

## PROJECT HISTORY - 2020

### SUITABILITY IN ANNUITY TRANSACTIONS MODEL REGULATION (#275)

#### 1. Description of the Project, Issues Addressed, etc.

In 2017, the Life Insurance and Annuities (A) Committee established the Annuity Suitability (A) Working Group and charged the Working Group to review and revise, as necessary, the *Suitability in Annuity Transactions Model Regulation (#275)* and as part of that charge, consider how to promote greater uniformity across NAIC-member jurisdictions. The Committee adopted the charge and established the Working Group, in part, in response to the U.S. Department of Labor's (DOL) fiduciary rule, which was finalized in April 2016 but vacated in its entirety in March 2018. The DOL fiduciary rule would have expanded the scope of who is considered a fiduciary to federal Employee Retirement Income Security Act of 1974 (ERISA) retirement plans and individual retirement accounts (IRAs) to include a broader set of insurance agents, insurance brokers and insurers. Separately, the U.S. Securities and Exchange Commission (SEC) released a proposed rule package in May 2018, which included Regulation Best Interest (Reg BI). The SEC finalized Reg BI in June 2019. The final Reg BI establishes a best interest standard of conduct for broker-dealers beyond the existing suitability obligation. The new standard of conduct requires a broker-dealer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer to act in the best interest of the retail customer at the time a recommendation is made without placing the financial or other interest of the broker-dealer or associated persons ahead of the interest of the retail customers.

While acknowledging the SEC's and the DOL's role in the regulatory landscape and believing that consumers are better protected when, to the extent possible, there is harmonization of the regulations enforced by the states, the SEC and the DOL, the Working Group continued its work to draft revisions to Model #275 to establish a framework for an enhanced standard of conduct that is more than the model's current suitability standard but not a fiduciary standard.

In 2018, the Working Group held two two-day interim meetings—one in June in Kansas City, MO, and one in October in Chicago—to discuss drafts of proposed revisions to Model #275. Additionally, the Working Group held several conference calls and additional in-person meetings at each national meeting.

After the SEC finalized its Reg BI in June 2019, as directed by the Life Insurance and Annuities (A) Committee at the 2019 Spring National Meeting, the Working Group met soon after in mid-June during an in-person interim meeting in Columbus, OH, to level set and work toward its goal of fleshing out the meaning of "best interest" and incorporating a best interest standard of conduct into the Model #275 revisions. During its June meeting, the Working Group discussed and agreed on a framework for the model revisions to include a best interest standard and a path forward for completing its work as soon as possible.

Based on this framework, the Working Group developed a draft of proposed model revisions including a best interest standard of care a producer or insurer can meet if the producer or insurer satisfies the four obligations under this standard of care: 1) the care obligation; 2) disclosure obligation; 3) material conflict of interest obligation; and 4) documentation obligation. The Working Group exposed the draft for public comment until Sept. 30, 2019.

The Working Group met Oct. 8, Oct. 15, Oct. 29 and Nov. 5, 2019, via conference call to discuss the comments received. The Working Group received comments from many stakeholders, including industry, consumers and producers. More than 100 interested parties and state insurance regulators participated in each of the conference calls. The Working Group adopted the proposed revisions to Model #275 on Nov. 5, 2019, via conference call. The Working Group agreed that it had completed its work as directed by the Life Insurance and Annuities (A) Committee during the 2019 Spring National Meeting and forwarded the draft to the Committee for its consideration. The Committee chair exposed the draft for a public comment period ending Nov. 26, 2019. At the 2019 Fall National Meeting, the Committee discussed the comments received and made some revisions to the Working Group's draft of proposed revisions to Model #275. During this meeting, the Committee provided preliminary approval to the proposed Model #275 revisions. The Committee also directed the Working Group to discuss the comments received on the proposed appendices during a meeting following the 2019 Fall National Meeting. The Working Group met Dec. 19, 2019, via conference call to discuss the Nov. 26, 2019, comments received on the proposed appendices. During this meeting, the Working Group revised the appendices and forwarded its work to the Committee for its consideration. The Committee met Dec. 30, 2019, via conference call to consider adoption of the proposed revisions to Model #275. The Committee adopted the proposed revisions to Model #275 by a vote of 11 to 1.

The proposed revisions establish a best interest standard of conduct for producers and insurers. This new standard of conduct is more than the model's current suitability standard, but it is not a fiduciary standard. Under this new standard of conduct, when making a recommendation of an annuity, a producer or insurer shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest

ahead of the consumer's financial interest. To satisfy this best interest obligation, a producer or an insurer must satisfy the four obligations: 1) care; 2) disclosure; 3) conflict of interest; and 4) documentation. The proposed revisions also revise the model's current insurer supervision requirements, including a new supervision requirement for the insurer to establish and maintain reasonable procedures to identify and eliminate certain sales incentives that are based on sales of specific annuities within a limited period of time. The proposed revisions also expand the model's current safe harbor provisions to apply the safe harbor to any financial professional in compliance with business rules, controls and procedures that satisfy a comparable standard, such as Reg BI, to the model's new standard of conduct. The proposed revisions define a financial professional to include a producer that is regulated and acting as: 1) a broker-dealer; 2) an investment adviser; or 3) a plan fiduciary. The proposed revisions also include new appendices to provide guidance to producers and insurers in satisfying the new disclosure and documentation obligations.

## **2. Name of Group Responsible for Drafting the Model and States Participating**

The Annuity Suitability (A) Working Group of the Life Insurance and Annuities (A) Committee drafted the proposed revisions to Model #275. The members of the Working Group were: Alabama, California, Delaware, Idaho, Iowa, Kansas, Nebraska, New Hampshire, New York, Ohio, Oklahoma, Rhode Island, Tennessee and Wisconsin. Idaho chaired the Working Group in 2017 and 2018, and Ohio chaired the Working Group in 2019. The Life Insurance and Annuities (A) Committee also discussed and drafted proposed revisions to Model #275 after the Working Group completed its work. The members of the Committee were: Alabama, Arizona, Delaware, District of Columbia, Idaho, Iowa, Louisiana, Nebraska, Nevada, New York, North Dakota, Ohio, Puerto Rico, Tennessee and Wisconsin.

## **3. Project Authorized by What Charge and Date First Given to the Group**

The Life Insurance and Annuities (A) Committee established the Annuity Suitability (A) Working Group in 2017 to carry out the charge below:

“Review and revise, as necessary, the *Suitability in Annuity Transactions Model Regulation* (#275) and consider how to promote greater uniformity across NAIC-member jurisdictions.”

## **4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc.; include any parties outside the members that participated)**

Beginning in March 2017 and ending in December 2019, the Working Group reviewed and discussed all of the comments received as part of the drafting process. Numerous interested parties participated in the process. The interested parties represented all stakeholder groups, including consumers, insurers and producer representatives. Each draft of proposed revisions was posted to the Working Group's web page and the Committee's web page on the NAIC website. All comment letters received also were posted. The Working Group held open in-person interim meetings and met via conference call during the drafting process. The Working Group also met in person at each NAIC national meeting.

## **5. A General Description of the Due Process (e.g., exposure periods, public hearings or any other means by which widespread input from industry, consumers and legislators was solicited)**

Beginning in March 2017 and ending in December 2019, the Working Group reviewed and discussed all of the comments received. Numerous interested parties participated in the drafting process. The interested parties represented all stakeholder groups, including consumers, insurers and producer representatives. Each draft of proposed revisions was posted to the Working Group's web page and the Committee's web page on the NAIC website. All comment letters received also were posted. The Working Group held open in-person interim meetings and met via conference call during the drafting process. The Working Group also met in person at each NAIC national meeting.

## **6. A Discussion of the Significant Issues (items of some controversy raised during the drafting process and the group's response)**

Several significant issues were raised throughout the drafting process. Those issues included: 1) expanding Model #275 to include investment-type life insurance products; 2) specifically applying the proposed revisions to in-force annuity products; 3) applying the proposed revisions to producers who may not have direct contact with the consumer, but participated in a material way to developing and making the recommendation purchase an annuity; and 4) including the drafting note stating that the proposed model revisions are a successor to the 2010 model revisions.

With respect to expanding Model #275 to include investment-type life insurance products, the Working Group discussed this issue during one of its first in-person interim meetings. The Working Group decided that given its charge to “review and revise, as necessary, the *Suitability in Annuity Transactions Model Regulation* (#275) and consider how to promote greater uniformity across NAIC-member jurisdictions,” expanding Model #275 to include investment-type life insurance products was beyond the scope of its charge. The Working Group concluded that the Life Insurance and Annuities (A) Committee was the appropriate forum for raising and considering this issue.

Another significant issue discussed was whether the model revisions should specifically apply to in-force annuity contracts. The Working Group discussed this issue extensively during multiple meetings. It decided ultimately not to include language in the proposed revisions specifically applying to in-force annuity contracts. However, during these discussions, it was suggested that in certain situations, in making a recommendation, a producer or insurer would have to and would be expected to consider a consumer’s existing insurance products, including annuities, to determine whether the recommended option effectively addresses the consumer’s financial situation, insurance needs and financial objectives as part of satisfying the best interest standard of conduct.

The Working Group also extensively discussed whether the model revisions should apply to producers not having direct contact with a consumer, but exercised material control or influence in the making of the recommendation. The Working Group decided to add language applying the model revisions to such producers under certain circumstances. Specifically, in Section 6A(5), the model revisions provide that any requirement applicable to a producer under Section 6—Duties of Insurers and Producers applies to every producer who has exercised material control or influence in the making of a recommendation and has received direct compensation as a result of the recommendation or sale regardless of whether the producer has had any direct contact with the consumer.

Another issue the Working Group discussed was whether the revised model establishing the new best interest standard of conduct would be considered for purposes of Section 989J of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) a successor to the 2010 model revisions, which established the suitability standard of conduct. The proposed revisions include a drafting note in Section 1—Purpose expressly stating the proposed revisions are a successor to the 2010 model revisions. The Working Group deferred the issue to the NAIC Legal Division for additional research. The NAIC Legal Division did not expressly provide an opinion, but initial research found that with or without the Section 1 drafting note, the revised model most likely would be considered a successor to the 2010 model. The Working Group determined that this was a policy issue for the Committee, the Executive (EX) Committee and Plenary to decide. The model revisions, as adopted by the Committee, retain the proposed drafting note.

**7. Any Other Important Information (e.g., amending an accreditation standard)**

None.

## PROJECT HISTORY - 2015

### SUITABILITY IN ANNUITY TRANSACTIONS MODEL REGULATION (#275)

#### 1. Description of the Project, Issues Addressed, etc.

The *Suitability in Annuity Transactions Model Regulation* (#275) was revised to clarify its application to contingent deferred annuities (CDAs) by:

- Deleting references to variable and fixed and leaving the broader reference to “annuities” in Section 6H, which states that sales made in compliance with Financial Industry Regulatory Authority (FINRA) requirements pertaining to suitability and supervision of annuity transactions shall satisfy the requirements under this regulation.
- Adding to Section 7. Producer Training the clarification that training include how **product-specific** annuity contract features affect consumers.

#### 2. Name of Group Responsible for Drafting the Model and States Participating

The Contingent Deferred Annuity (A) Working Group of the Life Insurance and Annuities (A) Committee was responsible for drafting the revisions.

##### States Participating:

Ted Nickel, Chair	Wisconsin	Roger A. Seigny/Keith Nyhan	New Hampshire
Robert Chester	Connecticut	Joseph Torti III/Elizabeth Dwyer	Rhode Island
Jim Mumford	Iowa	Michael Humphreys	Tennessee
Jason Lapham	Kansas	Tomasz Serbinowski	Utah
Bruce R. Ramge	Nebraska		

#### 3. Project Authorized by What Charge and Date First Given to the Group

The project was authorized in 2012 by the following charge: Appoint a Contingent Deferred Annuity (A) Working Group to develop NAIC guidelines and/or model bulletin that can serve as a reference for states interested in modifying their annuity laws to clarify their applicability to contingent deferred annuities (CDAs) and, as part of this work, review existing NAIC model laws and regulations applicable to consumer protection issues associated with CDAs.

#### 4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated.

The revisions to the *Suitability in Annuity Transactions Model Regulation* (#275) were drafted by the Contingent Deferred Annuity (A) Working Group. The revisions, and comments received on them, were reviewed and discussed by the Working Group. All comments were posted on the NAIC website. The Working Group adopted a draft of proposed revisions at the 2014 Fall National Meeting, which was then forwarded to the Life Insurance and Annuities (A) Committee. The Life Insurance and Annuities (A) Committee also adopted the revisions at the 2014 Fall National Meeting.

All drafts were distributed to more than 100 interested parties and posted on the NAIC website. Numerous interested parties participated, including: the American Council of Life Insurers (ACLI); the National Association for Fixed Annuities (NAFA); the Insured Retirement Institute (IRI); the National Association for Insurance and Financial Advisors (NAIFA); Birny Birnbaum (Center for Economic Justice—CEJ); and the American Academy of Actuaries (Academy).

#### 5. A General Description of the Due Process (e.g., exposure periods, public hearings or any other means by which widespread input from industry, consumers and legislators was solicited)

The Contingent Deferred Annuity (A) Working Group met at each national meeting and held interim meetings and interim conference calls beginning in June 2012 until adopting the revisions at the 2014 Fall National Meeting.

**6. A Discussion of the Significant Issues (e.g., items of some controversy raised during the due process and the group's response)**

There were concerns that using the term "CDAs" when revising the model would be too limiting and that subsequent model revisions would be necessary to address every innovation in the industry. The language adopted seeks to address this concern by using broader language.

**7. Any Other Important Information (e.g., amending an accreditation standard)**

None

## PROJECT HISTORY - 2010

### SUITABILITY IN ANNUITY TRANSACTIONS MODEL REGULATION (#275)

#### 1. Description of the Project, Issues Addressed, etc.

The revisions to the *Suitability in Annuity Transactions Model Regulation* (#275) make three core changes to the existing model: 1) clarify that the insurer is responsible for compliance with the model's requirements even if the insurer contracts out to a third party to perform those requirements; 2) require the review of all recommended annuity transactions in a manner the carrier considers appropriate to ensure compliance with this requirement to better protect consumers from unsuitable sales and abusive sales and marketing practices; and 3) establish general training and specific-product training for insurance producers to ensure the producer knows what he or she is selling.

#### 2. Name of Group Responsible for Drafting the Model and States Participating

The Suitability of Annuity Sales (A) Working Group of the Life Insurance and Annuities (A) Committee was responsible for drafting the revisions.

##### States Participating:

Wisconsin, Chair	Missouri
Alabama	New Hampshire
Alaska	New Jersey
California	New York
Colorado	Ohio
Connecticut	Oregon
Florida	Tennessee
Iowa	Texas
Kansas	Utah
Minnesota	Vermont

#### 3. Project Authorized by What Charge and Date First Given to the Group

The project was authorized in 2008 by the following charge: review and consider changes to the *Suitability in Annuity Transactions Model Regulation* (#275) to improve the regulation of annuity sales and to provide insurers uniform guidance in developing agent training, supervision and monitoring standards in order to better protect annuity consumers from unsuitable sales and abusive sales and marketing practices. The Executive (EX) Committee approved the model law request for revising the *Suitability of Annuity Transactions Model Regulation* (#275) at the 2008 Summer National Meeting.

#### 4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated

The model was drafted by the Working Group. The revisions, and comments received on them, were reviewed and discussed by the Working Group. All comments were posted on the NAIC Web site. The Working Group adopted a draft of proposed revisions on Dec. 1, 2009, which was then forwarded to the Committee for its consideration at the 2009 Winter National Meeting. At that meeting, the Committee decided to reopen the draft for additional comments. After reviewing and considering these additional comments, the Committee unanimously adopted a revised draft on Dec. 21, 2009.

All drafts were distributed to over 200 interested parties and posted on the NAIC Web site. Numerous interested parties participated, including industry representatives, such as the American Council of Life Insurers (ACLI), the National Association for Fixed Annuities (NAFA), and the Insured Retirement Institute (IRI); life insurance companies, such as MetLife, Prudential, MassMutual and Nationwide; insurance producer representatives, such as the National Association for Insurance and Financial Advisors (NAIFA); consumer representatives, such as the Center for Economic Justice (CEJ) and the Western Minnesota Legal Services; and others, such as the National Association of Independent Life Brokerage Agencies (NAILBA) and the Insurance Marketplace Standards Association (IMSA).

**5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)**

After the Committee established the Working Group in March 2008, the Working Group met at each NAIC quarterly meeting in 2008 and at the NAIC 2009 Spring, Summer and Fall National Meetings. The Working Group also held five conference calls. Comments were requested and received and considered throughout the drafting process. In addition, all of the drafts of the proposed revisions were posted on the NAIC Web site. The comments were also posted on the NAIC Web site.

**6. A Discussion of the Significant Issues (items of some controversy raised during the drafting process and the group's response)**

There were a number of significant issues or items of controversy raised during the drafting process. These issues or items of controversy generally concerned the extent to which the revisions, given the different distribution channels insurers use to sell annuity products, should delineate the specific supervisory responsibilities and ultimate responsibility of insurers for ensuring suitable annuity sales even if they contract with a third party for the performance of their responsibilities under the model. In addition, an issue was raised concerning the necessity of revising the model regulation to address these issues rather than through the development of interpretative guidelines or a model bulletin. Some interested parties argued that because a large number of states have adopted the model, with many having done so in recent years, the model should not be revised and urged the Working Group to develop interpretative guidelines or a model bulletin that states could uniformly adopt. Some Working Group members argued that interpretative guidelines and model bulletins have no force of law and, as such, the model should be revised. After extensive discussions of this issue during several conference calls and several meetings, the Working Group voted to revise the model and focus on developing such revisions. Another issue arose concerning the type and scope of training that should be required of insurance producers. Most interested parties conceded that insurance producers should know what they are selling and that some form of training would be appropriate to ensure insurance producers selling annuity products know what they are selling. However, the manner in which such training should be provided was somewhat controversial. After discussion of this issue during several conference calls and at several meetings, the Working Group decided to include a section in the revised model requiring producer training that tracks Iowa's training requirements for indexed annuities and other states' training requirements for long-term care insurance partnership policies.

**7. Any Other Important Information (e.g., amending an accreditation standard).**

None.

**PROJECT HISTORY - 2006**

**SENIOR PROTECTION IN ANNUITY TRANSACTIONS  
MODEL REGULATION (#275)**

**1. Description of the project, issues addressed, etc.**

This model regulation was amended to expand its suitability protections to consumers of all ages, not just those over the age of 65.

**2. Name of group responsible for draft the model:**

Life Insurance and Annuities (A) Committee

**States Participating:**

North Dakota, Chair	Kansas
Kentucky, Vice Chair	Nebraska
Alabama	New Mexico
Arkansas	New York
California	Ohio
Florida	Pennsylvania
Iowa	

**3. Project authorized by what charge and date first given to the group:**

The following charge was given in 2006:

Review and consider changes to the Senior Protection in Annuity Transactions Model Regulation to address the suitability issue with regard to all annuity transactions.

**4. A general description of the drafting process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated.**

The model was drafted by the Committee. Numerous interested parties participated, including industry representatives, such as the American Council of Life Insurers (ACLI), The Financial Planning Association (FPA); and the National Association of Independent Life Brokerage Agencies (NAILBA); and funded consumer representatives, such as the Center For Economic Justice, University of Georgia and The University of Texas at Austin.

**5. A general description of the due process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited).**

There was one draft of the proposed revisions. The draft was circulated for comment to interested parties. In addition, the draft was posted on the NAIC website. Throughout the drafting process comments from various interest groups and organizations were received and discussed by the Committee.

**6. A discussion of the significant issues (items of some controversy) raised during the due process and the group's response.**

No significant issues arose during the drafting process.

**7. Any other important information (e.g., amending an accreditation standard).**

None.



## PROJECT HISTORY - 2003

### SENIOR PROTECTION IN ANNUITY TRANSACTIONS MODEL REGULATION (#275)

#### 1. Description of the Project, Issues Addressed, etc.

In 2000, the NAIC adopted a white paper recommending the establishment of suitability standards for life insurance and annuities. Shortly thereafter a working group was appointed by the Life Insurance and Annuities (A) Committee to draft standards. The purpose of the model act and regulation developed by that working group was to regulate the activities of insurers and producers that make recommendations to consumers to purchase certain life insurance and annuity products to ensure that insurers and producers will make suitable recommendations based on relevant information obtained from the persons who purchase life insurance and annuity products.

#### 2. Group Responsible for Drafting the Model and States Participating

The model act and regulation that resulted from the charge were drafted by the Suitability Working Group, which was chaired by Iowa, and included representatives from Louisiana (vice-chair), Illinois, Kansas, Kentucky, Massachusetts, Minnesota, Missouri, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, and Vermont. The draft targeted to sales of annuities to seniors was developed by the A Committee, chaired by Utah, with the following states as members: Iowa, Alabama, California, District of Columbia, Florida, Kentucky, Louisiana, New Mexico, North Dakota, Ohio, Oklahoma and South Carolina.

#### 3. Project Authorized by what Charge and Date First Given to the Group

The Life Insurance and Annuities (A) Committee was given a charge to draft a model in 2001. The charge was to draft of a model law and/or regulation regarding suitability of sales of life insurance and annuities. The Suitability Working Group that had drafted the white paper was asked to continue in service and draft the model.

#### 4. A general description of the drafting process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated.

A model act and regulation were adopted by the working group and forwarded to the A Committee. That Committee did not support adoption of the model as it existed and further amendments were made at the A Committee. Because of the lack of support for a wide-reaching suitability standard, since none had existed before in most states, the Committee recommended a narrow model that addressed the area of most concern to regulators: the sale of annuities to seniors. The A Committee produced a new model in early 2003 and held open meetings and conference calls to solicit comments. The American Council of Life Insurers (ACLI), individual life insurance companies, consumer groups, the Financial Planning Association, the National Association of Insurance and Financial Advisors, The National Association of Securities Dealers (NASD), and others participated. The process resulted in this new model that was adopted at a conference call on July 21, 2003. The Executive Committee took up the model at a Sept. 3, 2003 conference call in response to a comment letter from the ACLI suggesting further amendments. The Executive Committee voted to add technical changes suggested by the ACLI to the draft.

#### 5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)

The drafting process was open and the working group received comments from interested parties representing life insurance companies, consumer groups and producer groups, as well as from securities regulators. When the A Committee took on the drafting project, a hearing was held, comments solicited and an open meeting in Salt Lake City and several conference calls were held to discuss all concerns that were raised. Interested parties also submitted numerous drafting suggestions.

#### 6. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group's response)

There were many controversial items raised during the extensive drafting effort. The working group discussed whether to use the Unfair Trade Practices Act as authority for development of a regulation. Interested parties urged the working group to develop language specific to suitability of sales. This discussion also extended to whether to require a pattern of conduct, as in the Unfair Trade Practices Act, or whether a single violation was sufficient to invoke penalties. After a brief discussion on

whether the Act might create a private cause of action, the working group adopted the position that had been taken during development of the Unfair Trade Practices Act and included specific language stating that this Act should not be construed to create a private cause of action. The working group noted that some states might already have the authority to adopt the regulation.

One of the most controversial issues was balancing the responsibilities of the insurers and the producers. The working group was convinced that the proper balance was to require responsibility for both. The working group draft required the insurer to have standards for suitable recommendations in place and a system designed to make sure that producers know and follow those standards. The producer had a responsibility to follow the standards set by the insurer. One significant addition to the draft made by the A Committee was to add standards for mitigation of penalties if the producer and insurer work to right any wrongs done to a consumer.

Determining what standards to use was also the topic of extensive discussion. Insurers requested more specific guidance on how their standards should look so that they were reasonably assured that they were adequate. Regulators discussed using membership in an organization such as the Insurance Marketplace Standards Association as a standard, but rejected that approach. They also considered using the NASD standards. The draft adopted by the working group contained some of those concepts to assist insurers that already had extensive suitability standards for their variable life producers, so that they would not have to maintain two parallel structures. The approach taken by the A Committee follows the NASD standards much more closely.

Extensive discussion took place on whether the model should cover all recommendations or just recommendations that result in a sale. Ultimately the drafters settled on a focus on recommendations that result in sales. They expressed concern that all recommendations be suitable but recognized the record-keeping burden that would be imposed by extending the model to cover all recommendations.

Once the model was narrowed to apply only to sales of annuities to seniors, many of the issues that previously had been controversial no longer applied, such as many of the exemptions included in the earlier draft. However one new issue was whether the rules should apply to all transactions involving an annuity, or just a transaction where an annuity was being purchased. The language settled on refers to a purchase or exchange of an annuity.

The life insurance industry raised concerns about the various distribution systems when variable products were included. They expressed concern that some of the standards would not work as well when an independent broker/dealer was involved. Modifications to the draft were made to address the different distribution systems.

**7. Any other important information (e.g., amending an accreditation standard).**

None.