2020

CEFLI VIRTUAL SUMMIT MEETING

2020 NAIC Suitability in Annuity Transactions Model Regulation

Session 4: Insurer New Business Processes

cefli

COMPLIANCE & ETHICS FORUM FOR LIFE INSURERS

The **CEFLI Virtual Summit Meeting** consists of five sessions:

- Session 1: Emerging and Dynamic Sales Standards
- Session 2: Diving into Disclosures
- Session 3: Training Tactics and Tribulations
- Session 4: Insurer New Business Processes
- Session 5: Oversight and Supervision

All sessions address aspects of the 2020 NAIC Suitability in Annuity Transactions Model Regulation.

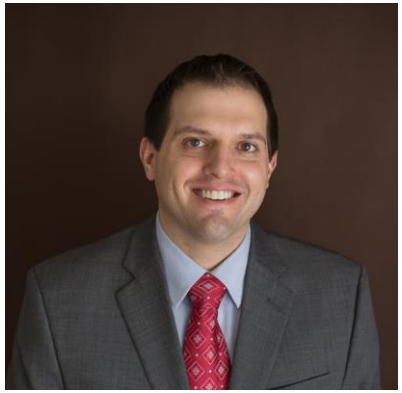
Session content (presentation and the recorded webinar) can be found on CEFLI's website (www.CEFLI.org).

cefli
The Forum that Connects

Presenters

- **Jackie Cockrum**
  Vice President, Annuity New Business & Suitability Operations
  Sammons Financial

- **Chris Trainer**
  Manager, Suitability and Sales Practice Monitoring
  Transamerica



- **Chris Tauber**
  Consumer Protection Program Owner
  Allianz

- **Carla Strauch**
  VP, Compliance & Ethics
  CEFLI

Agenda

INSURER NEW BUSINESS PROCESSES

1. **“Current State”—2010 Model New Business Processes**
2. **“Future State”—2020 Model Considerations**
    - Managing the "Good Order Process"
    - Review of Each Recommendation
    - Timely Completion of Producer Training
    - Identifying Recommendations Not in Compliance
    - Producer Disclosures to Consumers
    - Suspicious Consumer Profile Information
    - Non-recommended Transactions
3. **Final Thoughts**

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Current State

2010 Model New Business Processes

- Company background
  - Product offering
  - Distribution channels

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Current State

2010 Model New Business Processes

- Summary of current annuity new business issue processes related to compliance with the 2010 NAIC Model Regulation.

Allianz

Sammons FINANCIAL

TRANSAMERICA®

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

What's required?

- Section 6.C.(2)(d)&(e):

  From (d): Establish and maintain procedures for the review of each recommendation to ensure there is a reasonable basis to determine that the recommended annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives.

  From (e): Establish and maintain reasonable procedures to detect recommendations that are not in compliance (i.e. confirmation of the consumer's consumer profile information, systematic customer surveys, producer and consumer interviews, confirmation letters, producer statements or attestations and programs of internal monitoring).

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

Managing the "Good Order" Process

- Proactive Efforts: Helping producers submit new business that is in "Good Order" the first time.

cefli
The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

Managing the "Good Order" Process

- Resolution Efforts: Resolving gaps or questions when they arise. Involvement of producers and/or consumers.

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

The Review of Each Recommendation

- Section 6.C.(1) and 6.(C)(2)(d):
  - An insurer **may not issue an annuity recommended to a consumer unless there is a reasonable basis** to believe the annuity would effectively address the consumer's financial situation, insurance needs and financial objectives based on the consumer's profile information.
  - The insurer shall establish and maintain procedures for **the review of each recommendation** prior to issuance of an annuity that are designed to ensure there is a reasonable basis to determine that the recommended annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives.

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

Identifying Recommendations Not In Compliance

- Section 6.C.(2)(e):
  The insurer shall establish and maintain reasonable procedures to **detect recommendations that are not in compliance with the Model Regulation**. This may include, but is not limited to, confirmation of the consumer's consumer profile information, systematic customer surveys, producer and consumer interviews, confirmation letters, producer statements or attestations and programs of internal monitoring.

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

Timely Completion of Producer Training

- Section 6.C.(2)(b):
  The insurer shall establish and maintain standards for producer product training and shall establish and maintain reasonable procedures to require its producers to comply with the requirements of Section 7 of this regulation.
- Types of Controls
  - Prior to a transaction
  - At the time of a transaction

cefli The Forum that Connects

INSURER NEW BUSINESS PROCESSES

Future State

Producer Disclosures to Consumers

- Section 6.C.(2)(f): The insurer shall establish and maintain reasonable procedures to assess, prior to or upon issuance or delivery of an annuity, **whether a producer has provided to the consumer the information** required to be provided by the Model Regulation.

cefli The Forum that Connects

Future State

Suspicious Consumer Profile Information

INSURER NEW BUSINESS PROCESSES

APPENDIX B

CONSUMER REFUSAL TO PROVIDE INFORMATION

Do Not Sign Unless You Have Read and Understand the Information in this Form

Why are You being given this form?

You're buying a financial product – an annuity.

To recommend a product that effectively meets Your needs, objectives and situation, the agent, broker, or company needs information about You, Your financial situation, insurance needs and financial objectives.

If You sign this form, it means You have not given the agent, broker, or company some or all the information needed to decide if the annuity effectively meets Your needs, objectives and situation. You may lose protections under the Insurance Code of [this state] if You sign this form or provide inaccurate information.

Statement of Purchaser:

- ϒ I **REFUSE** to provide this information at this time.
- ϒ I have chosen to provide LIMITED information at this time.

_____
Customer Signature

_____
Date

- Section 6.C.(2)(g): The insurer shall establish and maintain reasonable procedures to **identify and address suspicious consumer refusals to provide consumer profile information.** Appendix B.

cefli The Forum that Connects

Future State

Non-recommended Transactions

- Section 6.B.(1)(d): A **producer** shall have no obligation to the consumer if the consumer enters into a transaction that is not based on a recommendation of the producer. Appendix C.

- Section 6.C.(1): An **insurer** may not issue an annuity **recommended** to a consumer unless there is a reasonable basis to believe the annuity would effectively address the consumer's financial situation, insurance needs and financial objectives based on the consumer's profile information.

APPENDIX C

Consumer Decision to Purchase an Annuity NOT Based on a Recommendation

Do Not Sign This Form Unless You Have Read and Understand It.

Why are You being given this form? You are buying a financial product – an annuity.

To recommend a product that effectively meets your needs, objectives and situation, the agent, broker, or company has the responsibility to learn about You, your financial situation, insurance needs and financial objectives.

If You sign this form, it means You know that you're buying an annuity that was not recommended.

Statement of Purchaser:

I understand that I am buying an annuity, but the agent, broker or company did not recommend that I buy it. If I buy it **without a recommendation,** I understand I may lose protections under the Insurance Code of [this state].

_____
Customer Signature

_____
Date

_____
Agent/Producer Signature

_____
Date

Final Thoughts

INSURER NEW BUSINESS PROCESSES

cefli
The Forum that Connects

The **CEFLI Virtual Summit Meeting** consists of five sessions:

- Session 1: Emerging & Dynamic Sales Standards
- Session 2: Diving into Disclosures
- Session 3: Training Tactics and Tribulations
- Session 4: Insurer New Business Processes
- Session 5: Oversight & Supervision

All sessions address aspects of the 2020 NAIC Suitability in Annuity Transactions Model Regulation.

Session content (presentation and the recorded webinar) can be found on CEFLI's website (www.CEFLI.org).

CEFLI values your feedback! Please complete the short (2-3-minute) survey located at:

https://www.surveymonkey.com/r/CEFLISummit4

The survey will remain open until June 1, 2020.

Thank you for your support of CEFLI.

THE FORUM THAT CONNECTS.

cefli

Compliance & Ethics Forum for Life Insurers

www.cefli.org

© CEFLI 2020. All Rights Reserved.