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Contact: Pam Heinrich
NAFA General Counsel
Direct 414.332.9306, ext. 6
pam@nafa.com

NAFA Seeks to Clarify Specific Requirements in Proposed NAIC Annuity Suitability Revisions

NAFA Signs Two Comment Letters Pinpointing Concerns

WASHINGTON (Feb. 15, 2019) — NAFA, the National Association for Fixed Annuities, submitted a letter in response to the NAIC Life Insurance and Annuities (A) Committee’s request for comments regarding the revised NAIC Suitability in Annuity Transactions Model Regulation #275 dated Nov. 19, 2018. While NAFA is pleased to see that the current draft remains a model regulation focused on suitability in annuity transactions, the comment letter seeks further, discreet edits be made to ensure insurance-licensed producers have complete clarity on how to comply with the revised regulation while enhancing consumer protections throughout the sales process.

“NAFA would like to thank the NAIC Working Group for its efforts thus far in reviewing and revising the Suitability Model Regulation, and we are especially pleased to have had the opportunity to engage with the members of the Working Group, along with other insurance trade associations and organizations, throughout this process. Ultimately, we support enhancing the regulation through greater disclosure requirements and communication regarding the rationale for making a particular annuity recommendation to create full transparency in the sales process.”

“However, we also want to mindful that the revisions are in no way redundant with or contradictory to the current suitability regime, which has proven to provide meaningful consumer protection as evidenced by both NAFA and NAIC data,” said Chuck DiVencenzo, NAFA’s incoming president and CEO. “We also want to ensure independent insurance producers aren’t faced with undue compliance burdens or other instances in which their livelihood and/or ability to best service clients would be in jeopardy.”

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Key points within NAFA's letter include that a Revised Suitability Model regulation:

- must not inadvertently require producers who are insurance-licensed only to obtain additional licenses in order to comply with a new regulation;
- must be clear that producers and insurers will not be considered fiduciaries under the regulation;
- must limit insurer supervision to apply to only recommendations of said insurer's own products; and
- must defer final revisions until other regulatory bodies have finalized their work to ensure "harmonization" of regulations does not disadvantage independent distribution in the annuity market.

In addition to this comment letter, NAFA is also a signatory on a comment letter submitted by a joint trade group consisting of AALU, Financial Services Institute (FSI), The Committee of Annuity Insurers, Indexed Annuity Leadership Council (IALC), IRI and NAIFA (National Association for Insurance and Financial Advisors). The letter articulates arguments and comments on which these industry organizations have reached consensus. By showcasing the inclusive approach taken in working to find common ground with other organizations while underscoring issues the organization feels need more pointed review through its own comment letter, NAFA continues to advocate for its members from every angle.

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About NAFA

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.