Fields of Opportunities

STATE OF IOWA

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DOUG OMMEN
COMMISSIONER OF INSURANCE

BULLETIN 21-01

To: All Insurance Companies and Producers Selling Annuity Products in the State of Iowa
From: Doug Ommen, Iowa Insurance Commissioner
RE: Annuity 'Best Interest' Regulations, 191 IAC 15.72
Date: January 4, 2021

The Iowa Insurance Division (IID) adopted and filed amended Suitability in Annuity Transactions regulations applicable to any sale or recommendation of an annuity on or after January 1, 2021 (191 IAC 15.72-78). The IID intends to monitor implementation for a period of 12 months starting January 1, 2021, the effective date of the regulation. The IID believes this is an appropriate timeframe for insurers to conduct the requisite operational changes to their systems to establish internal processes to comply with the regulation. During this period, the IID will consider good faith efforts to be significant as we work with industry to implement these enhanced consumer protection standards.

The adoption of the regulation by the IID follows efforts by the National Association of Insurance Commissioners (NAIC) to revise the *Suitability in Annuity Transactions Model Regulation* (#275). The IID intends to rely on the drafting notes contained within the *Model Regulation* as interpretive guidance and expects this will aid companies in implementing the regulation. For example, *Model Regulation* contains a drafting note relating to the requirement in subparagraph 15.75(3)"b"(8) to identify and eliminate any sales contests, sales quotas, bonuses and non-cash compensation that are based on the sales of specific annuities within a limited period of time. The drafting note clarifies that the intent of this provision is to prohibit sales contests, sales quotas, bonuses and non-cash compensation based on the sale of a particular product within a limited period of time, but not to prohibit general incentives regarding the sales of a company's products with no emphasis on any particular product.

On October 14, 2020, the Division issued Bulletin 20-12 which provides information related to training requirements and available training approved by the IID. Producers should review Bulletin 20-12 to ensure they will have completed the required training by July 1, 2021.

Efforts by the NAIC Annuity Suitability Working Group (A) to review and revise the *Model Regulation* have been extremely important in advancing this initiative. This Working Group is currently in the process of creating a Frequently Asked Questions (FAQ) document which will promote greater uniformity across NAIC member jurisdictions. A current draft is available at the NAIC's webpage. The IID anticipates the FAQ document will provide important guidance to insurers and producers as they establish and maintain procedures designed to meet their good faith obligations to comply with this regulation.