

Submitted By email to: [jmatthews@naic.org](mailto:jmatthews@naic.org)

NAIC Annuity Suitability (A) Working Group  
c/o Jolie H. Matthews  
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***RE: Proposed Revisions to NAIC Annuity Suitability Regulation***

Dear Working Group Members:

Americans for Annuity Protection (AAP) is driven by issues impacting fixed annuities, life insurance and long-term care. Americans for Asset Protection's purpose is to protect and preserve the consumer's access to reliable guidance and assistance through experienced, trained professionals and suitable products.

AAP commends the NAIC Suitability Working Group's decision to step back from incorporating "best interest" guidelines into the existing Suitability Model and its openness to revisiting the Working Group's charge given the recent developments concerning the DOL Fiduciary Rule.

We were pleased to hear Chairman Cameron's statement at the Working Group meeting last March which is in accord with our ongoing belief. The Chairman stated that he believed "we have a suitability model that works, and most agents act in the best interest of their clients."

Therefore, we urge the NAIC not to disrupt today's consumer suitability protections and the annuity marketplace to retro-fit "best interest issues" that have been established by federal regulators to address securities activity and recommendations. AAP urges the Suitability Working Group to stand down from its charge and not change the existing Suitability Model. AAP respectfully asks the Working Group to consider our three reasons for making this request.

## 1. Market Disruption, Increased Cost, and Broader Industry Considerations

There can be little doubt that the 2010 Annuity Suitability Model has been an unprecedented regulatory success. Based on the NAIC's reporting of complaints, the evidence of consumer satisfaction with their fixed annuity purchase is indisputable.

Americans for Asset Protection is a 501(c)4 non-profit organization advocating for consumers' rights to an effectively regulated insurance marketplace for guaranteed asset protection products including: annuities, life insurance and long-term care. Its offices are located in Phoenix, Arizona; Washington, D.C., and Camp Hill Pa.

Visit [www.AAPNow.org](http://www.AAPNow.org) to learn more.



Insurance companies and agents have spent years developing appropriate systems and protocols to comply with suitability. The proposal for changes to the suitability model, now in place across the United States, would cause disruption, confusion, and costly administrative overhauls.

Finally, disclosure requirements incorporating conflict of interest, cash compensation and non-cash compensation should be considered for all insured asset protection products as they are often used in tandem for the same household to serve different objectives and concerns.

## 2. Consumer Needs for Insurance Protection are Different

AAP agrees that consumers can benefit from disclosures that are concise - not 40 plus pages – and easy to understand. AAP also believes that consumers deserve to understand the different types of investment and insurance professionals and the services they offer. Finally, consumers also need to be fully informed about different compensation and fee structures and their impact on investment strategies and insurance solutions.

But before we can even begin to help consumers, we must first understand and recognize that fixed insurance products are DIFFERENT than investment products. Fixed insurance products are bought by consumers who choose **guaranteed protection** from market loss, **guaranteed income** to supplement other income sources and **guaranteed death benefits** to efficiently transfer savings.

That said, we must demand standards & policies to make sure consumers understand the non-guaranteed elements of fixed insurance products – particularly indexed life insurance - and their impact on product performance and benefits. Unfortunately, The NAIC last addressed illustration reform in 1995 - before indexed life policies came into the marketplace.

We urge the NAIC to address cash and non-cash compensation issues separately and apart from the existing suitability regulation. We believe fixed insurance compensation issues are distinct and best handled by regulation or guidance that more directly addresses the consumer's unique purchasing considerations without upsetting effective and successful suitability regulations.



### 3. The SEC Process Has Only Just Begun

With the SEC's proposed "Regulation Best Interest" just days old and considering that almost all five Commissioners expressed serious concerns with the proposal, AAP believes it is extremely premature to consider "harmonizing" insurance conduct recommendations with the SEC's proposal. AAP's initial reading of the 1000-page proposal raises more questions than answers.

The fact that the SEC took almost 500 pages to address the specifics of the 4-page Customer Relations Summary (CRS) clearly demonstrates the Rule's primitive stage. The CRS was intended to "provide a brief relationship summary to retail investors," and yet, the SEC's requests for comments spans almost a dozen pages – a clear signal that any final regulation is very much a jump ball.

AAP believes any new regulation or guidance should address issues of full and fair disclosure that informs consumers about risk, rewards, fees/compensation, and conflicts to empower them to make informed decisions. AAP cautions, however, that any action should recognize and exempt compensation for bona fide training and educational activities as well as legitimate business reimbursements that are not tied to specific product or company recommendations. The breadth and complexity of these disclosure and conduct issues would be most effectively and thoroughly addressed in a separate NAIC initiative and not force fed into the existing and successful annuity-only Suitability Model.

Given its success, we believe the current suitability regulation should stand on its own and not be diluted or encumbered with new, may we say unsuitable, requirements. Requirements that are not appropriate for the insurance industry and whose only purpose is an attempt to harmonize with federal fiduciary initiatives. The best interest concept is ethereal at best and continues to be a standard that repeatably defies regulator harmonization across varying security advisory practices and licenses. Continuing down a "best interest" path for insurance regulation can only result in consumer confusion and disenfranchisement with our industry.

Your consideration of these views is very much appreciated. Should you have any questions, please feel free to contact me at the email or number indicated above.

Sincerely,

Kim O'Brien  
CEO, Americans for Asset Protection