



December 18, 2020

Revised Suitability Requirements For AZ, IA, & RI

Arizona, Rhode Island and Iowa have all adopted the NAIC revised Suitability in Annuity Transactions Model Regulation. Several other states are in the process of adopting the revised regulation as well. We will communicate additional state changes as they are enacted.

Changes for agents selling in Iowa and Arizona effective 1/1/2021 and Rhode Island effective 4/1/2021 include:

- Producers must act with a heightened standard of care in the solicitation and sale of annuities.
- This heightened standard of care is satisfied by meeting four obligations: care, disclosure, conflict of interest, and documentation.

As part of this heightened standard of care, producers must *not* place their financial interest ahead of the consumer's interest.

Please visit your Department of Insurance website to read the new regulation in its entirety and to understand all of your obligations.

Care Requirement

Producers must "exercise reasonable diligence, care, and skill" when making a recommendation by:

- Knowing the customer's financial situation, insurance needs, and financial objectives;
- Understand the available recommendation options after making a reasonable inquiry into options available to the producer;
- Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs and financial objectives over the life of the product, as evaluated in light of the consumer profile information; and
- Communicate the basis or bases of the recommendation.

The producer must have a *reasonable basis* to believe the consumer would benefit from certain features of the annuity and the producer must be able to communicate the basis of the recommendation. The producer is not required to choose the product that simply has the lowest compensation structure, but the producer must consider the contract as a whole, including product features, riders, and subaccounts at the time of purchase.

If the sale involves a replacement contract, the producer must consider:

- if the replacing product would *substantially benefit* the customer.
- if the customer would incur surrender charges or lose benefits from their existing product.
- if the customer would be subject to a new surrender charge period or increased fees from the new product.
- whether the customer has had another replacement in the last 60 months.

Disclosure Requirement

All applicants must be provided with the "Insurance Agent (Producer) Disclosure for Annuities" form as outlined in the new regulation. Americo has provided a generic version of this disclosure form and it is currently available on myAmerico. This new disclosure form must be submitted with all annuity applications solicited on or after 1/1/2021 in IA and AZ and 4/1/2021 in RI.

New Suitability Form

Agents in the states which have adopted the new regulation are required to use a new version of the suitability form ABB8378 (01/21). The new suitability form must be submitted with all annuity applications solicited on or after 1/1/2021 in IA and AZ and 4/1/2021 in RI.

Conflict of Interest Requirement

A producer must identify and avoid or reasonably manage and disclose any financial interest of the producer in the sale of the annuity that a reasonable person would expect to influence the impartiality of a

recommendation.

Documentation Requirement

The producer must document any recommendation made to a customer and the basis for the recommendation on the forms provided by Americo.

NEW TRAINING REQUIREMENTS:

To solicit and sell annuities, producers must comply with regulations adopted by the state in which they write business. The previous version of the Model Regulation required Carrier Product-Specific Training as well as a 4-hour General Annuity Suitability CE (the previous 4-hour training).

As states adopt the Revised Regulation, producers doing business in those states will be required to complete **additional** General Annuity Training CE.

The revisions to the Model Regulation require completion of **EITHER** a 1-hour General Annuity Training CE course available by producers who have taken the previous 4-hour training, **OR** a new 4-hour General Annuity Training CE for those who have not taken it previously.

General Annuity Training CE must be completed with a training vendor approved by the state of sale.

Access to approved vendors, training dates, times and fees are available on the state Insurance Department websites.

Training Completion Deadlines in States Which Have Adopted the Revised Model Regulation

Arizona and Iowa

If the previous 4-hour course is:

- Completed before 1/1/2021: new 1-hour course required by 6/30/2021.
- Not completed before 1/1/2021: new 4-hour course required before selling or soliciting any annuities.

Rhode Island

If the previous 4-hour course is:

- Completed before 4/1/2021: new 1-hour course required by 9/30/2021.
- Not completed before 4/1/2021: new 4-hour course required before selling or soliciting any annuities.

ON THE HORIZON:

Americo anticipates that more states will amend their suitability requirements to align with the NAIC revised Suitability in Annuity Transactions Model Regulation. The states that have proposed amendments to their suitability requirements and the proposed effective dates, if any, are:

- Arkansas – TBD
- Delaware – effective August 1, 2021
- Kentucky – effective July 1, 2021
- Maine – TBD
- Michigan – TBD
- Nevada – TBD
- Ohio – TBD

If you have any questions, or if we can be of assistance, please contact Agent Services at 800.231.0801.

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