NATURAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)
Resolution in Support of Expanding Annuity Suitability Requirements

Adopted by the NCOIL Executive Committee on March 6, 2011, and the Life Insurance & Financial Planning Committee on March 5, 2011.

Sponsored by Rep. George Keiser (ND)

WHEREAS, state legislators and regulators are focused on the protection of insurance consumers and ensuring that products sold are suitable; and

WHEREAS, a National Association of Insurance Commissioners (NAIC) Suitability in Annuity Transactions Model Regulation responds to complaints of unsuitable sales of annuities; and

WHEREAS, the NAIC model provides appropriate protections for consumers considering the purchase or exchange of annuities; and

WHEREAS, the model imposes requirements on producers and life insurers and provides state insurance departments with the authority to take reasonable and appropriate corrective action when they identify unsuitable recommendations; and

WHEREAS, the NAIC amended the model regulation in 2010 to clarify that the insurer is responsible for compliance with the model’s requirements, require the review of all recommended annuity transactions, and establish general training and specific-product training for insurance producers; and

WHEREAS, while seven (7) states and the District of Columbia have enacted the 2010 amended model regulation and seven (7) additional states have proposals pending, thirty-nine (39) states have suitability laws and regulations based on older NAIC models or state-specific laws; and

WHEREAS, NCOIL supports uniform state adoption of the updated NAIC model to provide consumers with same levels of protection; and

WHEREAS, NCOIL believes that uniform adoption, interpretation, and implementation will further illustrate that no need exists for U.S Securities and Exchange Commission (SEC) supervision of annuity sales; and

WHEREAS, the recently enacted Dodd-Frank Act makes grant funds available to states that have adopted the updated model regulation as well as the related NAIC and North American Securities Administrators Association (NASAA) model regulations on use of senior-specific certifications and professional designations; and

NOW, THEREFORE, BE IT RESOLVED that NCOIL supports the NAIC Suitability in Annuity Transactions Model Regulation; and

BE IT ALSO RESOLVED that NCOIL will encourage state insurance regulators and legislatures to update existing suitability laws by enacting a 2010 version of the NAIC Suitability in Annuity Transactions Model Regulation; and

BE IT FURTHER RESOLVED that a copy of this Resolution be sent to state legislative leaders, insurance commissioners, and governors.

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