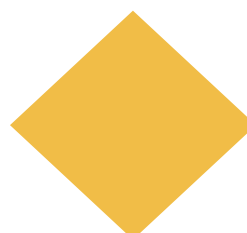


BEST Interest Guide



Guidance for
Agencies, Marketing
Organizations and
Agents on state-regulated
Best Interest Standards

Your Company Logo Here

This information is for use by financial and insurance professionals only and not intended for distribution or use with the general public. It is provided for educational and informative purposes only and not for the purpose of providing legal, accounting, or tax advice. Recipients should consult with their own experts to obtain legal, accounting or tax guidance and direction with respect to any issue or question.

The National Association of Insurance Commissioners (NAIC) has updated its Suitability in Annuity Transactions Model Regulation #275 to add a best interest standard of care for the sale, negotiation, and solicitation of a fixed annuity. The new “Best Interest Rule” replaces NAIC’s older suitability standard and includes several substantive changes to both Producer and issuing insurer obligations.

Under the rule, Producers have obligations to consumers related to care, disclosure, documentation, and conflict of interest for all annuity recommendations regardless of what marketing organization, brokerage agency or carrier they do business with. These include new Producer disclosures, and a documentation obligation. States that adopt the Best Interest Rule will require new NAIC training for the sale or recommendation of any annuity, as well as different forms related to the process for the sale or recommendation of a fixed or fixed index annuity.

BEST INTEREST OBLIGATIONS

A Producer must act in the best interest of the consumer without placing the Producer’s or the insurer’s financial interest ahead of the consumer’s interest. This standard of care is satisfied by meeting four obligations: care, disclosure, conflict of interest, and documentation.

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

- Knowing the customer’s financial situation, insurance needs, and financial objectives.
- Understanding available recommendation options after making a reasonable inquiry.
- Having 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.
- Having a reasonable basis to believe the consumer would benefit from certain features of the annuity.

The Producer is not required to choose the product that simply has the lowest compensation structure but must consider the contract as a whole, including product features, riders, and costs at the time of purchase.

- Communicating the basis or bases of the recommendation.

REPLACEMENTS — If the sale involves a replacement contract, the Producer must consider:

1. If the replacing product would substantially benefit the customer.
2. If the customer would incur surrender charges or lose benefits from their existing product.
3. If the customer would be subject to a new surrender charge period or increased fees from the new product.
4. Whether the customer has had another replacement in the last **60** months.

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Disclosure — Under the new regulation, all applicants must be provided with an “Insurance Agent (Producer) Disclosure for Annuities” form which is available from most insurance companies or your insurance marketing organization (IMO). A sample is attached for your information. This new disclosure form, which in most* cases must be submitted with all annuity applications, discloses information related to the method by which the Producer is compensated, the type of products the Producer is licensed to sell, and how many insurance companies the Producer is authorized to sell for.

*Some carriers are only asking for written confirmation that it was delivered and retained.

Conflict of Interest — Under the new regulation, Producers must identify and avoid, or reasonably manage and disclose any financial interest they have in the sale of the annuity that a reasonable person would expect to influence the impartiality of a recommendation.

A conflict of interest DOES NOT include cash or non-cash compensation. Disclosure of your compensation structure is covered under the Disclosure Obligation. Please be sure to follow your state-specific conflict of interest guidelines and requirements.

Conflict of Interest under the NAIC Model: A producer shall identify and avoid or reasonably manage and disclose material conflicts of interest, including material conflicts of interest related to an ownership interest.

Producers must make "every effort" to obtain the customer's financial profile information BEFORE making any recommendation.

Documentation — The Producer must document all written and oral communication including: The client's profile information which is information that is reasonably appropriate to determine whether a recommendation addresses the consumer's financial situation, insurance needs and financial objectives, including, at a minimum, the information contained in the attached Consumer Profile Questionnaire.

Any recommendation made to a client and the basis for the recommendation including documentation of the analysis performed that considered the products available to the Producer to meet the financial needs of the client.

If the customer chooses not to provide their profile information or provides insufficient information, the Producer is required to obtain a signed statement on a form that is substantially similar to the form required by the Model and is available from your insurance company or your insurance marketing organization.

If a customer decides to enter into an annuity transaction that is not based on the Producer's recommendation, the Producer is required to obtain a consumer signed statement on a form substantially similar to the form provided in the Model regulation and is available from your insurance company or your insurance marketing organization. The form acknowledges the annuity transaction is not recommended.

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Record Keeping — Insurers, general agents, independent agencies, and Producers are required to maintain, or be able to make available to the commissioner records, of the information collected from the consumer, disclosures made to the consumer; including summaries of oral disclosures, and other information used in making the recommendations that were the basis for insurance transactions for the requisite number of years (determined and required by individual states) after the insurance transaction is completed by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of a Producer.

TRAINING REQUIREMENTS

New NAIC Training Requirement — A new state-approved training module (continuing education) must be taken by a state-approved vendor, such as Quest CE, RegEd, Success CE, or Kaplan. Access to approved vendors and information on training dates, times, and fees are available on the state Insurance Department websites. Please contact your independent marketing organization (IMO) or brokerage agency for more information about available training opportunities and requirements.

As states adopt the revised regulation, Producers doing business in those states will be required to complete additional general annuity training CE. The length of the additional training varies, depending on whether

a Producer has completed the previous four-hour training — those who have are required to complete a one-hour General Annuity Training CE, while those who haven't must complete a four-hour General Annuity Training CE before selling or soliciting any annuities. If training is not completed according to the timelines below, a new application will need to be submitted with a sign date after the training has been completed.

State Adoption — An adoption tracking model of states adopting the NAIC best interest standards or considering adopting is available from the Federation of Americans for Consumer Choice. Please contact Kim O'Brien at kim@facchoice.com for the most recently updated list. As of January 2021, numerous states have adopted or are considering adopting and FACC anticipates that when there is a substantial number, carriers will begin to require adherence to the Model's best interest standards nationally.

Applications signed prior to a state's adoption date will be treated according to each carrier's current requirements. Applications signed on or after a state's adoption date must meet new state requirements prior to issue.

Insurance Planning Solutions Client Profile

Please complete this questionnaire to the best of your ability.

I am required to act in your best interest without placing my financial interest ahead of yours. Your answers will help me better understand your needs and how I might best help.

Your Information									
First Name:					Last Name:				
State		Age		Married (check if yes)	<input type="checkbox"/>	Gender	M	F	O
Your Retirement Goals									
Your Retirement Age					Age You Expect to Begin Social Security payments				
Your Financial Goals & Concerns (Check all that apply and number your selection with 1 being the most important)									
<input type="checkbox"/> Guaranteed Income for Life			<input type="checkbox"/> Supplement Social Security			<input type="checkbox"/> Grow Savings			
<input type="checkbox"/> Protect Losses from Market			<input type="checkbox"/> College Funding			<input type="checkbox"/> Guaranteed Legacy Income			
<input type="checkbox"/> Pay for LTC Expenses			<input type="checkbox"/> Pay for Medical Expenses			<input type="checkbox"/> Tax Planning			
<input type="checkbox"/> Company Strength			<input type="checkbox"/> Company Service			<input type="checkbox"/> Company Renewal History			
<input type="checkbox"/> Other			_____						
Risk Tolerance									
<i>Your risk tolerance is your attitude toward your financial plan, retirement lifestyle, and the risk of losing money in the market.</i>									
<input type="checkbox"/> Conservative		<input type="checkbox"/> Moderate		<input type="checkbox"/> Aggressive		If you are uncertain about your risk tolerance, please complete the questionnaire on next page.			
Asset Type		(A)		Asset Type		(B)			
Stocks/Bonds/Mutual Funds		\$ _____		Checking/Savings		\$ _____			
401k, 403b, 457 etc.		\$ _____		Money Market/CDs		\$ _____			
Other _____ (e.g., real estate, gold, silver, etc.)		\$ _____		Other _____ (e.g., cash value life insurance/annuity free withdrawal)		\$ _____			
TOTAL		\$ _____		TOTAL		\$ _____			
Total Assets (A+B)		\$ _____		Guaranteed Protection Gap (Age/100 X Total Assets) – (B)		\$ _____			
Net Worth & Liquidity Needs									
Total Assets (excluding mortgage)					Total Liabilities				
Columns (A) + (B)		\$ _____			Include all debt obligations		\$ _____		
Current Annual Income		\$ _____			Total Net Worth (Assets – Liabilities)		\$ _____		
Retirement Income Sources (Monthly)									
Guaranteed Income (A)					Non-Guaranteed Income (B)				
Social Security		\$ _____			_____		\$ _____		
Pensions		\$ _____			_____		\$ _____		
Annuities/Life Insurance		\$ _____			_____		\$ _____		
Total Guaranteed Income (A)		\$ _____			Total Non-Guaranteed Income (B)		\$ _____		
Total Retirement Income (A+B)		\$ _____			Expected Monthly Retirement Expenses (D)		\$ _____		
Guaranteed Income Gap (A-D)					\$ _____				

Your Signature & Date: _____

Insurance Planning Solutions Risk Tolerance Questionnaire

Your risk tolerance is based on your attitude toward your financial plan and retirement lifestyle and your attitude about possibly losing money in the market for the chance of making money. The answers to these questions will help me decide if and how I might be of service by helping me understand how you feel about taking risk.

Your Attitude toward Risk & Retirement

Many people have assets or potential for income from other sources like Social Security and an employer retirement plan. Do you consider Social Security and employer retirement programs solvent and safe from market losses?

YES NO Not Sure

Do you consider Social Security and you employer retirement plan adequate for paying expenses as long as you live?

YES NO Not Sure

Being as independent as possible is important.

YES NO Not Sure

Having a guaranteed income source to pay for health, long term care, and other expenses is important.

YES NO Not Sure

1. Which best describes your attitude about your future income and your financial plan?
 - a. I am not comfortable losing money
 - b. I'm OK with losing some money
 - c. I take risks for a chance at a bigger gain
2. How many years at the end of your life would you be willing to risk running out of money?
 - a. I don't want to run out of money before I die
 - b. I am willing to take the risk of running out of money 1-5 years before I die
 - c. The possibility of running out of money before my/our death is not a concern to me.
3. Which best describes your attitude about your future income and your financial plan?
 - a. If my retirement accounts lost money, I would probably not be able to restore those amounts.
 - b. If my retirement accounts lost money, I probably would be able to restore those amounts.
 - c. If my retirement accounts lost money I am confident I would be able to restore those amounts.
4. Select the answer the best describes your attitude toward paying for a retirement plan.
 - a. I'd rather not pay out-of-pocket or pay a separate fee from my account.
 - b. I understand my retirement plan may need to change and I will pay a fee to make those changes.
 - c. I prefer an investment plan that someone continuously manages and pay a percentage of my account for that service.
5. You have just reached the \$10,000 plateau on a TV game show. Now you must choose between quitting with the \$10,000 in hand or betting the \$10,000 in one of the following alternative scenarios. Which do you choose?
 - a. You take \$10,000 and run
 - b. A 50% chance of winning \$50,000
 - c. A 5% chance of winning \$100,000

Your Signature _____

Date: _____

The following is a sample template to meet the NAIC Disclosure for Annuities.
Check with your insurance company and follow their specific disclosure requirements .

APPENDIX A

INSURANCE AGENT (PRODUCER) DISCLOSURE FOR ANNUITIES

Do Not Sign Unless You Have Read And Understand The Information In This Form

Date _____

Insurance Agent (Producer) Information (“Me”, “I”, “My”)

First Name	Last Name

Business\Agency Name	Website	Email

Business Street Address	City	State	Zip

Business Phone Number	National Producer Number	State

Customer Information (“You”, “Your”)

First Name	Last Name

What Types of Products Can I Sell to You?

I am licensed to sell annuities to you in accordance with state law. If I recommend that You buy an annuity, it means I believe that it effectively meets Your financial situation, insurance needs, and financial objectives. Other financial products, such as life insurance or stocks, bonds and mutual funds, also may meet your needs.

I Offer the following products:

Fixed or Fixed Indexed Annuities Stocks and Bonds/Certificates of Deposits Variable Annuities Life Insurance

I need a separate license to provide advice about or to sell non-insurance financial products. I have checked below any non-insurance financial products that I am licensed and authorized to provide advice about or to sell.

Mutual Funds Stocks and Bonds Certificates of Deposits

Whose Annuities Can I Sell to You?

Annuities from Only One (1) Insurer
 Annuities from Two (2) or More Insurers
 Annuities from Two or More Insurers although I primarily sell annuities from _____

INSURANCE AGENT (PRODUCER) DISCLOSURE FOR ANNUITIES (Continued)
Do Not Sign Unless You Have Read And Understand The Information In This Form

How I am Paid for my Work

It's important for You to understand how I'm paid for my work. Depending on the particular annuity You purchase, I may be paid a commission or a fee. Commissions are generally paid to Me by the insurance company while fees are generally paid to Me by the consumer. If You have questions about how I'm paid, please ask Me. Depending on the particular annuity You buy, I will or may be paid cash compensation as follows:

Commission Fees Other _____

If you have questions about the above compensation I will be paid for this transaction, please ask me.

I may also receive other indirect compensation resulting from this transaction (sometimes called "non-cash" compensation), such as health or retirement benefits, office rent and support, or other incentives from the insurance company or other sources.

Material Conflict of Interest

I have the following conflicts of interest as defined by state regulation (excluding My compensation as described above) except as disclosed here. Add additional pages as needed.

By signing below, you acknowledge that you have read and understand the information provided to you in this document.

Client's Signature	Date
Partner/Spouse Signature (if applicable)	Date
Agent/Producer Signature	Date