

May 27, 2022

**Submitted electronically to [pwallace@naic.org](mailto:pwallace@naic.org)**

***Re: Chapter 23-Annuity Suitability April 19, 2022 Draft (Revisions related to the February 2020 adopted revisions to the Suitability in Annuity Transactions Model Regulation #275)***

To: The NAIC Market Conduct Examination Guidelines (D) Working Group (“Working Group”)

On behalf of our members, the Insured Retirement Institute, Inc. (“IRI”)<sup>1</sup> appreciates the opportunity to comment on the Chapter 23 – Annuity Suitability, April 19, 2022 Draft (“Draft Guidelines”).

We also appreciate the Working Group’s efforts to update the Chapter 23 of the Market Conduct Examination Guidelines to align them with the February 2020 adopted revisions to the Suitability in Annuity Transactions Model Regulation #275 (“Model #275”), and we are pleased to support the Draft Guidelines.

In order to ensure consistency with all the updates to Model #275, however, we would like to respectfully offer the following comments on the Draft Guidelines:

On page 30 and 35 of the Draft Guidelines, under Standards 9 and 10, we propose the following revisions in order to fully align the Draft Guidelines with the Model #275 updates:

Verify that the insurer has adequate procedures in place for monitoring that sales are made in compliance with comparable standards as defined in Section 6(E)(5) of Model #275. Sales made in compliance with comparable standards shall satisfy the requirements under this regulation. This subsection applies to all recommendations and sales of annuities made by financial professionals in compliance with business rules, controls and procedures that satisfy a comparable standard even if such standard would not otherwise apply to the product or recommendation at issue.. However, nothing in this subsection shall limit the insurance commissioner’s ability to enforce (including investigate) the provisions of this regulation.

Note: Noncompliance with comparable standards means that the recommendation or sale is subject to compliance with the suitability requirements of the applicable state’s statutes, rules and regulations.

<sup>1</sup> IRI is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks, and marketing organizations. IRI members account for more than 95 percent of annuity assets in the U.S., the top 10 distributors of annuities ranked by assets under management and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community.

Review the insurer's system of monitoring sales made in compliance with comparable standards and applicable state annuity suitability statutes, rules and regulations. An insurer may demonstrate compliance in this area by:

- Monitoring the relevant conduct of the financial professional seeking to rely on the safe harbor or the entity responsible for supervising the financial professional, such as the financial professional's broker-dealer or an investment adviser registered under federal [or state] securities laws using information collected in the normal course of an insurer's business; and
- Providing to the entity responsible for supervising the financial professional seeking to rely on the safe harbor, such as the financial professional's broker-dealer or investment adviser registered under federal [or state] securities laws, information and reports that are reasonably appropriate to assist such entity to maintain its supervision system.

On behalf of IRI and our members, thank you again for the opportunity to provide these comments, and we appreciate your consideration of our recommended changes. We would be happy to discuss further with you and look forward to collaboration and partnership with the Working Group.

Sincerely,

*Sarah E. Wood*

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