



October 2, 2020

Via Email to jmatthews@naic.org

The Honorable Doug Ommen
Commissioner, Iowa Insurance Division
Chairman, NAIC Annuity Suitability (A) Working Group
Two Ruan Center
601 Locus, 4th Floor
Des Moines, IA 50309

Re: September 4, 2020 Draft of Frequently Asked Questions re Best Interest Standard of Conduct Revisions to the NAIC Suitability in Annuity Transactions Model Regulation

Dear Commissioner Ommen:

This letter will provide the comments of the National Association of Insurance and Financial Advisors (NAIFA) on the September 4, 2020 draft of Frequently Asked Questions (the FAQs) concerning the recently adopted amendments to the NAIC Suitability in Annuity Transactions Model Regulation (the Amended Model).

As you know, NAIFA worked closely with the Working Group during its development of the amendments to the Model. NAIFA supports the amended Model and promoting the adoption of these amendments in the states is a top state-level advocacy priority for NAIFA. The development of a “frequently asked questions” document should be a helpful tool for states as they consider these amendments, and we commend the Working Group for its efforts on this project.

Our initial comment concerns draft FAQ 3—Exemptions. The draft Q3 asks ‘What is the intent of the exemption...’. The draft answer does not answer the question, and instead only provides a definition of ‘direct response solicitation’. This exemption was contained in the prior version of the Model and the Working Group decided to retain this exemption, unchanged, in the amended Model, despite concerns expressed by NAIFA that this exemption would permit annuity recommendations

to be made which would not fall within the scope of the Amended Model. Therefore, the Working Group is the proper entity to answer the question of what the “intent” is for this exemption. NAIFA does not see a valid rationale for this exemption, and therefore cannot answer the question asked in Q3.

NAIFA’s other comments pertain to the “Training” section of the FAQs, which currently contains one question and answer. We have been made aware that numerous questions and issues have arisen about the new four credit and one credit training courses required by the Amended Model and how these courses interact with the four credit course required under the prior version of Model #275. NAIFA therefore proposes that the following additional FAQs be included in the Training section of the FAQ document:

1. Q. If a producer takes a new four credit and/or one credit training course-- which complies with the requirements of Section 7 of the Amended Model and has been approved by the appropriate state authorities-- prior to the effective date of a state’s amended annuity suitability regulation, would successful completion of that course i) count towards compliance with the state’s amended annuity suitability regulation once it becomes effective, and/or ii) count towards compliance with Section 7 B (9) of the Amended Model and be deemed to satisfy the training requirements of another state if/when that other state adopts the Amended Model?
A. Yes—an approved training course taken prior to the effective date of a state’s amended regulation would count towards compliance with that state’s or another state’s amended regulation (including Section 7 B (9)) once it becomes effective.

2. Q. If a producer takes an approved four credit training course in a state that has not adopted the Amended Model, would that producer be able to satisfy the training requirements in another state that has already adopted the Amended Model by taking the new one credit course specified in Section 7 B (6) (b) of the Amended Model?
A. Yes—completing both the old four credit course—at any time-- and the new one credit course is “substantially similar” to completing the new four credit course provided for in Section 7 of the Amended Model, and would comply with the requirements of Section 7 B (6) of the Amended Model.

3. Q. If a producer takes the new four credit training course in a state that has adopted the Amended Model, would that producer be deemed to have satisfied the training requirement of a state that has not adopted the Amended Model?
A. Yes—the new four credit training course provided for in the Amended Model is “substantially similar” to the four credit training course required under the prior version of Model #275, and would meet the requirements of Section 7 B (9) of the prior version of Model #275.

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, slightly overlapping.

Gary A. Sanders
Counsel and Vice President, Government Relations