
NAIC approves revised “best interest” rule for annuities

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The revisions clarify that all recommendations by agents and insurers must be in the best interest of the consumer.

In a meeting of the National Association of Insurance Commissioner (NAIC) Plenary last week, the association approved revisions to the Suitability in Annuity Transactions Model Regulation (#275), a February 13, 2020, NAIC release said.

The revisions clarify that all recommendations by agents and insurers must be in the best interest of the consumer and that agents and carriers may not place their financial interest ahead of in the consumer’s interest in making the recommendation. The model now requires agents and carriers act with “reasonable diligence, care and skill” in making recommendations.

“These changes underscore the commitment of U.S. insurance regulators to protecting consumers purchasing annuities,” said Ray Farmer, NAIC President and South Carolina Insurance Director. “Nearly every state has adopted the model, which has been protecting consumers for 15 years. I encourage my colleagues to work with their state legislatures to pass these updates to provide even stronger protection.”

The revisions incorporate a “best interest” standard into the model revisions that require producers and insurers to satisfy requirements outlined in a care obligation, a disclosure obligation, a conflict of interest obligation, and a documentation obligation. The model revisions also include enhancements to the current model’s supervision system to assist in compliance.

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