



## Compliance Newsletter – December 2023

Protective is committed to making the most of every opportunity to put **more within your reach** – more tools and more resources to help you **do the right thing, serve people, build trust**, and **aspire for better**. Because together we are all Protectors.

### Suitability

It's important that producers act in their client's best interest. This includes being knowledgeable about the products being offered and making recommendations that are in the best interest of the client. Protective has developed **Annuity Suitability Guidelines** and an **Annuity Suitability Producer Guide** to help ensure producers comply with applicable annuity suitability laws and regulations. Producers can access these guides from the **Annuity and Life Insurance Suitability Information** hub on myprotective.com under the **Doing Business with Us** tab. We encourage all producers to refer to these guides to review annuity suitability requirements, training requirements and other suitability information.

The NAIC Suitability in Annuity Transactions Model Regulation (Model Regulation) provides the framework for annuity suitability guidelines and was revised with enhanced standards in 2020. The Model Regulation mandates that a producer must act in the best interest of the consumer in recommending an annuity transaction to an applicant. A producer must:

- Make reasonable efforts to obtain the client's suitability information.
- Retain accurate client records that support any product recommendation.

A producer must have reasonable grounds for believing that a recommendation effectively addresses the consumer's individual insurance needs and financial objectives including, but not limited to the following:

- Understand the client's current and long-term financial situation and objectives.
- Complete all required training and maintain a comprehensive knowledge of the recommended annuity product, staying current on any material product changes.
- Stay current on all relevant legal and regulatory developments.
- Recommend products based solely on the client's best interest.
- Educate the client on the advantages and disadvantages of any recommended product(s) and describe how the client's needs and objectives are being addressed.

- Be aware of and adhere to regulatory requirements about annuity illustrations, solicitation practices and replacement transactions.

In addition, when there is an **exchange or replacement** of another product the producer must have reasonable basis to believe that the exchange or replacement is in the client's best interest, taking into consideration whether the applicant will:

- Incur a surrender charge.
- Be subject to the commencement of a new surrender period.
- Lose existing benefits (such as death benefit, living benefit, or other contractual benefit).
- Be subject to increased fees or charges for riders or similar product enhancements.
- Benefit from product enhancements and improvements.
- Have had another annuity exchange or replacement within the preceding 60 months.

The Protective Suitability Review Desk reviews the Annuity Suitability Questionnaire to help assess a transaction's suitability. The Suitability Review Desk reviews the information gathered relative to the client's current financial status and investment objectives, specifically the client's existing assets including total annuity concentration – existing and proposed. It is important to document and consider all existing annuities in order to fully assess a client's annuity concentration, including the proposed purchase.

This as well as other important information is fully detailed in the **Annuity Suitability Producer Guide** available on MyProtective.com.

### **NAIC Suitability in Annuity Transactions Training Requirements**

The NAIC Model Regulation mandates that producers must complete a general four-hour annuity training course. In states that have adopted the updated 2020 Model Regulation, insurance producers who had completed the 4-hour training prior to the effective date of the newly adopted Model Regulation are required to successfully complete a new 4-hour or a 1-hour supplemental training course. The course covers types of annuities, uses of annuities, taxation of annuities, appropriate sales practices, and more.

For states that have recently adopted the 2020 Model Regulation, producers should be aware of approaching deadlines for completing required training. Applications signed after the deadline will not be accepted if the producer has not completed the appropriate training. Producers can complete this training through any approved CE provider including Quest, RegEd, and Kaplan.

### Cybersecurity/Fraud Alert

At Protective, helping you protect your clients' assets is a top priority. Recent increases in imposter scams have occurred nationwide, and below are example indicators of these scams and steps you can take if a scam is identified.

#### **Imposter Scams**

An "imposter scam" refers to a situation where a fraudster impersonates a trusted individual, business, or organization to convince a target to transfer funds. Red flags of an imposter scam can include:

- Unsolicited contact made to you by phone call, email, text, online advertisement, or social media post.
- Claim to be security/technical support for a known and reputable company (ex: Microsoft's technical support or security team), or a trusted financial institution like Protective.
- Request you to download software and/or request remote access to your computer/device.
- Send you an email or text message containing a link or attachment (which may ask you to approve/deny a transaction, set up new login credentials for an online portal, or take some other action regarding your account or your clients' accounts).

#### **Stopping imposter scams requires identifying red flags and taking simple but important steps, including:**



Verify the legitimacy of the organization or person contacting you, especially if you did not initiate the contact.



Do not assume you are speaking with a legitimate institution/company based on caller ID (which can be modified by fraudsters). Text messages, emails, and phone calls can appear to come from a trusted organizations when they are actually from a fraudster.



Exercise caution and take the time to research if you receive a request to send funds urgently, especially if requested to a third party.



Check the URL of websites or links sent to you by email to verify if it is a legitimate site address (ex: [www.protective.com](http://www.protective.com) versus [www.protectivelife.org](http://www.protectivelife.org)).

#### **Consumer-Facing Education Materials**

Protective publishes educational materials, such as Product Guides and Facts at a Glance, to help producers educate consumers before purchasing an annuity. Protective encourages you to use these materials to help inform consumers about how our products work. These

marketing materials include information on available riders, endorsements, restrictions, withdrawals, annuitization, expenses, surrender charges, and other important features and risks. The **Point-of-Sale Marketing Material** section on MyProtective.com is a helpful reminder to producers that Protective has made available product specific marketing material to be used with consumers at the point of sale. Product specific marketing material, including Product Guides and Facts at a Glance, are available at [finpro.protective.com](http://finpro.protective.com).

### **New York Regulation 60 - Replacements**

When completing the New York Regulation 60 Disclosure Statement, note question #3 of the Agent/Broker statement that asks for advantages of continuing the existing life insurance or annuity contract without changes. This question must be answered in detail. It is not acceptable to answer this question with “N/A” or “None.” The advantage(s) of continuing the existing contract must be documented. If not, the form will be considered “not in good order” and will delay review by the Suitability Review Desk.

### **Contact Us**

Protective has an Annuity Suitability Review Desk that is available to answer general questions concerning annuity suitability or the Annuity Suitability Questionnaire. The Annuity Suitability Review Desk can be reached at [AnnuitySuitabilityReview@Protective.com](mailto:AnnuitySuitabilityReview@Protective.com).

Our purpose is to help more people become Protectors. We stand by your side as you help your customers protect what matters most. Please contact us at 800-866-6410, option 1, for additional support.