



May 11, 2026

Submitted electronically to jmatthews@naic.org

To: NAIC Annuity Suitability Working Group

Re: Comments on the Resource Document Framework Outline

On behalf of our collective members, the undersigned trade associations appreciate the opportunity to comment on the Annuity Suitability Working Group's Framework Outline for a resource document addressing insurer practices under the revised Suitability in Annuity Transactions Model Regulation ("Model #275").

At the outset, it is important to emphasize that Model #275 represents a clear success for state-based insurance regulation. Since the NAIC adopted revised Model #275, the industry has worked diligently to support uniform adoption across the states and to implement the enhanced best interest standard in a manner that meaningfully protects consumers. Insurers of varying sizes, with different product offerings and distribution structures, have invested significant resources in training, technology, policies and procedures, and oversight systems. Model #275 is not only working as intended, but it is doing so in a way that allows insurers to tailor compliance programs to their particular business models while maintaining strong consumer protections. We are committed to continuing to work with regulators to help tell that story.

In light of the successful implementation of Model #275 and the robust supervisory frameworks already in place, it is unclear what concerns the Working Group seeks to address with an additional resource document. As the Working Group moves forward in its work any guidance it develops should be consistent with the requirements of Model #275. Model #275 is principles-based by design, and that flexibility has been central to its successful implementation. Guidance should be illustrative rather than prescriptive and retain that flexibility.

To assist the Working Group, we gathered information from twenty-one insurers to understand how they are implementing Model #275. While individual approaches vary, several consistent themes emerge across companies:

- 1) **Training:** Training has been a foundational element of Model #275 implementation. Insurers have updated training materials to reflect the best interest standard, developed product-specific training for annuities, and implemented controls to verify that producers complete required training before selling a product. In many cases, training verification is embedded directly into new business processing systems so that a policy cannot be issued unless training requirements are satisfied. Insurers also utilize state databases and third-party training providers to verify training completion, supplemented by internal quality assurance or risk-based testing. These varied approaches reflect different operational approaches, but all are designed to achieve the same outcome: ensuring that producers understand and can meet their obligations under Model #275.
- 2) **Supervision and Oversight Systems:** To meet any supervision obligations under Model #275 that are not contracted out to a third party or that fall under the safe harbor, insurers have adopted layered supervisory systems that often combine technology with human review. Many utilize rules-based engines to screen applications for potential suitability or best interest concerns and to escalate certain transactions, such as replacements, older-age sales, or transactions with higher surrender charges, for enhanced review. Others supplement these tools with manual reviews, complaint monitoring, and periodic quality control assessments. Importantly, these systems are not static; insurers regularly assess whether they are working as designed and refine them based on experience. Risk-based supervision, rather than uniform transaction-by-transaction review, has become a core feature of effective compliance under Model #275.

Insurers have also implemented a variety of monitoring and detection mechanisms to identify recommendations that are not in compliance with Subsections A, B, D and E of Model #275. These include automated triggers, sampling and post-issue reviews, complaint-driven investigations, and ongoing monitoring of sales patterns. With respect to consumer profile information, insurers generally rely on a combination of producer and consumer attestations, system checks for completeness and consistency, and targeted consumer validation efforts. Consistent with Model #275, these approaches demonstrate that effective supervision does not require identical processes across all insurers or all distribution channels. These practices reflect a risk-based, principles-driven approach that aligns with Model #275's intent.

When contracting with third parties to perform supervisory functions, insurers typically conduct robust upfront due diligence, enter into written agreements that clearly allocate responsibilities, and require ongoing certifications or attestations. Oversight is often maintained through periodic audits, sampling, or targeted reviews based on risk indicators such as production volume, complaint history, or replacement activity. When the safe harbor applies and recommendations are made pursuant to a comparable standard such as Regulation Best Interest, insurers monitor the insurance producer or their supervising entity, and they provide the supervising entity with information and reports to help maintain its supervisory system. Insurers obtain assurance through contracts, certifications, and due diligence reviews that align with the safe harbor guidance¹ the Working Group released last fall. This approach reflects the intent of the safe harbor and avoids unnecessary duplication while preserving consumer protection.

- 3) **Required Disclosures and Conflicts of Interest:** Collection and documentation practices vary depending on whether supervision is performed directly, contracted out, or conducted under the safe harbor. Pursuant to Model #275, insurers have also established and maintained procedures to detect recommendations not in compliance with the best interest obligations, which includes conflict of interest obligations. The producer is responsible for identifying and avoiding or reasonably managing and disclosing material conflicts of interest, and an insurer's supervision of this requirement is also dependent on whether supervision is performed directly, contracted out, or conducted under the safe harbor. This could be addressed through contractual provisions, disclosures, compensation oversight, certifications, and ongoing monitoring. These approaches demonstrate that insurers have reasonably designed their supervisory systems to achieve compliance with the producers' obligations to address any material conflicts of interest.

It would be helpful if the Working Group shares additional information about specific issues or concerns it seeks to address through the resource document. We would appreciate the opportunity to talk more about the specifics of what the Working Group would like to accomplish so that we can better assist. Should the Working Group move forward with the document, we strongly urge that it adhere to the principles outlined above: consistency with Model #275, flexibility, illustrative guidance, and recognition of diverse but effective supervisory practices.

In closing, we appreciate the Working Group's engagement and its interest in understanding how Model #275 operates in practice. Based on our members' experience, Model #275 is an effective regulatory framework, precisely because it is principles-based and flexible.

¹ ANNUITY BEST INTEREST REGULATORY GUIDANCE AND CONSIDERATIONS (adopted Dec. 5, 2025) (<https://content.naic.org/sites/default/files/inline-files/Safe%20Harbor%20Guidance%20Adopted%20by%20Committee%2012.9.25.pdf>)

We look forward to continued dialogue and remain committed to working with regulators to support effective supervision, strong consumer protection, and the continued success of Model #275. Should you have any questions or concerns, please reach out to Sarah Wood at the Insured Retirement Institute at swood@irionline.org.

Submitted on behalf of the following trades,

American Council of Life Insurers (ACLI)

Committee of Annuity Insurers (CAI)

Finseca

Indexed Annuity Leadership Council (IALC)

Insured Retirement Institute (IRI)

National Association for Fixed Annuities (NAFA)

National Association for Insurance and Financial Advisors (NAIFA)