SUBMITTED ELECTRONICALLY: jmatthews@naic.org

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NAIC Annuity Suitability (A) Working Group
c/o Jolie H. Matthews
Senior Health and Life Policy Counsel
National Association of Insurance Commissioners (NAIC)
Hall of the States Building, Suite 700
444 North Capitol Street, NW
Washington, D.C. 2001-1512

RE: Proposed Revisions to the *NAIC Suitability in Annuity Transactions Model Regulation* (#275)

Dear Members of the NAIC Annuity Suitability (A) Working Group:

NAFA, the National Association for Fixed Annuities,[1] is pleased to have the opportunity to provide comments regarding the NAIC Annuity Suitability (A) Working Group's draft revisions to the NAIC Suitability in Annuity Transactions Model Regulation (#275).

We appreciate having had the opportunity to discuss our concerns in meetings with some of you over the past several months and look forward to continuing to work together with the NAIC Working Group as you move through the drafting process.

NAFA is uniquely positioned to provide commentary on any proposed changes to the Suitability in Annuity Transactions Model Regulation – especially any changes that would include expanding the rule to include a new best interest standard of conduct – because our membership represents all channels of an independent distribution business arrangement that is unique, within the financial services industry, to annuity transactions.

[1] NAFA, the National Association for Fixed Annuities, is the premier trade association exclusively dedicated to fixed annuities. Our mission is to promote the awareness and understanding of fixed annuities. We educate annuity salespeople, regulators, legislators, journalists, and industry personnel about the value of fixed annuities and their benefits to consumers. NAFA's membership represents every aspect of the fixed annuity marketplace covering 85% of fixed annuities sold by independent agents, advisors and brokers. NAFA was founded in 1998. For more information, visit www.nafa.com.

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NAFA has long been a champion of the Suitability model rule, and supported the NAIC's work to develop of the current (2010) version. During Congressional negotiations over the Dodd-Frank Act, NAFA fought to ensure that the final legislation include a safe harbor for manufacturers and sellers of fixed indexed annuity products. Such a provision was ultimately codified in the Harkin amendment to the Act: so long as the states and insurance companies adhered, *inter alia*, to the principles set forth in the NAIC 2010 Suitability in Annuity Transactions Model Regulation, indexed annuities would not be treated as securities under federal law.[2] Since that time, NAFA has been advocating for State Insurance Departments to adopt the current version of the model rule; to date, 45 states plus the District of Columbia have adopted, in whole or in part, the 2010 Suitability model rule,[3] and insurance companies operating on a nationwide basis have adopted policies and procedures that meet or exceed the requirements set forth in the model rule. For practical purposes, the current suitability model has been universally implemented.

And, empirical evidence shows that the suitability regime is working. Prior to the NAIC's adoption of the 2010 version of the suitability model rule, fixed indexed annuity complaints were approximately one complaint per $150 million of premium; in 2017 that rate was one per $550 million – down by nearly three-quarters.[4] Measured against total premium, the percentage of fixed indexed annuity owners prior to 2010 who did *not* make a complaint was 99.7%; today, since industry adopted the more robust suitability culture in 2010, that figure is 99.92%.[5] According to data released by the NAIC for 2016, there were 148 complaints related to indexed annuities;[6] for 2017, the NAIC reports that number at just 97[7] – a 34% year-over-year decrease.

The insurance industry and state regulators have fully embraced suitability in annuity transactions, and NAFA contends that it is working in spades. In fact, NAFA has consistently argued that the U.S. Department of Labor ignored data demonstrating that the annuity industry enjoys an extremely low customer complaint environment. In the Regulatory Impact Analysis (RIA) used to justify its new Conflict of Interest/Fiduciary Duty rule, the DOL's cost-benefit analysis was based almost entirely on data derived from just one economic market segment: IRA investments in front-end-load mutual funds. Most notably for NAFA – and germane to efforts to

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[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public L. No. 111-203, § 989J (2010) (codified as a note to 15 U.S.C. § 77c(a)(8)).

[3] NAFA has worked (both through direct outreach and in written commentary) with regulators and legislators representing many states to adopt suitability requirements that conform to the NAIC model regulation and tracks the adoption of the 2010 version of the Suitability model regulation: https://nafa.com/wp/wp-content/uploads/2018/01/NAFA_Suitability_Update_012218.pdf.

[4] *Index Compendium*, Vol. 21, No. 4, April 2017, *available at* https://nafa.com/wp/wp-content/uploads/2018/01/IC0417.pdf.

[5] *Id*.

[6] *Annuity Perspectives*, Vol. 7, No. 4, October 2017, Jack Marrion, *available at* https://nafa.com/wp/wp-content/uploads/2018/01/IC0417.pdf.

[7] NAIC Report: Closed Confirmed Consumer Complaints by Coverage Type, as of December 29, 2017, *available at* https://nafa.com/wp/wp-content/uploads/2018/01/cis_aggregate_complaints_by_coverage_types-0120201816.pdf.

revise the state-based suitability regime – the RIA did not include any disciplined analysis of the performance of fixed annuity products in the retirement savings marketplace.

Where the DOL's RIA did discuss "questionable recommendations" related to insurance products, it relied on self-reporting surveys conducted among life insurance professionals taken in 1990, 1995, and 2003, surveys that are now 15, 22, and 28 years old. The Department concluded from these survey findings that "structural and cultural issues deeply embedded in the insurance business model [might make it] extremely difficult for insurance professionals to voluntarily eliminate or reduce conflicts in their practice and align their interests with customers, *in the absence of regulatory changes*."[8] But of course regulatory changes have occurred: the NAIC adopted the Suitability in Annuity Sales Transactions Model Regulation in 2006 (three years *after* the last survey cited by the DOL), which was then robustly revised in 2010. The Department failed to consider that there have been significant regulatory changes in the insurance industry since these surveys were taken, and they failed to produce any meaningful data to support the proposition that the current state-based regulatory regime based on a suitability standard is not working.

Nevertheless, in a regulatory environment where the DOL has promulgated a sweeping fiduciary rule (the final requirements of which are yet to be determined) and with the SEC moving toward the establishment of a uniform fiduciary standard, we are eager to provide constructive commentary on the NAIC Annuity Suitability Working Group's proposed draft model rule. In this comment letter, we will address four primary concerns we have with the current draft revisions to the Suitability model rule and provide some suggested edits we hope the Working Group will consider as it continues to refine the proposed draft.[9]

Insurance company supervision must be reasonably circumscribed to apply only to oversight of an insurance company's own products and own compensation paid to its appointed insurance producers.

Whatever rules are ultimately adopted by the NAIC, they must recognize and embrace the independent agent distribution model. Independent insurance agents represent multiple insurance carriers, and thus any insurance company providing oversight for independent agents can only reasonably be expected to supervise its own products and the compensation paid to agents for sale of its own products.

One of the problems with engrafting best interest requirements onto the suitability regulation is that it presupposes insurance companies can supervise best interest compliance in the same

[8] Department of Labor Regulatory Impact Analysis, p. 148 [emphasis added], *available at* https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/completed-rulemaking/1210-AB32-2/conflict-of-interest-ria.pdf.

[9] NAFA will also be providing the Working Group with an addendum to this comment letter that will address in greater detail suggested edits to the language of the proposed draft revision itself.

manner as suitability.[10] But that is not the case. Whereas suitability can be supervised by an insurer with respect to the recommendation and sale of its own products, which entails a discrete evaluation determining that a given product is appropriate for a given consumer, best interest contemplates a broader evaluation of competing products and competitor compensation that insurance company supervisory systems are not equipped to handle and which may entail major compliance risks.

Put differently, insurance companies can supervise suitability as to the sale of their own products because insurance company compliance departments can take steps to ensure there are reasonable grounds for recommendations and sales of their own products. But insurance companies do not control independent agents who may sell products for multiple companies. Thus insurance companies do not ordinarily become involved in telling agents which products they can sell and how much they will be compensated in comparison to competitor products and compensation. Supervision of independent agents to ensure they are not influenced by compensation to favor one product over across multiple insurance companies will almost certainly invite antitrust scrutiny.

To elaborate, the Working Group's proposed revisions would require insurance companies to establish a supervisory system to ensure that a recommendation to purchase an annuity made by an independent agent is in the best interest of the consumer.[11] That insurance company may be one of several carriers that has appointed the agent and whose products the agent is considering as part of the annuity recommendation. That company has no way of knowing the precise features of another carrier's product offerings and how the other carrier's compensation is established for sale of that product. In order for the insurance companies to ensure the final product recommended to the consumer satisfied this new best interest standard of conduct, the companies together would need to ensure their respective product features and compensation did not unduly influence the agent's recommendations. It is practically impossible for the insurance companies to supervise such activity without coordinating in some manner, directly or indirectly, and thus exposing themselves to allegations of colluding in some fashion to the detriment of the agent and possibly the client.

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[10] As empirically demonstrated here and elsewhere, the heightened suitability standards embodied in the 2010 version of the model rule are working and have provided greater consumer protection. Stakeholders in the annuity industry have embraced the regime and have spent years developing systems and protocols to comply with suitability. As the NAIC works to develop a new best interest standard of conduct, one option that the NAIC might consider in lieu of modifying the current suitability model rule would be to address this through a separate regulation. Compensation issues implicated by "best interest" are distinct and may be better handled through a freestanding regulation that more directly addresses the need for proper disclosure of agent compensation and establishes appropriate standards and protocols addressing any potential conflicts of interest – e.g., non-cash compensation – without upsetting existing suitability regulations. This is not to suggest that the NAIC needs to scrap the work it has done up to this date and start over; rather, the work that the Working Group has done in fleshing out the contours of a new best interest standard could be considered under its own new model regulation.

[11] Proposed NAIC Suitability and Best Interest Standard of Conduct in Annuity Transactions Model Regulation, Section 6.H.(d) and (e).

Under the proposed revisions, the insurer's supervisory duties would require the carrier to ensure that the annuity recommendation is in the best interest of the consumer, which is defined as putting the interest of the consumer "first and foremost."[12] Because a carrier cannot know what cash or non-cash compensation might otherwise be offered to an independent insurance agent by a competing insurance company, a carrier cannot warrant that the agent acted with impartiality – i.e., that the agent had no material conflict of interest and put the interest of the consumer first and foremost.

In short, a carrier cannot know what it does not know; it is impossible for a carrier to warrant that the independent insurance agent ultimately acted in the best interest of the consumer unless clarifying language is added that provides that a carrier must only consider its own product shelf and compensation in its review of the actual transaction. As written, carriers will have a difficult (if not impossible) task of determining "best interest" of a transaction.

It should be noted that these concerns do not apply to securities brokerage firms, including those that sell variable annuities, because their distribution system is designed differently. Under securities law, a registered representative (i.e., securities agent) operates under the direct supervision and control of a single broker for any and all products sold by that registered representative. That is part of the securities industry distribution model. By contrast, independent insurance agents are indeed "independent" in the sense that they work for multiple insurance carriers and are not controlled by any one carrier. This difference in distribution models as between independent insurance agents and securities brokers has been at the center of NAFA's litigation against the DOL because NAFA contends the Best Interest Contract Exemption (BICE) proposal is unworkable for many parts of the insurance industry. Those same concerns apply here.

To allay these concerns, changes to the model regulation should explicitly stipulate that insurance companies are only responsible for supervising the sale of their own products and payment of their own compensation to agents for purposes of complying with any best interest rules adopted by the NAIC. This would mean that insurance companies would be liable for ensuring their appointed agents (if independent) are complying with best interest requirements relative to their own products. For example, insurance companies would need to take reasonable steps to ensure agents are not favoring one product over another (offered by the insurer) based solely on compensation. However, the insurance company would not be responsible for or consider in its system of supervision an agent's conduct which involves other products or compensation derived from sales of competitor products.

This clarification is critical given the magnitude of the independent agent channel and its long-standing presence in the fixed annuity industry. In 2016, independent insurance agents

[12] *Id.*, Section 5.A.

accounted for over 60% of all fixed indexed annuity sales.[13] It is very common for an independent insurance agent, working with an independent marketing organization (IMO), to have appointments with as many as a dozen different insurance companies, each offering an array of different annuity products. This is a well-established, consumer-oriented feature of independent agency, i.e., being able to consider a spectrum of different annuities issued by multiple carriers in order to identify and better serve the financial needs and objectives of a consumer.

It is important to point out that the Department of Labor seemingly endorsed this approach for independent insurance agents in connection with the fiduciary rule. Specifically, in the Department's briefing in NAFA's lawsuit challenging the fiduciary rule, the Department said the following about its best interest requirements as they apply to insurers supervising independent agents:

> But NAFA's argument misunderstands that under the supervision requirement, an insurer supervising an agent will not need to supervise the sale of *other companies'* products, but will need to ensure only that recommendations and sales concerning *its own* products meet the standards. . . Thus, the insurer, is not responsible to ensure that no competitor provides misaligned incentives; it must simply ensure that its own compensation does not improperly incentivize the agent. [emphasis in original].[14]

Although NAFA remains skeptical of the Department's interpretation in this regard[15] and believes the Department of Labor adopted this position to make the rule appear more reasonable to the court, nonetheless the Department of Labor has consistently indicated through its guidance (although it has never specifically clarified in the actual regulatory text) that the supervision requirement as it applies to insurers overseeing independent agents has this more narrow meaning, obligating the insurer only to supervise its own products and own compensation.[16]

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[13] ThinkAdvisor, "Fixed Annuity Sales Hit Record $117.4 Billion in 2016, February 21, 2017, http://www.thinkadvisor.com/2017/02/21/fixed-annuity-sales-hit-record-1174-billion-in-201, (data according to LIMRA Secure Retirement Institute's *Fourth Quarter U.S. Annuity Sales* survey).

[14] Reply in Support of Defendant's Opposition to Plaintiff's Motion for a Preliminary Injunction and for Summary Judgment and Defendant's Cross-Motion for Summary Judgment, p. 44, *Nat'l Ass'n for Fixed Annuities vs. United States Dep't of Labor, et al.*, Case No. 1:16-cv-01035-RDM (D.D.C., filed June 2, 2016).

[15] NAFA welcomes the Department of Labor interpretation and would hope that this interpretation would be adhered to by the Department in enforcement of the BICE. The problem, however, is that BICE is to be enforced primarily through private action brought by consumers based on best interest contracts that are imposed on any insurers in their role as "financial institutions" and the consumers. Thus, NAFA is skeptical in the sense that while the Department may have adopted a more reasonable interpretation of best interest requirements, it remains to be seen how the requirements will be interpreted by courts in any legal actions given the best interest contract exemption itself lacks the clarity offered by DOL in its briefing.

[16] See also U.S. Department of Labor, Conflict of Interest FAQs (Part I – Exemptions), "While the independent agent may recommend products issued by a variety of insurers, the full BIC Exemption does not require insurance companies to exercise supervisory responsibility with respect to the practices of unrelated and unaffiliated insurance companies." *Available at* https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/faqs/coi-rules-and-exemptions-part-1.pdf at p. 20.

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If the NAIC were to adopt a best interest requirement, it should memorialize this position in the model law so it is clear that insurer's need only supervise their own products and own compensation. This would help avoid imposing supervisory requirements on insurers that cannot be satisfied within the independent agent distribution model without violating antitrust or anti-competition laws. The Department of Labor acknowledges this is the intent of the BICE; the NAIC should adopt explicit provisions to reflect this intent and make the best interest requirements workable within the insurance industry (i.e., supervisory duties of insurers over their appointed agents extend only to the insurers' own products and own compensation arrangements).

Any best interest standard should not require insurance-licensed-only producers to obtain investment adviser or other securities licenses.

As the NAIC contemplates the contours of a best interest standard of conduct, NAFA hopes the NAIC will be careful not to force insurance agents to evaluate products or give advice that would force insurance-only agents to become securities licensed. Most NAFA members are insurance-only professionals who sell only fixed products and would be detrimentally impacted if the NAIC were to adopt (perhaps inadvertently) any requirement forcing them to become licensed under securities laws.

To be clear, NAFA believes that is not the intent of the NAIC. That is, NAFA believes the NAIC recognizes that insurance agents can satisfy suitability requirements and properly advise consumers on insurance needs, without needing to become registered as securities agents or investment advisers. When determining what is an appropriate product for a consumer, under existing suitability laws agents routinely help clients evaluate how fixed products fit into a consumer's portfolio and how fixed products achieve a consumer's financial objectives without going into specifics concerning securities holdings or asset allocations that might otherwise trigger securities licensure.

This approach is reflected in a bulletin issued by the Iowa Insurance Division - under the leadership of late deputy commissioner Jim Mumford - addressing the proper dichotomy between insurance and securities activities in order that insurance-only agents could satisfy suitability responsibilities (analogous to prudent advice under best interest) without crossing into the realm of securities advice. See Iowa Insurance Bulletin 11-4 issued June 24, 2011. NAFA trusts that the NAIC will be mindful of this dichotomy as it develops "best interest" requirements so insurance-only agents are not forced to become securities licensed.

NAFA raises this concern for a couple reasons. First, there is a proposed change in the model regulation that would introduce the term "financial product" into the definition of suitability information and into the suitability review process, even though the term is undefined and it is left unclear to what extent an agent must engage in such evaluations.

Second, as the concept of "best interest" has been debated in the context of the DOL fiduciary rule, there has been a degree of confusion over the extent to which best interest compliance would force insurance agents to provide securities advice or be held to the standards of an investment adviser.

It must be emphasized that, as with the matter of supervision discussed above, the Department of Labor has espoused the position in lawsuit briefings that insurance-only agents should not be required to obtain investment adviser or securities broker licenses merely to satisfy the terms of the BICE. More specifically, DOL stated the following in its briefing in reply to NAFA's concerns in this regard:

> An insurance agent remains free to advise about and sell only insurance, provided that professional standards of prudence are met . . . Indeed, DOL has even provided for an agent to recommend exclusively "proprietary products," so long as certain conditions are met . . . In sum, the Department has crafted the exemption so that it will work with, and complement, state insurance regulations to which financial institutions and agents are already required to adhere. [Internal citations and quotes omitted.][17]

NAFA believes it is important that any NAIC regulation state this explicitly to remove any doubt insurance-only agents may satisfy "best interest" or any equivalent requirements (i.e., any form of enhanced suitability) under the newly adopted regulations within the circumference of their existing insurance licenses provided of course that the agent does not otherwise seek to sell securities or provide investment-specific advice. That is, the regulation should make clear, either within its text or possibly in a drafting note, that its requirements are designed so they may be satisfied by insurance-only agents without the need to acquire any other licenses.

<u>Disclosure requirements under a revised model rule should be harmonized with other regulatory bodies to avoid duplication and to allow for a single disclosure regime.</u>

NAFA is not opposed to providing greater disclosures to annuity customers; in fact, the fixed annuity industry has largely implemented a new disclosure regime as a result of the DOL Fiduciary Rule requirements under the Transition Period version of Prohibited Transaction Exemption (PTE) 84-24. Since that time, those relying on PTE 84-24 have been disclosing (1) the producer sales commission, (2) the relationship between the carrier and the agent and any limitations of that relationship, and (3) a description of charges and fees imposed under

[17] Defendant's Opposition to Plaintiff's Motion for a Preliminary Injunction and for Summary Judgment and Defendant's Cross-Motion for Summary Judgment, p.77, *Nat'l Ass'n for Fixed Annuities vs. United States Dep't of Labor, et al.*, Case No. 1:16-cv-01035-RDM (D.D.C., filed June 2, 2016).

the contract. In addition, under the Impartial Conduct Standards (ICS) that are now mandated under PTE 84-24, producers are also disclosing material conflicts of interest.

Many in the industry have also developed and adopted technologies, protocols, and marketing and training tools that support compliance with the DOL Fiduciary Rule, including all of the disclosure requirements associated with the new standards. In other words, the fixed annuity industry is already largely complying with a new and comprehensive disclosure regime. However, the proposed revisions to the current suitability model regulation would require additional disclosures that we feel would be problematic:

First, Section 6.C.(2) would require the disclosure of cash compensation above 3% that a producer receives as a result of a contract for services for advice or for the sale of a recommended annuity. By specifying an arbitrary fixed percentage, there is an implication that anything above that percentage could be considered unreasonable – and, in the alternative, anything below that threshold is reasonable, which we are certain is not the intention. Moreover, specifying a set number invites the various states to pick a different threshold number as they move to adopt the revised model rule. Also, in most cases, producers are only paid a commission for the sale of an annuity; they are not paid "as a result of a contract for services for advice." Indeed, if the agent's recommendation does not result in an annuity sale, they do not receive payment for the advice or recommendation.

As stated above, those relying on PTE 84-24 under the DOL Fiduciary Rule are already disclosing to the consumer the commission he or she will be paid for the sale of the annuity. NAFA suggests that the NAIC revised model rule take this same approach, requiring agents to simply disclose in writing to the consumer all cash compensation payable to the producer associated with the recommendation to purchase an annuity.

Second, regarding the disclosure of non-cash compensation, which is currently required by Section 7 of the proposed revisions but which is defined under Section 5.L., we are concerned about the level and breadth of disclosures that would be required. What level of specificity would be required here, understanding that the greater the specificity the more difficult it will be for producers to disclose and for carriers to provide meaningful oversight?

Furthermore, tying the non-cash compensation received to "the sale of annuities" is also overly-broad and problematic. Here, it could be interpreted to mean that an insurance producer must disclose non-cash compensation received from Carrier X even if he or she is recommending the purchase of Carrier Y's annuity. We would recommend that the non-cash compensation is tied to "the recommendation to purchase an annuity" rather than to the "sale of annuities."

NAFA recommends that rather than specifying a dollar-amount threshold (the proposed $100 per producer/per year) the revised regulation should from the non-cash compensation disclosures certain kinds of non-cash compensation, such as *de minimis* gifts, occasional meals and entertainment that do not influence product recommendations, as well as exempting expenses for *bona fide* training events.

Finally, we would also suggest that the Working Group remove Section 7 as a stand-alone section in the revised model rule and place non-cash compensation disclosure requirements under Section 6.C., which describes the disclosure duties of an insurance producer, or insurer where no producer is involved, as it pertains to disclosures.

<u>The "reasonable" compensation standard must be revised as it is unduly vague and violates due process.</u>

Finally, NAFA urges the NAIC to abandon the "reasonable compensation" standard which is a potentially dangerous precedent in the realm of insurance regulation in addition to being unconstitutionally vague and unenforceable.[18]

An insurance carrier is entitled to know up front, as a matter of due process, that its compensation structure complies with the law so it may avoid harsh consequences for noncompliance. Indeed, NAFA has sued the Department of Labor for, among other things, injecting such an unconstitutionally vague standard into its sweeping new fiduciary rule.[19]
And, despite industry requests for clarification on what might be defined as "reasonable," the Department has offered no meaningful guidance, opining instead that the "essential question is whether the charges are reasonable in relation to what the investor stands to receive for his or her money."[20] The Department offers no objective standard upon which to answer this "essential question."

Though the Working Group's proposed revisions attempts to define reasonable cash compensation to mean "cash compensation that reflects the time and complexity of the product and the transaction involved and is not connected to volume of production,"[21] the only way to determine that is through *post hoc* enforcement. Such *post hoc* enforcement, by

[18] Media reports to the contrary, there is little evidence indicating that the agents receive unreasonable compensation. In the last ten years, the average agent commission for indexed annuities declined nearly 40% - from 8.1% to 4.95%. *Wink's Sales & Market Report, 3rd Quarter, 2017* (p. 20). This data suggests that market forces, via increased competition and product innovations, are better compensation controls than regulation.
[19] NAFA incorporates by reference those same concerns and refers the Working group to the record and arguments made in that lawsuit. *See Nat'l Ass'n for Fixed Annuities vs. United States Dep't of Labor, et al.*, Case No. 1:16-cv-01035-RDM (D.D.C., filed June 2, 2016); *see also Nat'l Ass'n for Fixed Annuities v. DOL, et al.*, Case No. 16-5345 (D.C. Circuit, appeal docketed Nov. 28, 2016).
[20] U.S. Department of Labor, Conflict of Interest FAQs (Part I – Exemptions), *available at* https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/faqs/coi-rules-and-exemptions-part-1.pdf, p. 26.
[21] Proposed Revisions to NAIC Suitability in Annuity Transactions Model Regulation, Section 5.M.

definition, will be based on the differing individual subjective views of different regulators. There is no precedent for this, and it is in direct contravention to the long-standing practice of state insurance regulators providing clear objective guidance on other insurance-related rates up front. In other words, this standard suffers the same fundamental constitutional flaws as the DOL's "reasonable" compensation standard is unduly vague and violates due process and must be abandoned.

Once more, this is not to say that NAFA is opposed to appropriately-tailored regulations addressing disclosure requirements surrounding cash and non-cash compensation. Rather, NAFA opposes the use of an unconstitutionally vague "reasonableness" standard.

<u>Conclusion</u>

NAFA applauds the NAIC for taking on the challenging and serious work involved in revising the Suitability in Annuity Transactions Model Regulation, and we appreciate the Working Group's willingness to consider input from industry stakeholders. We understand that there is much work ahead in this process, and we look forward to a continued collaboration with members of the Working Group.

Again, on behalf of NAFA's members, thank you for opportunity to submit these comments. Please do not hesitate to contact me if you would require any additional information.

Sincerely,

Chip Anderson

Charles "Chip" Anderson
NAFA Executive Director