



December 27, 2019

Via Electronic Mail to jmatthews@naic.org

The Honorable Doug Ommen
Commissioner, Iowa Insurance Division
Chairman, NAIC Life Insurance and Annuities (A) Committee
Two Ruan Center
601 Locus, 4th Floor
Des Moines, IA 50309

Re: Draft Revised Appendices (dated December 19, 2019) to the Amended Suitability in Annuity Transactions Model Regulation

Dear Commissioner Ommen:

I am writing on behalf of the National Association of Insurance and Financial Advisors (NAIFA) to provide NAIFA's comments on the draft revised appendices, dated December 19, 2019 (the "Drafts"), to the Suitability in Annuity Transactions Model Regulation.

Please consider the following comments concerning the Drafts:

1. Appendix A, Section Titled "What Types of Products Can I Sell You?"

For the reasons discussed on previous conference calls regarding the potential negative impact on the producer/client relationship, the producer's reputation and the overall marketing and sale process, NAIFA urges the Committee to revise this section to not include the language containing checkboxes of what the producer offers and what he/she needs a separate license to provide advice on or sell. NAIFA recommends this section of Appendix A be revised to read as follows:

"I am licensed to sell annuities to You in accordance with state law. If I recommend that You buy an annuity, it means I believe that it effectively meets Your financial situation, insurance needs, and financial objectives.

Other financial products, such as life insurance or stocks, bonds and mutual funds, also may meet Your needs. I may not be licensed and authorized to recommend and sell some of these other products. Ask me what products I am licensed and authorized to recommend and sell.” (Underlined language is new language recommended by NAIFA).

2. Appendix A, Section Titled “How I’m Paid for My Work:”

NAIFA recommends that the A Committee adopt the language under the heading “A Committee Chair’s Suggestions for the ‘How I’m Paid for My Work’ section in lieu of the above language:” as the final wording for this section, with the following revision to the first paragraph:

“It’s important for you to understand how I’m paid for My work. Depending on the particular annuity You purchase, I may be paid a commission or a fee. ~~Commissions are generally paid to me by the insurance company or a related marketing organization, while fees may be paid to Me directly by You, or by the insurance company.~~ Related to this transaction, I will receive this compensation:

 Fees

 Commission” (~~Struck through~~ language to be deleted)

NAIFA continues to strongly believe that while it may be technically correct, the inclusion of language stating that commissions are paid by the insurer while fees are paid by the consumer will be confusing to consumers and give them the incorrect impression that under one of the scenarios the consumer plays no part in compensating the agent.

3. NAIFA supports the current language in the Drafts for Appendices B and C.

NAIFA views these appendices as both a vehicle for providing valuable information to the consumer as well as the way to initiate a dialogue between the agent and consumer that will provide the consumer with more detailed information and answer any questions the consumer may have. This type of dialogue will be a more effective way to explain to the consumer the types of products the producer can sell and how the producer is compensated, without causing consumer confusion or

having a negative impact on the producer/client relationship early on in that relationship.

We appreciate your consideration of this letter and our comments; please email or call me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Gary Sanders". The signature is fluid and cursive, with "Gary" on top and "Sanders" below it, both starting with a capital letter.

Gary A. Sanders
Counsel and Vice President, Government Relations