

Revised: 7/30/19

2019 Summer National Meeting
New York, New York

ANNUITY SUITABILITY (A) WORKING GROUP
Saturday, August 3, 2019
9:00 – 10:00 a.m.
Hilton New York Midtown—Trianon Ballroom—Third Level

ROLL CALL

Jillian Froment, Chair	Ohio	Renee Campbell	Michigan
Doug Ommen, Vice Chair	Iowa	Matt Holman	Nebraska
Jerry Workman/Steve Ostlund	Alabama	Keith Nyhan	New Hampshire
Jodi Lerner	California	James Regalbuto	New York
Fleur McKendell	Delaware	Andrew Schallhorn	Oklahoma
Dean L. Cameron	Idaho	Elizabeth Kelleher Dwyer	Rhode Island
Tate Flott/Shannon Lloyd	Kansas	Michael Humphreys/Lorrie Brouse	Tennessee
Nour Benchaaboun	Maryland	Richard Wicka	Wisconsin

NAIC Support Staff: Jolie H. Matthews

AGENDA

1. Consider Adoption of its June 20 and Spring National Meeting Minutes—*Director Jillian Froment (OH)*
2. Continue Discussion of Parking Lot Topic Issues Related to Proposed Revisions to the *Suitability in Annuity Transactions Model Regulation (#275)*—*Director Jillian Froment (OH)*
 - a. Care Obligation
 - Reasonable basis to believe consumer would benefit from features of annuity [Model #275, Section 6A(2)]
 - Reasonable basis to believe product as a whole would address consumer’s needs [Model #275, Section 6A(3)]
 - b. Documentation Obligation
 - Obtain customer signed statement of customer’s refusal to sign profile [Model #275, Section 6E(2)]
 - c. Supervision Obligation
 - Carrier only has to supervise its own products (does not have to take into account other carrier’s products) [Model #275, Section 6F(3)]
3. Discuss Working Group Next Steps—*Director Jillian Froment (OH)*
4. Discuss Any Other Matters Brought Before the Working Group—*Director Jillian Froment (OH)*
5. Adjournment

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Agenda Item #1

**Consider Adoption of its June 20 and Spring National Meeting Minutes
—*Director Jillian Froment (OH)***

Draft: 7/29/19

Annuity Suitability (A) Working Group
Columbus, Ohio
June 20, 2019

The Annuity Suitability (A) Working Group of the Life Insurance and Annuities (A) Committee met in Columbus, OH, June 20, 2019. The following Working Group members participated: Jillian Froment, Chair (OH); Doug Ommen, Vice Chair (IA); Steve Ostlund (AL); Jodi Lerner (CA); Fleur McKendell (DE); Karl Fromm (ID); Shannon Lloyd (KS); Renee Campbell (MI); Matt Holman (NE); James Regalbutto (NY); Matt Gendron and Sarah Neil (RI); Lorrie Brouse (TN); and Richard Wicka (WI). Also participating were: Michelle Brugh Rafeld (OH); and Amanda Baird (OH).

1. Discussed the Framework for Incorporating a Best Interest Standard into Model #275

Director Froment said that prior to the meeting, the Working Group requested comments from stakeholders by June 11 on: “If the model were to require ‘best interest’ as the appropriate standard of conduct, how should ‘best interest’ be defined in order to provide an objective standard for compliance by industry and for regulatory oversight?” She noted that just a prior to the meeting, the U.S. Securities and Exchange Commission (SEC) adopted its final regulation best interest (Regulation BI).

Director Froment outlined the goals for the Working Group’s meeting. She said those goals include determining what “best interest” means to Working Group members so it could be evaluated for possible inclusion as a standard of conduct in the *Suitability of Annuity Transactions Model Regulation (#275)* and the obligations under such a standard a producer or insurer must satisfy to meet its requirements. She explained that in reviewing the comments received by the June 11 public comment deadline, she saw themes expressed in the comments, which were used to develop a high-level summary comparison document between the provisions in the SEC’s Regulation BI and the Iowa Department of Insurance’s (DOI) comments (Attachment One-?). She said she plans to use this document to guide the Working Group’s discussion.

The Working Group first discussed whether the following obligations should be included in a best interest conduct standard: 1) a disclosure obligation; 2) a care obligation; 3) a conflict of interest obligation; and 4) a documentation obligation. The Working Group discussed each obligation.

a. Disclosure Obligation

Director Froment asked the Working Group members what broad requirements they believe should be included in a disclosure obligation. She asked if this obligation should include a disclosure of terms of the relationship between the producer or insurer and the consumer. Mr. Gendron suggested the Working Group consider components of the client relationship (CRS) form included in the SEC’s Regulation BI for inclusion in the Model #275 revisions for producers and insurers to use to satisfy the disclosure obligation. He noted that broker-dealers subject to the SEC’s Regulation BI requirements will be using such a form and that consumers will probably expect something similar from producers and insurers. Commissioner Ommen agreed with Mr. Gendron. Mr. Regalbutto said he was not sure the CRS form could be used because of the differences between the types of products broker-dealers and producers and insurers sell. The Working Group discussed the elements of the disclosure obligation and generally agreed that disclosure in some form and manner is appropriate.

b. Conflict of Interest Obligation

The Working Group next discussed the conflict of interest obligation and the Iowa DOI’s language for this obligation requiring producers and insurers to avoid or otherwise reasonably manage material conflicts of interest and to discuss specific information to the consumer related to compensation. Commissioner Ommen explained that Iowa’s suggested language aligns with the SEC’s Regulation BI. Mr. Ostlund suggested that some of the language was duplicative of language in the potential disclosure obligation. The Working Group discussed how a producer or insurer would be able to comply with these requirements. After additional discussion, the Working Group agreed that it is important to include a conflict of interest obligation in a best interest conduct standard.

c. Care Obligation/Documentation Obligation

Commissioner Ommen discussed the Iowa DOI’s language for the care obligation and its importance. The Working Group discussed the Iowa DOI’s suggested language, noting that it is not contemplating a fiduciary-type “best interest” standard of

conduct. Ms. Lerner agreed because at this point in the Working Group's drafting process, the potential language for such a standard does not require the producer or the insurer to place the consumer's needs first. The Working Group discussed whether the Iowa DOI's language could be enforced, which requires, among other things, the producer or insurer to have a "reasonable basis to believe" the recommended option is "best suited" for the consumer. The Working Group also discussed how and in what manner the care obligation should work with the documentation obligation. Mr. Gendron said he views the Iowa suggested language for a care obligation as support and guidance for a producer or an insurer to comply with the duty of care. The Working Group continued its discussion, deciding that some of this language and its meaning, such as "product as a whole" and "basis or bases of the recommendation," requires further future discussion.

d. Supervision System/Compliance Obligation

The Working Group discussed the Iowa DOI's suggested language requiring an insurer to establish a supervision system for its own products. Ms. Lerner expressed concern with such language because in her experience, some insurers have ignored red flags, particularly in the case of replacements. Mr. Regalbuto suggested insurers should have an affirmative requirement not to create sales programs designed to incentivize producers to make recommendations not in the consumer's best interest. The Working Group agreed to continue its discussions of this issue later during the meeting. The Working Group agreed a "best interest" conduct standard framework should include a supervision system/compliance obligation requirement.

2. Discussed a "Best Interest" Conduct Standard

The Working Group discussed what requirements should be included in a "best interest" conduct standard. Ms. Lerner reiterated her concern that the language currently being contemplated is not a "best interest" conduct standard. Mr. Regalbuto agreed, saying that the language in the SEC's Regulation BI requires a broker-dealer not to place their financial or other interest ahead of the consumer when making a recommendation. He urged the Working Group to avoid using such language. Some Working Group members discussed their concern that if they include certain language for a best interest conduct standard, consumers will be adversely affected because the type and scope of products available to them will be limited.

Mr. Regalbuto provided a scenario involving similar products, both of which are suitable, where he believes the producer or insurer would consider their own interest in making the ultimate decision on which product to recommend. He said this is not a best interest conduct standard. A best interest conduct standard requires the producer or insurer to only consider the consumer's interest in making a recommendation. Ms. Brouse asked if the disclosure obligation addresses the issue. Mr. Regalbuto said he does not believe it does because consumers receive multiple disclosures and may not understand. He reiterated that a best interest conduct standard, in his opinion, requires that the consumer's interest be considered first. Commissioner Ommen said he believes the SEC's Regulation BI places the consumer's interest first, but not exclusively. He said he believes this is a best interest conduct standard. Mr. Regalbuto discussed the language in New York's recently adopted rule concerning best interest and its use of the language "without regard to."

The Working Group discussed whether it should include language for a "best interest" conduct standard, but not call it "best interest." Commissioner Ommen said he considered this option, but because the SEC is calling its conduct standard a "best interest" standard, he decided it would be best to do the same in the Model #275 revisions to avoid confusion in the marketplace. Mr. Regalbuto suggested that some other Working Group members do not believe the SEC's Regulation BI establishes a "best interest" conduct standard. If so, he believes this creates an opportunity for the NAIC to send a message and establish a true "best interest" conduct standard in its revisions.

The Working Group deferred additional discussion of this issue to a future date.

3. Discussed Potential Elements to Be Included in the Best Interest Framework Obligations

The Working Group discussed in more detail potential requirements (Attachment ?-B) to be included in the obligations—disclosure obligation, care obligation, conflict of interest obligation and documentation obligation—it agreed should be included in a best interest" conduct standard.

a. Disclosure Obligation

Director Froment asked the Working Group if, in outlining the scope and terms of the sales relationship with the consumer, the disclosure obligation should require producers to disclose their qualifications and provide a checklist disclosing what products

they may or may not be able to sell to inform the consumer on what limitations the producers or insurers have on the types of products they can sell and ultimately recommend.

Ms. Neil said the Working Group should consider what information should be disclosed to the consumer at the initial sales meeting. Mr. Ostlund suggested this information is part of the documentation obligation. Ms. Lerner said she believes this information is part of the producer's verbal communications with the consumer. The Working Group discussed if such language is part of the documentation obligation. Director Froment said she believes disclosure is what the consumer needs to know at the initial sales meeting, and documentation is based on the actual completed transaction. The Working Group discussed whether potential conflicts of interest, such as the fact that the producer will be compensated, should be disclosed to the consumer at the initial sales meeting. Commissioner Ommen said such a potential conflict of interest with respect to compensation may be true for commission-only producers, but it is not necessarily true for other compensation arrangements. Director Froment provided an example of a real estate agent and the disclosures provided to the consumer at the time the consumer hires the agent to sell or buy a home. She characterized such disclosures as "explaining the nature of the relationship."

Director Froment requested comments from interested parties. Wes Bissett (Independent Insurance Agents and Brokers of America—IIABA) expressed concern with including language in disclosure obligation requiring producers to disclose their "limitations" regarding the types of products they can sell and ultimately recommend to a consumer. He said such language needs to be framed more clearly. He also said the IIABA does not believe compensation should be part of the disclosures made during the initial sales meeting with the consumer. He also said developing a form that a producer could provide to the consumer would be helpful to assist with compliance with the disclosure obligation. Kim O'Brien (Fixed Annuity Consumer Choice Campaign—FACC Campaign; and Americans for Asset Protection—AAP) expressed support for Mr. Bissett's comments concerning developing a form or a template. She noted that the FACC Campaign and the AAP submitted comments on the SEC's CRS form. Birny Birnbaum (Center for Economic Justice—CEJ) suggested the Working Group consider the purpose of consumer disclosures and design such disclosures to accomplish that goal, as well as consumer test the disclosures to be provided to consumers. He also suggested the disclosures should include specific key questions producers should ask consumers. Additionally, he agreed that creating a template would be helpful to ensure consumers understand what a producer can and cannot sell.

Sarah Ferman (American Bankers Association—ABA) said the Working Group needs to clarify the potential provisions in the disclosure obligation with respect to their application to banks, particularly for disclosures concerning limitations on the types of products a producer is authorized and licensed to sell. Gary Sanders (National Association of Insurance and Financial Advisors—NAIFA) expressed concern that adding more disclosure requirements could adversely affect the sales process.

b. Conflict of Interest Obligation

The Working Group next discussed what potential requirements should be in the conflict of interest obligation. Commissioner Ommen discussed the rationale of including language requiring a producer or insurer to avoid or reasonably manage material conflicts of interest. Ms. Rafeld expressed concern with an insurer's ability to supervise such a requirement for compliance and the ability of state insurance regulators to enforce it. The Working Group also discussed the potential requirement to disclose information related to compensation and if compensation should be disclosed as part of the conflict of interest obligation.

Director Froment requested comments from interested parties. Mr. Bissett suggested that disclosing compensation should not be part of the conflict of interest obligation. Mr. Sanders agreed. He also suggested that such information, particularly a specific dollar amount, might not be meaningful to consumers. Michael Gugig (Transamerica), speaking for himself and not on behalf of Transamerica, agreed. He said it is not possible for producers to provide a specific dollar amount they will be compensated at an initial sales meeting with the consumer. He recommended the Working Group consider requiring broad disclosures related to compensation and leave it up to the consumer to ask for more information.

The Working Group discussed its possible approach. Mr. Birnbaum questioned the need for such a provision. He said disclosure is not enough, but if the Working Group decides to take this approach, then it would need to pair the compensation with the product. Jim Szostek (American Council of Life Insurers—ACLI) said that the ACLI supports an upfront general disclosure to the consumer that the producer will be compensated but providing an actual dollar amount of that compensation might be too complicated. He also agreed with previous commenters that the mere fact of receiving cash compensation does not necessarily create a conflict. Commissioner Ommen asked Mr. Szostek if he agrees with Mr. Birnbaum that the NAIC should consumer test these conflict of interest disclosures to see if consumers understand. Mr. Szostek said the SEC conducted some testing of its CRS form. As such, it might be valuable for the NAIC to see the results of that testing.

The Working Group discussed what consumers might want to know with respect to conflict of interest. After discussion, the Working Group decided that disclosing information related to compensation might not be appropriate for a conflict of interest obligation, but, perhaps, it would be more appropriate as part of the disclosure obligation or the care obligation. Ms. Rafeld questioned whether receiving a commission is a material conflict of interest. The Working Group also agreed to discuss this issue of material conflict of interest later during a future conference call.

c. Care Obligation

Commissioner Ommen discussed the Iowa DOI's suggested revisions related to a care obligation. He noted that the SEC removed the word "prudence" in its Regulation BI. He suggested removing the word. Mr. Regalbuto explained the importance of retaining it because the products involved are risk management products. Other Working Group members expressed support for deleting "prudence." After additional discussion, the Working Group decided to defer making a decision on removing the word "prudence" and discuss further during a future conference call.

Ms. Lerner discussed the California DOI's suggested language for a care obligation adding additional language regarding "reasonableness" that would require a producer or an insurer to act with reasonable diligence, care, skill and prudence that a prudent person acting "in like capacity and familiar with such matters" would use under the circumstance. Mr. Regalbuto expressed support for the suggested language. The Working Group discussed Ms. Lerner's suggested language and issues it raised for some Working Group members, particularly from an enforcement perspective. The Working Group discussed the Iowa DOI's suggestion to add language on whether a recommendation is reasonable for an "ordinary" producer in a similar circumstance to recommend. The Working Group decided to defer this issue for further discussion later during a future conference call.

The Working Group next discussed whether as part of the care obligation, the producer or insurer should provide an oral or a written description of the basis of the recommendation. Commissioner Ommen said the Iowa DOI suggests oral or written because not all conversations between the producer and the consumer during the sales process will be written, but the producer or insurer will have to document the results of the conversations under the documentation obligation. Ms. Lerner suggested that it should be both oral and written. The Working Group decided to defer this issue for further discussion during a future conference call.

Director Froment requested comments from interested parties. Robbie Meyer (ACLI) said the ACLI supports a clear and consistent standard for compliance and enforcement. Mr. Birnbaum questioned the need for harmonization with the SEC's Regulation BI. He also questioned why the Working Group is not including investment-type life products in the proposed revisions to Model #275. Director Froment asked the Working Group members about harmonization with the SEC's Regulation BI. Mr. Gendron explained from Rhode Island's perspective why it supports appropriate harmonization with the SEC's Regulation BI given its available resources. Commissioner Ommen agreed with Mr. Gendron's comments. He also said that harmonization is important for consumers. He said it is not consumer protection when companies have multiple compliance standards to follow. Mr. Regalbuto said harmonizing where possible is good; however, harmonizing just for the sake of it should not be the goal. He said he believes the Working Group's goal should be to establish a consumer-focused conduct standard. Ms. Brouse agreed with Mr. Regalbuto's comments in part. However, she said she is not concerned with harmonizing with the SEC's Regulation BI to make it easier for state insurance regulators with respect to enforcement and compliance. Her concern relates to consumers and the idea that harmonizing with the SEC's Regulation BI could minimize consumer confusion.

d. Documentation Obligation

Ms. Lerner said she does not believe it is enough to simply require a producer or an insurer as a requirement under the documentation obligation to obtain a signed statement of the consumer's refusal to provide his or her consumer profile information. She also said she believes a producer or insurer should not be able to sell a product if it is not recommended. Ms. Neil said Rhode Island has seen some evidence that some producers are gaming the system in telling the consumers they do not have to provide their consumer profile information. Director Froment said that if an insurer has an adequate supervision system, the insurer should be able to discover such behavior. Ms. Brouse agreed with Director Froment. Mr. Wicka suggested the Working Group might want to consider including a requirement for the producer to submit the consumer profile information collected to the insurer. The Working Group agreed that it is a delicate balance to permit those consumers more knowledgeable about their needs to not provide certain information and those less sophisticated consumers who need more protection.

e. Supervision System/Compliance Obligation

The Working Group discussed the provisions for a supervision system. Mr. Regalbuto said he would add a supervision responsibility to not hold sales contests to avoid issues with compliance. The Working Group discussed his suggestion, noting that issues with sales contests could be discovered under the current supervision requirements. However, some Working Group members recognized there could be an issue with discovering noncompliant transactions involving products a producer sells for another insurer. As such, some Working Group members wondered what is or should be an insurer's duties under its supervision system with respect to other insurers.

4. Discussed its Next Steps

Director Froment said she would like the Working Group to meet via conference call two or three times prior to the Summer National Meeting. She said that for each call, there would be a specific topic for discussion using the final issues document from this meeting (Attachment ?-C). She said that prior to each call, the Working Group would ask for comments on the specific topic and discuss the comments received during the call. She said her goal is for the Working Group to complete a new draft for the Life Insurance and Annuities (A) Committee's consideration by the Fall National Meeting. Director Froment also said the previous comments received by the Feb. 15 public comment deadline would be reviewed and discussed when the Working Group begins its work to develop a revised draft of revisions to Model #275.

Having no further business, the Annuity Suitability (A) Working Group adjourned.

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Draft Pending Adoption

Attachment Two
Life Insurance and Annuities (A) Committee
4/7/19

Draft: 4/11/19

Life Insurance and Annuities (A) Committee and Annuity Suitability (A) Working Group
Orlando, Florida
April 6, 2019

The Life Insurance and Annuities (A) Committee and the Annuity Suitability (A) Working Group of the Life Insurance and Annuities (A) Committee met in Orlando, FL, April 6, 2019. The following Committee members participated: Doug Ommen, Chair (IA); Stephen C. Taylor, Vice Chair (DC); Jim L. Ridling (AL); Trinidad Navarro represented by Fleur McKendell (DE); Dean L. Cameron represented by Elaine Mellon (ID); James J. Donelon represented by Frank Opelka (LA); Jon Godfread represented by Chrystal Bartuska (ND); Bruce R. Ramge (NE); Barbara D. Richardson (NV); Linda A. Lacewell represented by Mark McLeod (NY); Jillian Froment (OH); Javier Rivera Rios (PR); Julie Mix McPeak represented by Michael Humphreys and Lorrie Brouse (TN); and Mark Afable (WI). The following Working Group members participated: Jillian Froment, Vice Chair, and Michelle Brugh Rafeld (OH); Doug Ommen, Vice Chair (IA); Jerry Workman (AL); Jodi Lerner and Perry Kupferman (CA); Fleur McKendell (DE); Elaine Mellon (ID); Nour Benchaaboun (MD); Renee Campbell (MI); Matt Holman (NE); Mark McLeod (NY); Cuc Nguyen (OK); Elizabeth Kelleher Dwyer, Matt Gendron and Sarah Neil (RI); Michael Humphreys and Lorrie Brouse (TN); and Richard Wicka (WI). Also participating were: Karl Knable (IN); Paul Hanson (MN); and Scott A. White (VT).

1. Adopted the Working Group's 2018 Fall National Meeting Minutes

Commissioner Taylor made a motion, seconded by Mr. Humphreys, to adopt the Working Group's Nov. 15, 2018 minutes (*see NAIC Proceedings – Fall 2018, Life Insurance and Annuities (A) Committee, Attachment Five*). The motion passed unanimously.

2. Heard a Presentation on the SEC's Proposed Regulation Best Interest Rule and the Proposed Revisions to Model #275

Commissioner Ommen thanked the Working Group for its work to date on revising the *Suitability in Annuity Transactions Model Regulation (#275)*. He noted, however, that issues remain. He said one remaining issue of consequence is whether there is a distinction between a U.S. Securities and Exchange Commission's (SEC) broker-dealer obligation, as proposed in the SEC's proposed Regulation Best Interest rule, and an insurance producer obligation, as proposed in the draft revisions to Model #275.

Commissioner Ommen explained that the Working Group members are familiar with provisions of the SEC's proposed Regulation Best Interest rule, but the Committee members may be less familiar with it. He said, to date, the SEC's proposed best interest rule does not define "best interest," which may work for the SEC, but as Iowa's insurance commissioner and chief securities regulator, he would like to know what "best interest" means. He said other NAIC members have expressed the same concern and noted that the current draft of revisions to Model #275 also reflect this concern. He also noted that the Working Group has discussed "best interest" and its possible meaning extensively, with a significant number of interested parties pressing the Working Group and the Committee to go further than the draft's current language on the issue.

Commissioner Ommen said, during this meeting, the Committee and Working Group would hear a presentation from Douglas Schmidt (Husch Blackwell), with whom the Iowa Insurance Division retained to provide advice on the SEC's proposed Regulation Best Interest rule and to explain how the proposed revisions to Model #275, which would apply to insurance producers, would compare with the broker-dealer distribution channel. He said he also would like to know the complications of agents selling across state lines and facing a "checkerboard" of differing state requirements and legal obligations. He said Husch Blackwell's legal memorandum analyzing the SEC's proposed Regulation Best Interest rule was included in the meeting materials.

Mr. Schmidt provided the Committee and Working Group with an overview of his legal analysis. He provided background history on the SEC's proposed Regulation Best Interest rule. He noted that the SEC has received more than 6,000 comments on its proposed rule. He explained that if the rule goes into effect without changes, in his opinion, the standard for broker-dealers and qualifying insurance producers will be unclear.

Draft Pending Adoption

Attachment Two
Life Insurance and Annuities (A) Committee
4/7/19

Mr. Schmidt explained the licensing distinctions among investment advisers, broker-dealers and insurance producers. He discussed the current suitability standard as provided in the Financial Industry Regulatory Authority's (FINRA) Rule 2111. He also discussed the current text in the SEC's proposed Regulation Best Interest rule establishing the best interest standard and how a broker-dealer would comply with the standard by satisfying three types of obligations: 1) the disclosure obligation; 2) the care obligation; and 3) the conflict-of-interest obligation. He provided a comparison of the SEC's proposed Regulation Best Interest rule, the proposed revisions to Model #275 and FINRA Rule 2111 with respect to their conduct standards, disclosure requirements and conflict-of-interest requirements.

Mr. Schmidt then discussed a court's potential interpretation of the SEC's proposed Regulation Best Interest rule. He also discussed how the SEC's proposed Regulation Best Interest rule could interact with state standards. He noted that the SEC's proposed rule does not clearly specify whether the states are free to enact standards that are stricter than the proposed rule. As such, general preemption principles would likely apply. He explained that, historically, the federal Securities Exchange Act of 1934 did not preempt state common law that did not conflict with federal rules.

Lastly, Mr. Schmidt outlined the pros and cons of the SEC's proposed best interest standard, noting that it provides very clear disclosure requirements and clear requirements for conflict of interest policies and disclosures, but the proposed rule fails to define "best interest," creating confusion as to compliance, and fails to specify whether the industry practice of captive agents is permissible under the best interest standard.

Commissioner Ommen asked for clarification concerning the SEC's proposed Regulation Best Interest rule's general best interest obligation to the consumer and specific best interest obligation to the consumer and Mr. Schmidt provided an explanation.

Commissioner Ommen questioned how one would build a "greatest benefit" compliance system.

Ms. Brouse said she believes the current draft of proposed revisions to Model #275 has taken out some of the uncertainty regarding compliance with its standards because of the definition of "suitable."

Director Rame expressed concern with a court's interpretation of "greatest benefit" and the potential impact on consumers. He said such a requirement may cause broker-dealers to partially withdraw from serving low- and middle-income consumers, limiting their access to certain investment products.

3. Discussed the Working Group's Next Steps

Commissioner Ommen said he believes, procedurally, the Working Group is prepared to resume its work. He advised the Committee that a chair's list of the comments received on the current draft of proposed revisions to Model #275 received by the Feb. 15 public comment deadline also was included in the meeting materials.

Director Froment made a motion, seconded by Commissioner Taylor, to authorize the Working Group to continue its work and allow it to consider the presentation; the comments received by the Feb. 15 public comment deadline; and comments from Working Group members, interested state insurance regulators and interested parties received during its discussions. The Committee further directed the Working Group to complete its work as soon as possible, by holding an in-person interim meeting sometime in May or June and reporting on its progress to the Committee at the Summer National Meeting.

Having no further business, the Life Insurance and Annuities (A) Committee and the Annuity Suitability (A) Working Group adjourned.

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Agenda Item #2

Continue Discussion of Parking Lot Topic Issues Related to Proposed Revisions to the *Suitability in Annuity Transactions Model Regulation (#275)*—Director Jillian Froment (OH)

a. Care Obligation

- Reasonable basis to believe consumer would benefit from features of annuity [Model #275, Section 6A(2)]
- Reasonable basis to believe product as a whole would address consumer's needs [Model #275, Section 6A(3)]

b. Documentation Obligation

- Obtain customer signed statement of customer's refusal to sign profile [Model #275, Section 6E(2)]

c. Supervision Obligation

- Carrier only has to supervise its own products (does not have to take into account other carrier's products) [Model #275, Section 6F(3)]

Agenda Item #3

Discuss Working Group Next Steps—*Director Jillian Froment (OH)*

Agenda Item #4

Discuss Any Other Matters Brought Before the Working Group—*Director Jillian Froment (OH)*