

RESOURCE DOCUMENT OUTLINE_DRAFT

The 2026 Executive Committee priorities for the Life Insurance and Annuities (A) Committee include furthering annuity suitability compliance by developing and communicating guidance informed by company supervisory practices for effective supervision.

In response to this charge, the Annuity Suitability Working Group will develop a resource document to discuss various methodologies and practices insurers have implemented to effectively meet their supervisory obligations under revised Model #275 and to communicate those practices to industry. While Model #275 is a principles-based regulation and allows insurers the flexibility to design compliance procedures that are best suited to their specific business models, distribution channels, and scale of operations, identifying some common or best compliance practices benefit insurers, regulators, and others in the market.

The Annuity Suitability Working Group is seeking input from regulators, insurers, trade groups, consumer groups, and other interested parties regarding specific “best” practices or procedures insurers have implemented to satisfy the supervisory obligations of Model #275 as identified in Section II of the draft framework. In addition to receiving comments on areas where best practices have been developed, the working group would like to hear about areas where there have been compliance challenges.

The Working Group welcomes all feedback from interested parties and is particularly interested in hearing from small to mid-size insurers that regulators may not have had the opportunity to engage with in an exam or market inquiry setting. A robust dialogue and the inclusion of practices implemented by entities of various sizes should result in a more thorough and worthwhile guidance document.

Framework of Resource Document

- I. **Overview:** brief history and key requirements
- II. **Observed Practices and Opportunities to Enhance Practices:** Related to the following obligations the Working Group is seeking input from interested parties regarding A- Best Practices; and B- Compliance Challenges and/or Confusion:
 - 1) Training. Practices may relate to updated training to reflect best interest standard; communicating training resources; verifying producer training completion; assessing producer comprehension of training; etc. As part of its supervisory system, does the insurer audit or test the accuracy of its verification process?
 - 2) Supervision Systems. Insurers must establish supervisory systems that ensure recommendations address the consumer’s insurance needs and financial objectives at the time of the transaction. What systems or procedures does the insurer utilize to detect recommendations not in compliance? Does the insurer take any steps to confirm the accuracy of consumer profile information or the basis of the recommendation? If supervision is delegated, what procedures does

the insurer use to ensure that the third party is in compliance and that the third party's procedures are effective?

- a. Direct by insurer
- b. Delegated to third party
- c. 6(E) and 6(C)(1) supervisory obligations related to safe harbor provisions
- d. Data and Reports
- e. Audits

**A best practice should be a practice implemented by the insurer to address a compliance obligation and the insurer should take steps to verify that the practice is effective. For example, an insurer has an audit procedure for third parties that have been delegated to perform the best interest suitability oversight. The insurer performs audits on a quarterly basis. Third parties are selected by analyzing certain risk factors and the number of files audited increases or decreases based upon the volume of business. The insurer also has procedures to address the outcome of the audits. If any issues arise during the audit, the insurer has a process to communicate the concerns, verify any required corrective action, and escalation procedures for failure to respond or an inadequate response.*

- 3) Required disclosures and conflicts of interest. What forms does the insurer collect and retain? Does the insurer or producer collect Appendix A when an annuity is sold pursuant to the safe harbor provisions? Does the insurer identify and eliminate conflicts of interest, as necessary?

III. Practices that misalign with the regulatory intent of Model #275.

IV. Conclusion