



NAFA Principles for Use of Professional Designations

Document Purpose Statement:

NAFA fully supports producers' continuing education efforts as this commitment benefits your clients, the companies with whom you do business and the industry. NAFA also enthusiastically supports producers' pursuit of professional designations to further their professional abilities and knowledge. However, in recent years, the number of designations that are used by individuals and groups engaged in the sale of life insurance and/or annuity products has increased substantially. It is very difficult for both companies and consumers to determine the level of education, training or expertise that a given designation appears to represent.

Ultimately, identifying yourself and your professional background without misrepresenting the fact that you are a licensed insurance agent, who earns commissions on the sale of products, is the number one requirement. The way in which you present yourself to the public is an important industry concern and the subject of increasing regulatory attention. It is generally considered an unfair and deceptive trade practice to misrepresent your expertise or your intention to sell insurance products. For example, using such labels as "income planner," "asset protection advisor," or "retirement consultant" can be misleading and obscure the fact that you are in the business of selling life insurance and annuity products.

The purpose of this document is to serve as a reference for the financial professional not only in selecting which designation to pursue, but also as a guideline for what to look out for and avoid. Through this paper, NAFA does not endorse any particular designation or certification.

Before we begin, it is important to note that according to the US Census Bureau there are over 40 million Americans

age 65 or older. Before 2030, this number is projected to nearly double to higher than 72 million. NAFA supports the protection of all clients, including this important segment; expertise in annuity recommendations & handling senior-related concerns/ understanding is supported by NAFA

Principles for Use of Professional Designations by Producers

NAFA is a strong proponent of all efforts to improve the education and training for those licensed to sell fixed annuities in any areas relating to insurance, insurance products, consumer financial needs and planning, taxation, and any other area impacting their function as seller and servicer of insurance products. This may include financial professional designations earned through testing, professional continuing education, or producer continuing education. Core principles of designation use are as follows:

- ▶ A designation used in advertising should be current and verifiable.
- ▶ A designation should represent some significant achievement of knowledge which could be relevant to the advertised insurance and which will benefit the recipient of the advertising.
- ▶ A designation should be awarded by a reputable, accredited organization within the insurance and financial industry.

As a result of this principle, some designations may be eschewed entirely by insurers or regulators because they are deemed of insufficient rigor, scope, or applicability to the sale of insurance or are deemed to have no significant benefit to the advertising recipient. Therefore, they could easily mislead a consumer.

NAIC Model 278 Overview:

The NAIC set forth the framework in establishing these guidelines with Model 278.

The purpose of this regulation is to set forth standards to protect consumers from misleading and fraudulent marketing practices with respect to the use of senior-specific certifications and professional designations in the solicitation, sale or purchase of, or advice made in connection with, a life insurance or annuity product.

It is an unfair and deceptive act or practice in the business of insurance for an insurance producer to use a senior-specific certification or professional designation that indicates or implies in such a way as to mislead a purchaser or prospective purchaser that the insurance producer has special certification or training in advising or servicing seniors in connection with the solicitation, sale or purchase of a life insurance or annuity product or in the provision of advice as to the value of or the advisability of purchasing or selling a life insurance or annuity product, either directly or indirectly through publications or writings, or by issuing or promulgating analyses or reports related to a life insurance or annuity product.

Best Practices:

In addition to the items described below, an agent should confer with his state's department of insurance, the carrier, any applicable broker dealer and specific agency rules to ensure they are meeting with all appropriate standards.

Recommendations:

- ▶ Have appropriate training or credentials to validate your designation
- ▶ Maintain your right to use and display your approved credential by performing CE tasks or recertification as required by the issuer
- ▶ Choose to pursue those designations and credentials which provide a robust curriculum and credentialing process, including examinations.

Avoid the Following:

- ▶ Do not use acronyms intentionally similar to other accredited designations which further obscure your qualifications
- ▶ Do not use designations that can be earned by simply paying a membership fee without any meaningful

credentialing or testing process

- ▶ Do not use a designation that you have not earned or maintained (kept current)
- ▶ Do not use "nonexistent or self-conferred" designations
- ▶ Do not use academic credentials earned through school, training or specific experience that you have not actually earned.
- ▶ Do not use designations offered by certifying organizations when:
 - Minimal oversight exists to affirm that the candidate has competently completed the training and certification program
 - Measures for monitoring and disciplining designees are nonexistent
 - Lack of or minimal emphasis on ethics
 - Inadequate overall curriculum

Remaining Compliant and Transparent.

In communicating with the public, specifically seniors in this case, a producer needs to be very careful and very deliberate:

- ▶ One piece of information that should be immediately acknowledged if your intent is to potentially sell a fixed annuity product, is that you are an Insurance Agent, that you believe in the product, and a further acknowledgement that like all financial products, there is no single silver bullet to retirement planning.
- ▶ Some designations require more rigorous training than others, and it goes without saying that experience is not uniform. If you are replacing the consumer's former advisor, make sure to document the reasons that your new client chose you. Holding your designation or experience as superior to theirs is not sufficient to encourage the consumer to work with you. This kind of approach has resulted in administrative action at many levels.
- ▶ Documenting everything is also very important, and as NAFA has discussed before, keeping these records organized and accessible can help protect the producer.
- ▶ Involving the potential heirs in the planning at some capacity can be extremely beneficial.

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Advertising in General: Case Law Application:

There are many cases that have been cited publicly as contributing to both NAIC and Securities guidance. They involve not only the designations themselves in most cases, but also cross into the realm of unethical advertising as well.

- ▶ In Massachusetts, a case concerned the use of “Certified Elder Planning Specialists (CEPS)” conducting in many instances what were called “Senior Financial Survival Workshops.” The case ended in settlement discontinuing the use of CEPS in Massachusetts.
- ▶ Also in Massachusetts, the use of “Certified Senior Advisor (CSA)” has resulted in numerous consumer complaints and administrative actions. Two cases in particular drew a great deal of attention. The first involved a producer liquidating the bulk of his clients securities assets and moving them into fixed indexed annuities. On the surface, this is of course not a red flag matter on its own. Depending on the individual’s needs, liquidity, and other intents, simple asset allocation alteration is often appropriate. With age, risk tolerability typically decreases. It was the positioning, the marketing and the manner that the producer implemented the change that caused the consumer to file her complaint. The consumer cited that her decision to leave her current advisor centered around his “accredited” designation and his marketing materials stating his “[training] in many issues especially senior finances.”
- ▶ In Arkansas, there was yet another case involving a producer using the CSA designation and his advertising and marketing which implied his unique expertise in working with seniors. The producer’s membership as a CSA had expired at the time of the sale, and he did not use the required disclosure provided by the Society of Certified Senior Advisors and adopted in March of 2007. The individual in this case also used a number of other designations and acronyms for all intents and purposes that referenced established designations that he did not in fact hold.

- ▶ In Oregon, an agent was fined \$9,000 for misleading the public about his expertise and qualifications and failing to report misdemeanor prosecutions. Similar to other cases, the agent in question had allowed the designation membership to lapse, claimed to have written an authoritative booklet and purported to be an owner/operator unregistered business.

Applicability to RIAs (NASAA and SEC):

Producers who are also Registered Representatives need to pay attention to a host of other governing bodies when deciding upon a Senior Designation to pursue and use:

- ▶ NASD Rule 2210 (Now FINRA Conduct Rule 2210) and NYSE 472 prohibit firms and registered persons from making false, exaggerated, unwarranted or misleading statements or claims.
- ▶ The NASAA Model Rule on the use of Senior-Specific Certifications and Professional Designations concerns what the designation implies to the investor, and if it could imply expertise or credentials that may be inaccurate or misleading.
- ▶ Regulatory Notice 11-52 and 07-43 apply to the firm employing the Advisor, although being familiar with the recommendations can help ensure that the RIA conducting business on the Life/Health side stays compliant and above reproach. Notice 11-52 built upon 07-43 by incorporating the results of a Senior Designations Survey of 157 firms concerning senior designations.

Best Practices:

When considering a designation to pursue, take these step to determine if the designation is appropriate and approved:

- ▶ Check with your Insurance Carrier’s Compliance Department
- ▶ Check with your State Department of Insurance

If you doubt or are even remotely uncertain about the status of a designation you have been conferred, it is wise not to use it until you have checked with your appropriate compliance personnel.