Question 9: Why did the NAIC determine that "cash and non-cash compensation" is not a material conflict of interest (as defined in Section 5I(2))?  

**Answer:** Under the new model, a producer is required to act in the best interest of the consumer without placing their or the insurer’s financial interest ahead of the consumer’s interest. In addition, the model now contains a disclosure requirement in which producers must prominently disclose to a consumer, using a disclosure form (similar to Appendix A), their relationship with the consumer, the role they will play in the transaction and a description of the cash and non-cash compensation they will receive. In light of these robust disclosures, and the fact most consumers recognize producers will be compensated for their work, the NAIC determined that compensation is not a material conflict of interest.

The NAIC also determined that general incentives regarding production levels with no emphasis on any particular product do not create an unanticipated conflict of interest.

However, the NAIC did conclude that sales contests, sales quotas, bonuses and non-cash compensation based on sales of specific annuities within a limited time frame should be avoided. Accordingly, the Model #275 revisions require insurers to identify and eliminate these arrangements.