 2005, this Department issued a bulletin in regards to K.A.R. 40-2-14a and 40-2-14b, which became effective on May 20, 2005. These regulations govern standards for recommending annuities and supervision standards for insurers. These regulations are not based on the NAIC model regulation.

The Department currently is proposing and seeking approval for a new version of K.A.R. 40-2-14a, which had been initially rejected by the Attorney General. If approved, the new regulation would, for the most part, adopt the NAIC model regulation. Negotiations between the Department and the Attorney General's Office have been renewed and it is possible that the model regulations may be adopted. The regulation has been approved by the Department of Administration and currently is under review by the Attorney General.

Because of the above, the Department is granting the industry a grace period from compliance with the current KAR 40-2-14b until further notice. Compliance with the current KAR 40-2-14a is required as of June 16, 2005. KAR 40-2-14a provides that:

K.A.R. 40-2-14a. Life insurance and annuities; recommendation standards. (a) In recommending to a consumer the purchase or surrender of any variable life insurance or variable annuity product, each insurance producer, or insurer if no producer is involved, shall have reasonable grounds for believing that the recommendation is suitable for that consumer based on the facts disclosed by the consumer about the consumer's financial situation and needs.

(b) Before recommending to a consumer a transaction or series of transactions involving the purchase or surrender of any variable life insurance or variable annuity product, each producer, or insurer, if no producer is involved, shall make reasonable efforts to obtain the following from the consumer:

- (1) Information concerning the following:
 - (A) The consumer's financial status;
 - (B) the consumer's tax status; and
 - (C) the consumer's investment objectives; and

- (2) any other information considered by the producer or insurer to be a reasonable basis for making each recommendation to the consumer. (Authorized by K.S.A. 40-2404a; implementing K.S.A. 40-2403 and K.S.A. 2002 Supp. 40-2404; effective May 20, 2005.

Take notice, all other consumer protections statutes, rules, regulations and policies remain in effect as before the approval of these particular regulations. This grace period applies only to K.A.R. 40-2-14b.

If you have any questions regarding this Bulletin, please contact Deletria Nash at 420 SW 9th Street, Topeka, Kansas 66605, via phone at (785)296-4140, or via email at dnash@ksinsurance.org.