



NAIC Suitability in Annuity Transactions Model Regulation #275

In February 2020, the NAIC adopted changes to its Regulation #275 and many states are moving to adopt this regulation. The changes to Regulation #275 establish a “best interest standard” of care for the solicitation, recommendation and issuance of annuity contracts. The revisions closely align the NAIC’s regulation of the sale of annuities with the SEC’s Regulation Best Interest pertaining to the regulation of the sale of securities, while addressing the uniqueness of annuities.

Regulation #275 contains four pillars or obligations that must be demonstrated throughout the sales and recommendation process in order to evidence best interest. The obligations are Care, Disclosure, Conflict of Interest and Documentation. To satisfy these obligations, a producer must:

- Demonstrate reasonable diligence, care, and skill to determine, know and understand a consumer’s financial situation, needs and objectives in order to make a recommendation in the consumer’s best interest. For replacements, the replacing product must *substantially benefit* the consumer in comparison to the replaced produce *over the life of the contract*.
- Provide a description of the scope and terms of the producer/consumer relationship; the role of the producer; limitations of the producer or the insurer; description of the sources and types of cash and non-cash compensation; and notice of the consumer’s right to request additional information about compensation. We have created a Customer Information and Disclosure Acknowledgement template to assist with this documentation. Either this form, or the SEC’s Insurance Agent Producer Relationship Disclosure Form for Annuities, must be completed and signed by the producer and the consumer and kept in the producer’s file. It does **not** need to be sent in to the Company.
- Identify and avoid conflicts of interest.
- Keep a written record of the recommendation and the basis for the recommendation. This should be maintained in your file and does **not** need to be sent in to the Company.

We have added a side by side product comparison, reasons for purchase and a few additional questions to our Suitability Acknowledgement form to assist with these new requirements. In addition, we have added language to both the owner and producer signature sections attesting that the disclosure and documentation requirements have been satisfied. In summary, to demonstrate compliance with a solicitation occurring in a state that has adopted Regulation #275, you will need to:

- Gather Consumer profile information. The Suitability Acknowledgment form assists with this.
- Keep a written record of your recommendation and the basis for the recommendation.
- Discuss and document the information on the Customer Information and Disclosure Acknowledgement with the consumer. Both the consumer and producer must sign this. This form does not need to be sent in to us, but should be kept in your file.



- Read and complete the producer statement on the Suitability Acknowledgement form attesting that you have done the above. Review the Owner statement with the customer and have the customer sign and date this as well.
- Complete producer training provided by third party CE providers. Please refer to the “State and Federal Training Requirements” Form 014946 for the training required in the solicitation state.
- Understand any additional state-specific requirements imposed by that state.

The Company may request verification from you of your compliance with these requirements.

Please visit this [webpage](#) for additional information about suitability at our company, including our guides, resource videos, state training requirements, and frequently asked questions.