NAIC Suitability in Annuity Transactions Model Regulation

1:30 – 2:30 p.m., EDT

Agenda

- Background
- Key Differences
- Four obligations
- Training
- Supervision
- Safe harbor
- Frequently Asked Questions Document

Faculty Introductions

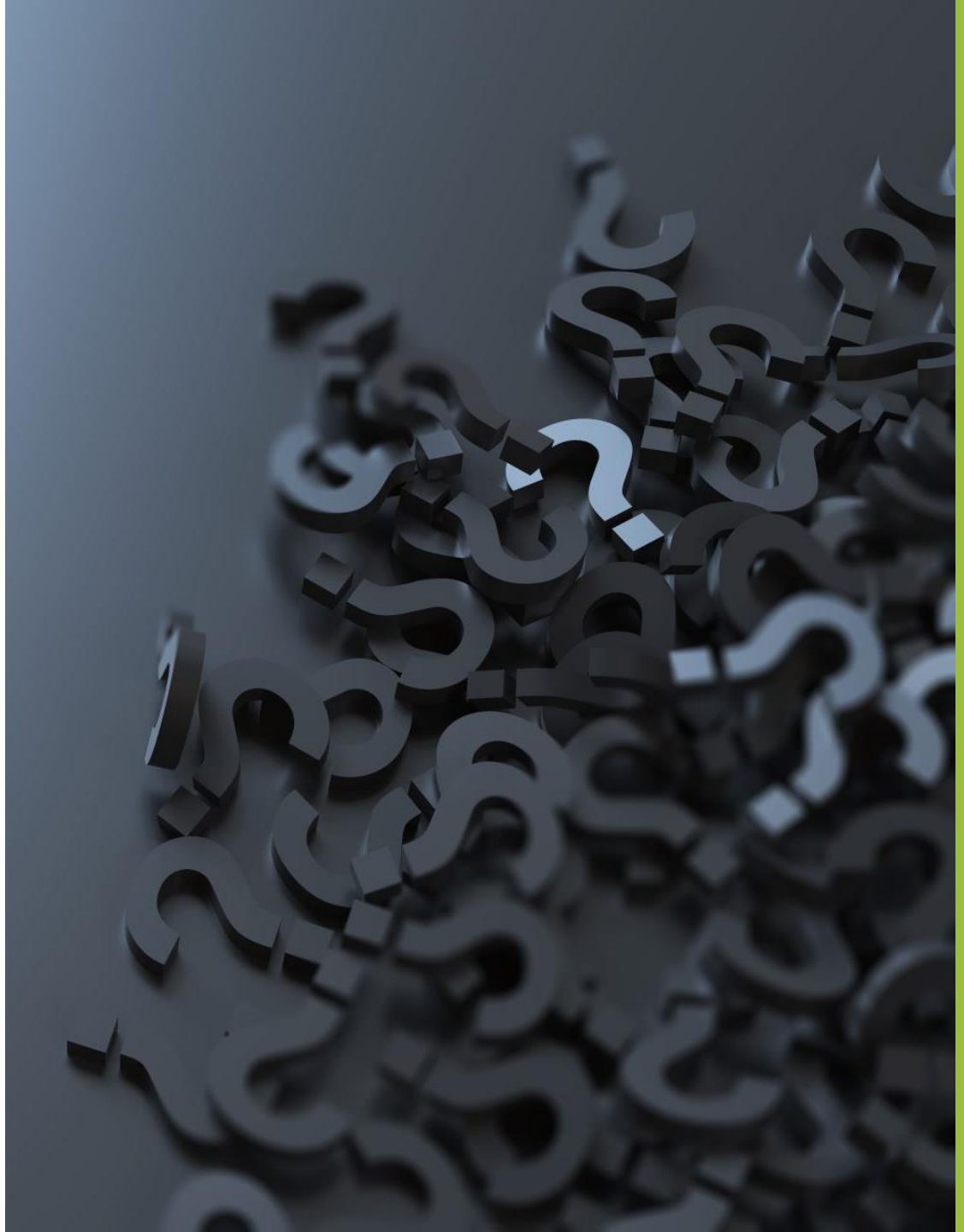
Matt Gendron
General Counsel
Rhode Island Division of Insurance

Richard Wicka
Chief Legal Counsel
Wisconsin Office of the Commissioner of Insurance

Donald J. Walters
President & CEO
CEFLI

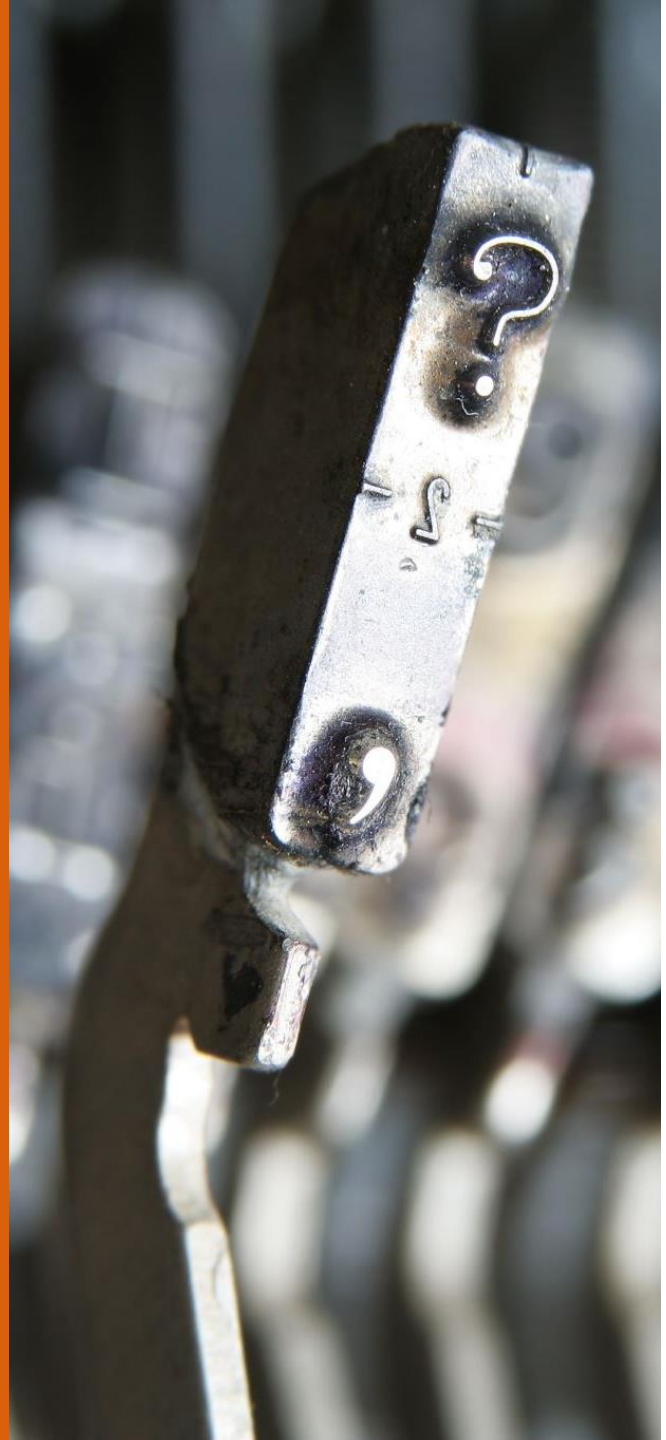
Background

- Why did the NAIC revise the Model Regulation?



Key Differences in Revised Model Regulation

- Four obligations:
  - Care obligation
  - Disclosure obligation
  - Conflict of Interest obligation
  - Documentation obligation
- Similar to the SEC's Regulation Best Interest



“Best Interest” Standard

- Why doesn’t the revised Model Regulation define the term “best interest?”

Care Obligation – Fiduciary?

- Section 6 A. (1) (d):
  - The requirements under this subsection do not create a fiduciary obligation or relationship and only create a regulatory obligation as established in this regulation.
- Why was it necessary to make this statement in the revised Model Regulation?

Care Obligation – Scope of analysis?

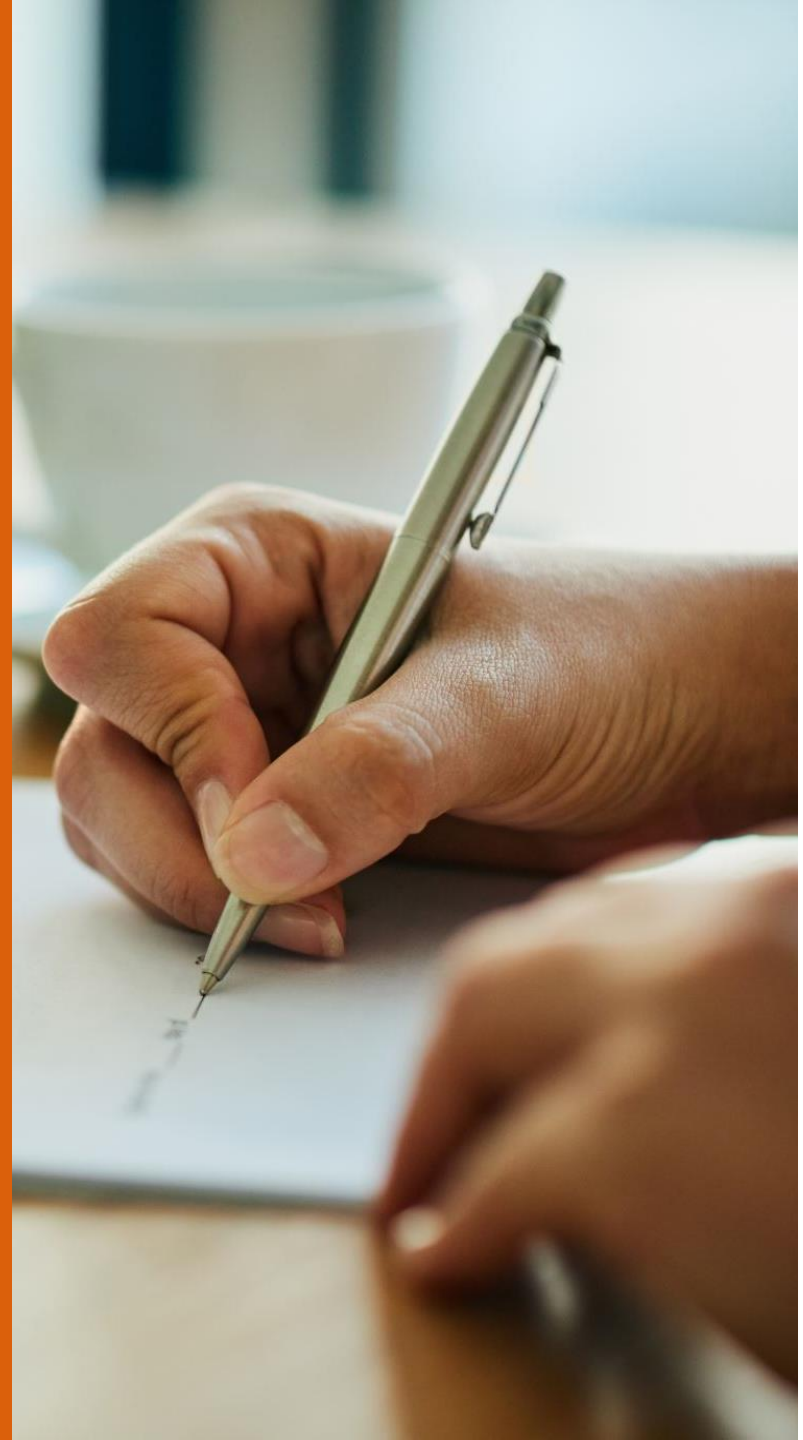
- Section 6. A. (1) (c):

  "… require a producer to consider the types of products the producer is authorized and licensed to recommend or sell that address the consumer's financial situation, insurance needs and financial objectives. This does not require analysis or consideration of any products outside the authority and license of the producer…"

- Why was this provision included in the revised Model Regulation?

Disclosure Obligation – Appendices

- Why were the appendices developed?
- Were they designed to be similar to the SEC's Form CRS?

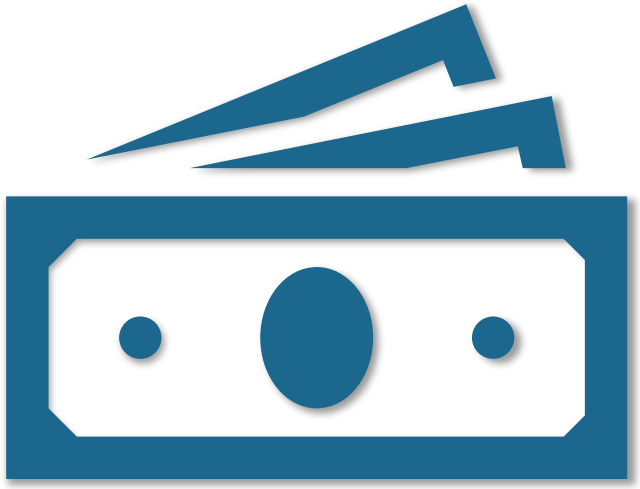


Disclosure Obligation – Appendix B

- Why was it necessary to include Appendix B (Customer Refusal to Provide Information)?

Disclosure Obligation – Compensation

- Why does the revised Model Regulation require disclosure of producer compensation?



Conflict of Interest Obligation

- Section 6 (3):
  - A producer shall identify and avoid or reasonably *manage* and disclose material conflicts of interest, including material conflicts of interest related to an ownership interest.

Documentation Obligation

- Section 6. A. (4) (a):

  "…A producer shall at the time of recommendation or sale…Make a written record of any recommendation and the basis for the recommendation subject to this regulation…"

Training

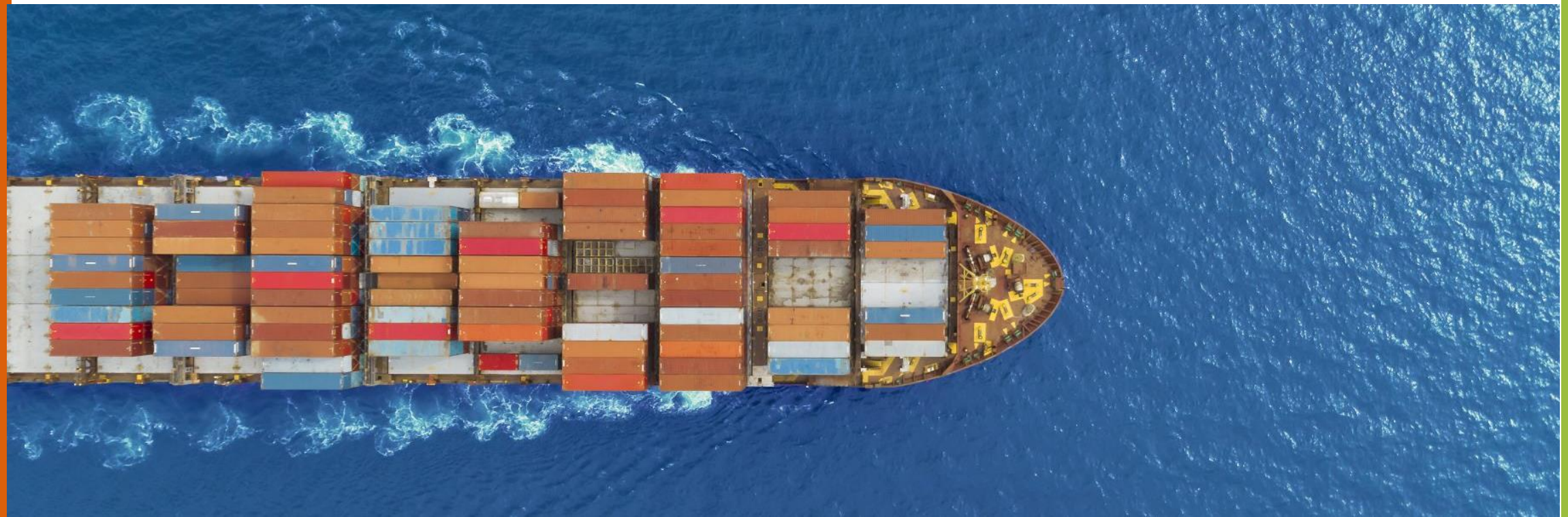
- Section 7. B. (6): A producer shall, within six months after the effective date of the regulation, complete either:
  - A new four (4) credit training course; or
  - An additional one-time, one (1) credit training course on appropriate sales practices, replacement and disclosure requirements under this amended regulation.

Supervision

- Frequently Asked Questions Document:
  - To assess whether a producer has provided to the consumer the information required by the revised Model.
  - To identify and address suspicious consumer refusals to provide consumer profile information.
  - To identify and eliminate any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sale of specific annuities within a limited period of time.

Safe Harbor

- Application of the “safe harbor” provision
- “Comparable Standards”



Frequently Asked Questions Document

- Purpose
- Status

Marketplace Impact

- How will the revised Model Regulation impact the marketplace?

Closing Comments

Questions

Thank You!

Break

2:30 – 2:45 p.m., EDT

Next Session

Analysis: Life Insurance Company Management of Complaints

2:45 – 3:45 p.m., EDT