
Raymond James adjusts the bar for index annuities

By Editorial Staff *Fri, Jan 8, 2016*

Broker-dealer Raymond James said it will no longer approve the sale of FIA contracts that have "monthly average and monthly cap strategies that investors often misunderstood or rarely use." Other new restrictions also apply.

Raymond James, the national broker-dealer and a leader in index annuity sales, issued new requirements this week for the index annuities that its Insurance Group will approve for distribution by its registered representatives, effective January 29, 2016.

The new requirements include:

- Upfront commissions will not exceed 5%.
- Any additional compensation afforded by the product will be paid in year two or in the form of a trail for the life of the contract.
- Initial surrender charges must be less than 10%, unless the contract provides a return of premium guarantee that is effective upon the contract start date.
- Carriers must remove crediting options, such as monthly average and monthly cap strategies that investors often misunderstood or rarely use.

In the bulletin, Raymond James said it may limit availability of certain indices within the crediting options to "avoid those that are overly complex or fail to align with the positioning of the product."

The implications of these new standards are, according to the bulletin:

- Any product that does not meet these requirements will be closed to new purchases, but will remain available for additional deposits (where applicable) for current contract holders.
- Certain longer-term products will be removed largely due to the surrender charges. Many of these are older products are not often purchased, as newer (and often more appealing) products have been made available.
- Many of the existing products will be modified to fit these guidelines. Modifications include: Removing certain crediting strategies, including monthly average and monthly cap; Removing certain index options that may be non-traditional or overly complex in nature
- Commission schedules will change, but total compensation to the financial advisor is essentially flat.

"It is likely that additional products will be launched throughout the year as we work with

carriers to build new products that meet investor objectives,” the bulletin said.

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