

# DEPARTMENT OF INSURANCE

## OFFICE OF THE COMMISSIONER

Statutory Authority: 18 Delaware Code, Section 311 and 2503 (18 Del.C. §§311 & 2503)  
18 DE Admin. Code 1214

### FINAL

### ORDER

#### 1214 Senior Protection in Annuity Transactions

Department of Insurance proposed amended Regulation 1214 relating to Senior Protection in Annuity Transactions was published in the Delaware *Register of Regulations* on September 1, 2016. The comment period remained open until October 3, 2016. There was no public hearing on proposed amended Regulation 1214. Public notice of the proposed amended Regulation 1214 in the *Register of Regulations* was in conformity with Delaware law.

#### SUMMARY OF THE EVIDENCE AND INFORMATION SUBMITTED

Comments were received on the proposed amended Regulation 1214 from:

- Insured Retirement Institute – Chelsea Crucitti, Vice President, State Affairs

The collective comments were reviewed and considered. No change was made to the proposed amended Regulation 1214.

#### FINDINGS OF FACT

Based on Delaware law and the record in this docket, I make the following findings of fact:

1. 18 Del.C. §§311, 2304, and 2312 require a regulation to set forth rules and procedural requirements which the Commissioner deems necessary to carry out the provisions of the Code.
2. The requirements of proposed amended Regulation 1214 best serve the interests of the public and of insurers and comply with Delaware law.

#### DECISION AND EFFECTIVE DATE

Based on the provisions of 18 Del.C. §§311, 2304, and 2312; and 29 Del.C. Ch. 101, and the record in this docket, I hereby adopt proposed amended Regulation 1214 as may more fully and at large appear in the version attached hereto to be effective six (6) months after the date the regulation is published as final.

#### TEXT AND CITATION

The text of proposed amended Regulation 1214 last appeared in the *Register of Regulations* Vol. 20, Issue 3, pages 149-150.

IT IS SO ORDERED this 1<sup>st</sup> day of December, 2016  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

#### ~~1214 Senior Protection in Annuity Transactions~~

##### **4.0 Purpose**

~~The purpose of this regulation is to set forth standards and procedures for recommendations to senior consumers that result in a transaction involving annuity products so that the insurance needs and financial objectives of senior consumers at the time of the transaction are appropriately addressed.~~

##### **2.0 Scope**

~~This regulation shall apply to any recommendation to purchase or exchange an annuity made to a senior consumer by an insurance producer, or an insurer where no producer is involved, that results in the purchase or exchange recommended.~~

### 3.0 Authority

This regulation is adopted by the Commissioner pursuant to 18 ~~Del.C.~~ §§311, 2304 and 2312. It is promulgated in accordance with 29 ~~Del.C.~~ Chapter 101.

### 4.0 Exemptions

Unless otherwise specifically included, this regulation shall not apply to recommendations involving:

- 4.1 Direct response solicitations where there is no recommendation based on information collected from the senior consumer pursuant to this regulation;
- 4.2 Contracts used to fund:
  - 4.2.1 An employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA);
  - 4.2.2 A plan described by Sections 401(a), 401(k), 403(b), 408(k) or 408(p) of the Internal Revenue Code (IRC), as amended, if established or maintained by an employer;
  - 4.2.3 A government or church plan defined in Section 414 of the IRC, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization under Section 457 of the IRC;
  - 4.2.4 A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;
  - 4.2.5 Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
  - 4.2.6 Formal prepaid funeral contracts.

### 5.0 Definitions

~~“Annuity” means a fixed annuity or variable annuity that is individually solicited, whether the product is classified as an individual or group annuity.~~

~~“Insurer” means a company required to be licensed under the laws of this state to provide insurance products, including annuities.~~

~~“Insurance producer” means a person required to be licensed under the laws of this state to sell, solicit or negotiate insurance, including annuities.~~

~~“Recommendation” means advice provided by an insurance producer, or an insurer where no producer is involved, to an individual senior consumer that results in an annuity transaction in accordance with that advice.~~

~~“Senior consumer” means a person sixty five (65) years of age or older. In the event of a joint purchase by more than one party, the purchaser will be considered to be a senior consumer if any of the parties is age sixty-five (65) or older.~~

### 6.0 Duties of Insurers and Insurance Producers

- 6.1 In recommending to a senior consumer the purchase or exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer, or the insurer where no producer is involved, shall have reasonable grounds for believing that the recommendation is suitable for the senior consumer on the basis of the facts disclosed by the senior consumer as to his or her investments and other insurance products and as to his or her financial situation and needs.
- 6.2 Prior to the execution of an annuity transaction resulting from a recommendation, an insurance producer, or an insurer where no producer is involved, shall make reasonable efforts to obtain information concerning:
  - 6.2.1 the senior consumer's financial status;
  - 6.2.2 the senior consumer's tax status;
  - 6.2.3 the senior consumer's investment objectives; and
  - 6.2.4 such other information used or considered to be reasonable by the insurance producer, or the insurer where no producer is involved, in making recommendations to the senior consumer.
- 6.3 The following conditions shall apply to transactions contemplated by this regulation:
  - 6.3.1 Except as provided in section 6.3.2, neither an insurance producer, or an insurer where no producer is involved, shall have any obligation to a senior consumer under section 6.1 related to any annuity transaction if a consumer:
    - 6.3.1.1 refuses to provide relevant information requested by the insurer or insurance producer;

- 6.3.1.2 ~~decides to enter into an insurance transaction that is not based on a recommendation of the insurer or insurance producer; or~~
- 6.3.1.3 ~~fails to provide complete or accurate information.~~
- 6.3.2 ~~An insurer or insurance producer's recommendation subject to section 6.3.1 shall be reasonable under all the circumstances actually known to the insurer or insurance producer at the time of the recommendation.~~
- 6.4 ~~The following procedures shall apply to transactions contemplated by this regulation:~~
  - 6.4.1 ~~Except as provided in sections 6.4.2 and 6.4.3, an insurer shall establish and maintain a system to supervise the insurer's, and the insurer's insurance producers', recommendations to senior consumers that is reasonably designed to achieve compliance by the insurer and its insurance producers with this regulation, including, but not limited to:~~
    - 6.4.1.1 ~~written procedures; and~~
    - 6.4.1.2 ~~periodic reviews of its distribution methods that are reasonably designed to assist in detecting and preventing violations of this regulation.~~
  - 6.4.2 ~~The following conditions shall apply to the delegation of an insurer's obligations:~~
    - 6.4.2.1 ~~An insurer may, by contract, delegate to a third party the obligation to perform the functions required by section 6.4.1 with respect to insurance producers under contract with or employed by the third party.~~
    - 6.4.2.2 ~~An insurer shall make reasonable inquiry to assure that the third party contracting under section 6.4.2.1 is performing the functions required under section 6.4.1 and shall take such action as is reasonable under the circumstances to enforce the contractual obligation to perform the functions. An insurer may comply with its obligation to make reasonable inquiry by doing all of the following:~~
      - 6.4.2.2.1 ~~The insurer annually obtains a certification from a third party senior manager who has responsibility for the delegated functions that the manager has a reasonable basis to represent, and does represent, that the third party is performing the required functions; and~~
      - 6.4.2.2.2 ~~The insurer, based on reasonable selection criteria, periodically selects third parties contracting under section 6.4.2.1 for a review to determine whether the third parties are performing the required functions. The insurer shall perform those procedures to conduct the review that are reasonable under the circumstances.~~
  - 6.4.3 ~~An insurer is not required by section 6.4.1 to:~~
    - 6.4.3.1 ~~review, or provide for review of, all insurance producer solicited transactions; or~~
    - 6.4.3.2 ~~include in its supervisory system an insurance producer's recommendations to senior consumers of products other than the insurer's annuities.~~
  - 6.4.4 ~~Section 7 does not apply to this subsection.~~
  - 6.4.5 ~~The commissioner may order:~~
    - 6.4.5.1 ~~an insurer to take reasonably appropriate corrective action for any senior consumer harmed by the insurer's, or by the insurer's insurance producer's, violation of this regulation;~~
    - 6.4.5.2 ~~an insurance producer to take reasonably appropriate corrective action for any senior consumer harmed by the insurance producer's violation of this regulation; and~~
    - 6.4.5.3 ~~a general agency or independent agency that employs or contracts with an insurance producer to sell, or solicit the sale of, annuities to senior consumers, to take reasonably appropriate corrective action for any senior consumer harmed by the insurance producer's violation of this regulation.~~
- 6.5 ~~Compliance with the National Association of Securities Dealers Conduct Rules pertaining to suitability shall satisfy the requirements under this section for the recommendation of variable annuities. However, nothing in this subsection shall limit the insurance commissioner's ability to enforce the provisions of this regulation.~~

## **7.0 ~~Enforcement~~**

- 7.1 ~~The commissioner may:~~
  - 7.1.1 ~~Order an insurer to take reasonably appropriate corrective action for any senior consumer harmed by the insurer's, or by its insurance producer's (who is not an agent of the senior consumer), violation of this regulation.~~
  - 7.1.2 ~~Order an insurance producer to take reasonably appropriate corrective action for any senior consumer harmed by the insurance producer's violation of this regulation.~~
  - 7.1.3 ~~Order a general agency or independent agency that employs or contracts with an insurance producer to sell, or solicit the sale, of annuities to senior consumers, to take reasonably appropriate corrective action for any senior consumer harmed by the insurance producer's violation of this regulation.~~

7.1.4 ~~Impose such penalties or sanctions as may be appropriate in accordance with the provisions of 18 Del.C. Chapters 3, 17 and/or 23.~~

## **8.0 Recordkeeping**

- 8.1 ~~Insurers and insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the senior consumer and other information used in making the recommendations that were the basis for insurance transactions for five years after the insurance transaction is completed by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.~~
- 8.2 ~~Records required to be maintained by this regulation may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.~~

## **9.0 Severability**

~~If any provision of this Regulation or the application of any such provision to any person or circumstance shall be held invalid the remainder of such provisions, and the application of such provision to any person or circumstance other than those as to which it is held invalid, shall not be affected.~~

## **10.0 Causes of Action and Defenses**

~~This regulation shall not create a cause of action for any person or entity, other than the Delaware Insurance Commissioner, against an insurer or its representative based upon a violation of 18 Del.C. §2304. In the same manner, nothing in this regulation shall establish a defense for any party to any cause of action based upon a violation of 18 Del.C. §2304.~~

## **11.0 Effective Date**

~~This regulation shall become effective on July 1, 2006.~~

# **1214 Suitability In Annuity Transactions**

## **1.0 Purpose, Scope and Authority**

- 1.1 The purpose of this regulation is to require insurers to establish a system to supervise recommendations and to set forth standards and procedures for recommendations to consumers that result in transactions involving annuity products so that the insurance needs and financial objectives of consumers at the time of the transaction are appropriately addressed.
- 1.2 Nothing herein shall be construed to create or imply a private cause of action for a violation of this regulation.
- 1.3 This regulation shall apply to any recommendation to purchase, exchange or replace an annuity made to a consumer by an insurance producer, or an insurer where no producer is involved, that results in the purchase, exchange or replacement recommended.
- 1.4 This regulation is adopted by the Commissioner pursuant to 18 Del.C. §§311, 2304 and 2312. It is promulgated in accordance with 29 Del.C. Ch. 101.

## **2.0 Exemptions**

- 2.1 Unless otherwise specifically included, this regulation shall not apply to transactions involving:
- 2.1.1 Direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to this regulation;
- 2.1.2 Contracts used to fund:
- 2.1.2.1 An employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA);
- 2.1.2.2 A plan described by sections 401(a), 401(k), 403(b), 408(k) or 408(p) of the Internal Revenue Code (IRC), as amended, if established or maintained by an employer;
- 2.1.2.3 A government or church plan defined in section 414 of the IRC, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization under section 457 of the IRC;
- 2.1.2.4 A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;

- 2.1.2.5 Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
- 2.1.2.6 Formal prepaid funeral contracts.

### **3.0 Definitions**

The following words and terms, when used in this regulation, have the following meaning unless the context clearly indicates otherwise:

“Annuity” means an annuity that is an insurance product under State law that is individually solicited, whether the product is classified as an individual or group annuity.

“Continuing education credit” or “CE credit” means one continuing education credit as defined in 18 DE Admin. Code 504, Section 2.0.

“Continuing education provider” or “CE Provider” means an individual or entity that is approved to offer continuing education courses pursuant to 18 DE Admin. Code 504, Section 2.0.

“FINRA” means the Financial Industry Regulatory Authority or a succeeding agency.

“Insurance producer” means a person required to be licensed under the laws of this state to sell, solicit or negotiate insurance, including annuities.

“Insurer” means a company required to be licensed under the laws of this state to provide insurance products, including annuities.

“Recommendation” means advice provided by an insurance producer, or an insurer where no producer is involved, to an individual consumer that results in a purchase, exchange or replacement of an annuity in accordance with that advice.

“Replacement” means a transaction in which a new policy or contract is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer if there is no producer, that by reason of the transaction, an existing policy or contract has been or is to be:

- (1) Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
- (2) Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
- (3) Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- (4) Reissued with any reduction in cash value; or
- (5) Used in a financed purchase.

“Suitability information” means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:

- (1) Age;
- (2) Annual Income;
- (3) Financial situation and needs, including the financial resources used for the funding of the annuity;
- (4) Financial experience;
- (5) Financial objectives;
- (6) Intended use of the annuity;
- (7) Financial time horizon;
- (8) Existing assets, including investment and life insurance holdings;
- (9) Liquidity needs;
- (10) Liquid net worth;
- (11) Risk tolerance; and
- (12) Tax Status.

### **4.0 Duties of Insurers and of Insurance Producers**

- 4.1 In recommending to a consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer, or the insurer where no producer is involved, shall have reasonable grounds for believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer as to his or her investments and other insurance products and as to his or her financial situation and needs, including the consumer’s suitability information, and that there is a reasonable basis to believe all of the following:

- 4.1.1 The consumer has been reasonably informed of various features of the annuity, such as the potential surrender period and surrender charge, potential tax penalty if the consumer sells, exchanges, surrenders or annuitizes the annuity, mortality and expense fees, investment advisory fees, potential charges for and features of riders, limitations on interest returns, insurance and investment components and market risk;
- 4.1.2 The consumer would benefit from certain features of the annuity, such as tax-deferred growth, annuitization or death or living benefit;
- 4.1.3 The particular annuity as a whole, the underlying subaccounts to which funds are allocated at the time of purchase or exchange of the annuity, and riders and similar product enhancements, if any, are suitable (and in the case of an exchange or replacement, the transaction as a whole is suitable) for the particular consumer based on his or her suitability information; and
- 4.1.4 In the case of an exchange or replacement of an annuity, the exchange or replacement is suitable including taking into consideration whether:
  - 4.1.4.1 The consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements;
  - 4.1.4.2 The consumer would benefit from product enhancements and improvements; and
  - 4.1.4.3 The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 36 months.
- 4.2 Prior to the execution of a purchase, exchange or replacement of an annuity resulting from a recommendation, an insurance producer, or an insurer where no producer is involved, shall make reasonable efforts to obtain the consumer's suitability information.
- 4.3 Except as permitted under subsection 4.4, an insurer shall not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity is suitable based on the consumer's suitability information.
- 4.4 No Obligation to Consumers in Certain Circumstances
  - 4.4.1 Except as provided under subsection 4.4.2, neither an insurance producer, nor an insurer, shall have any obligation to a consumer under subsections 4.1 or 4.3 related to any annuity transaction if:
    - 4.4.1.1 No recommendation is made;
    - 4.4.1.2 A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;
    - 4.4.1.3 A consumer refuses to provide relevant suitability information and the annuity transaction is not recommended; or
    - 4.4.1.4 A consumer decides to enter into an annuity transaction that is not based on a recommendation of the insurer or the insurance producer.
  - 4.4.2 An insurer's issuance of an annuity subject to subsection 4.4.1 shall be reasonable under all the circumstances actually known to the insurer at the time the annuity is issued.
- 4.5 An insurance producer or, where no insurance producer is involved, the responsible insurer representative, shall at the time of sale:
  - 4.5.1 Make a record of any recommendation subject to subsection 4.1 of this regulation;
  - 4.5.2 Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and
  - 4.5.3 Obtain a customer signed statement acknowledging that an annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the insurance producer's or insurer's recommendation.
- 4.6 An insurer shall establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with this regulation, including, but not limited to, the following:
  - 4.6.1 The insurer shall maintain reasonable procedures to inform its insurance producers of the requirements of this regulation and shall incorporate the requirements of this regulation into relevant insurance producer training manuals;
  - 4.6.2 The insurer shall establish standards for insurance producer product training and shall maintain reasonable procedures to require its insurance producers to comply with the requirements of Section 5.0 of this regulation;
  - 4.6.3 The insurer shall provide product-specific training and training materials which explain all material features of its annuity products to its insurance producers;
  - 4.6.4 The insurer shall maintain procedures for review of each recommendation prior to issuance of an annuity that are designed to ensure that there is a reasonable basis to determine that a recommendation is

suitable. Such review procedures may apply a screening system for the purpose of identifying selected transactions for additional review and may be accomplished electronically or through other means including, but not limited to, physical review. Such an electronic or other system may be designed to require additional review only of those transactions identified for additional review by the selection criteria;

- 4.6.5 The insurer shall maintain reasonable procedures to detect recommendations that are not suitable. This may include, but is not limited to, confirmation of consumer suitability information, systematic customer surveys, interviews, confirmation letters and programs of internal monitoring. Nothing in this subsection prevents an insurer from complying with this subsection by applying sampling procedures, or by confirming suitability information after issuance or delivery of the annuity; and
- 4.6.6 The insurer shall annually provide a report to senior management, including to the senior manager responsible for audit functions, which details a review, with appropriate testing, reasonably designed to determine the effectiveness of the supervision system, the exceptions found, and corrective action taken or recommended, if any.
- 4.7 Nothing in this subsection restricts an insurer from contracting for performance of a function (including maintenance of procedures) required under subsection 4.6. An insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to Section 6.0 of this regulation regardless of whether the insurer contracts for performance of a function and regardless of the insurer's compliance with subsection 4.8.
- 4.8 An insurer's supervision system under subsection 4.6 shall include supervision of contractual performance under this subsection. This includes, but is not limited to, the following:
  - 4.8.1 Monitoring and, as appropriate, conducting audits to assure that the contracted function is properly performed; and
  - 4.8.2 Annually obtaining a certification from a senior manager who has responsibility for the contracted function that the manager has a reasonable basis to represent, and does represent, that the function is properly performed.
- 4.9 An insurer is not required to include in its system of supervision an insurance producer's recommendations to consumers of products other than the annuities offered by the insurer.
- 4.10 An insurance producer shall not dissuade, or attempt to dissuade, a consumer from:
  - 4.10.1 Truthfully responding to an insurer's request for confirmation of suitability information;
  - 4.10.2 Filing a complaint; or
  - 4.10.3 Cooperating with the investigation of a complaint.
- 4.11 Sales made in compliance with FINRA requirements pertaining to suitability and supervision of annuity transactions shall satisfy the requirements under this regulation. This subsection applies to FINRA broker-dealer sales of variable annuities and fixed annuities if the suitability and supervision is similar to those applied to variable annuity sales. However, nothing in this subsection shall limit the Insurance Commissioner's ability to enforce (including investigate) the provisions of this regulation.
- 4.12 For subsection 4.11 to apply, an insurer shall:
  - 4.12.1 Monitor the FINRA member broker-dealer using information collected in the normal course of an insurer's business; and
  - 4.12.2 Provide to the FINRA member broker-dealer information and reports that are reasonably appropriate to assist the FINRA member broker-dealer to maintain its supervision system.

## **5.0 Insurance Producer Training**

- 5.1 An insurance producer shall not solicit the sale of an annuity product unless the insurance producer has adequate knowledge of the product to recommend the annuity and the insurance producer is in compliance with the insurer's standards for product training. An insurance producer may rely on insurer-provided product-specific training standards and materials to comply with this subsection.
- 5.2 An insurance producer who engages in the sale of annuity products shall complete a one-time four (4) credit training course approved by the Department of Insurance and provided by the Department of Insurance-approved education provider.
  - 5.2.1 Insurance producers who hold a life insurance line of authority on the effective date of this regulation and who desire to sell annuities shall complete the requirements of this subsection within six (6) months after the effective date of this regulation. Individuals who obtain a life insurance line of authority on or after the effective date of this regulation may not engage in the sale of annuities until the annuity training course required under this subsection has been completed.

- 5.2.2 The minimum length of the training required under this subsection shall be sufficient to qualify for at least four (4) CE credits, but may be longer.
- 5.2.3 The training required under this subsection shall include information on the following topics:
- 5.2.3.1 The types of annuities and various classifications of annuities;
  - 5.2.3.2 Identification of the parties to an annuity;
  - 5.2.3.3 How fixed, variable and indexed annuity contract provisions affect consumers;
  - 5.2.3.4 The application of income taxation of qualified and non-qualified annuities;
  - 5.2.3.5 The primary uses of annuities; and
  - 5.2.3.6 Appropriate sales practices, replacement and disclosure requirements.
- 5.2.4 Providers of courses intended to comply with this subsection shall cover all topics listed in the prescribed outline and shall not present any marketing information or provide training on sales techniques or provide specific information about a particular insurer's products. Additional topics may be offered in conjunction with and in addition to the required outline.
- 5.2.5 A provider of an annuity training course intended to comply with this subsection shall register as a CE provider in this State and comply with the rules and guidelines applicable to insurance producer continuing education courses as set forth in 18 DE Admin. Code 504, Section 2.0.
- 5.2.6 Annuity training courses may be conducted and completed by classroom or self-study methods in accordance with 18 DE Admin. Code 504, Section 2.0.
- 5.2.7 Providers of annuity training shall comply with the reporting requirements and shall issue certificates of completion in accordance with 18 DE Admin. Code 504, Section 2.0.
- 5.2.8 The satisfaction of the training requirements of another State that are substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this State.
- 5.2.9 An insurer shall verify that an insurance producer has completed the annuity training course required under this subsection before allowing the producer to sell an annuity product for that insurer. An insurer may satisfy its responsibility under this subsection by obtaining certificates of completion of the training course or obtaining reports provided by Commissioner-sponsored database systems or vendors or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

## **6.0 Compliance Mitigation; Penalties**

- 6.1 An insurer is responsible for compliance with this regulation. If a violation occurs, either because of the action or inaction of the insurer or its insurance producer, the Commissioner may order:
- 6.1.1 An insurer to take reasonably appropriate corrective action for any consumer harmed by the insurer's, or by its insurance producer's, violation of this regulation;
  - 6.1.2 A general agency, independent agency or the insurance producer to take reasonably appropriate corrective action for any consumer harmed by the insurance producer's violation of this regulation; and
  - 6.1.3 Appropriate penalties and sanctions.
- 6.2 Any applicable penalty under 18 Del.C. Chapters 3, 17 and/or 23 for a violation of this regulation may be reduced or eliminated if corrective action for the consumer was taken promptly after a violation was discovered or the violation was not part of a pattern or practice.

## **7.0 Effective Date**

The amendments to this regulation shall take effect six (6) months after the date the regulation is published as final.

**9 DE Reg. 1081 (01/01/06)**

**20 DE Reg. 456 (12/01/16) (Final)**