
Life Insurers: Committed to Transparency, Clarity and Ethical Behavior in the Annuity Marketplace

Life insurers recognize that the increasing importance of annuities in retirement corresponds with an increased responsibility to enhance consumer protections in the annuity sales process. We want consumers to feel confident that their annuity purchase is based on complete easy-to-read information and suitable recommendations from agents who are properly credentialed professionals.

To that end, ACLI—following a directive of its member company CEOs—is encouraging states to adopt a package of regulations that would improve disclosure to consumers, help ensure sales recommendations are suitable, and make sure annuities are sold by individuals using proper credentials. While each part of the regulatory package is important on its own, state regulators would take an enormous step forward in providing annuity consumers with high-level and comprehensive protections through a holistic approach that addresses these three critical areas.

Improving Disclosure in Annuity Transactions

ACLI strongly encourages uniform state adoption of the National Association of Insurance Commissioners' (NAIC) Annuity Disclosure Model Regulation. The model fosters consumer education and provides consumers with a high level of protection during the sales process. It requires that certain information be disclosed, including an explanation of rates and how or if they change, a summary of the options and restrictions for accessing money, and an outline of fees. ACLI is working with the states to ensure this model is adopted nationwide and consumers are awarded adequate protections.

Building on the NAIC disclosure model, ACLI developed disclosure templates for presenting required disclosure information for fixed, index, and variable annuities in a consumer-friendly manner. These templates, which enhance disclosure requirements found in the NAIC model and federal securities laws, have been well received by regulators. In fact, the Iowa Division of Insurance launched a pilot program in 2008 to introduce the templates to the marketplace. ACLI is working with other states and federal regulators to generate widespread use of the templates in the annuities market.

Promoting Uniform Suitability Standards

Uniform adoption and implementation of the NAIC Suitability in Annuity Transactions Model Regulation is key to consumer satisfaction with their annuity purchase. The model regulation sets high standards to ensure consumers are purchasing an annuity product that is appropriate for their financial needs and requires the producer to review, among other things, the consumers' financial and tax status, investment objectives and any other information relevant to the sale of an annuity product.

Taking suitability improvements one step further, ACLI developed suitability monitoring guidelines to help each company collect information about its agents' sales—such as age of annuity purchaser—to better identify sales trends outside the usual range for the company or agent.

Ensuring Proper Credentials for Insurance Agents and Producers

ACLI believes that deceptive certifications and designations must be addressed and strongly supports uniform adoption in the states of the NAIC Model Regulation on the Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities. We worked closely with regulators, legislators, and other industry stakeholders to arrive at these uniform standards, which were recently approved by the NAIC.