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Standard Care: Best Interest

Annuity Suitability Model: Sample Testimony

By: NAIFA Government Relations, Updated March 2024

Testimony

Chairman/Chairwoman **NAME** and members of the **[HOUSE/SENATE] COMMITTEE NAME**. The National Association of Insurance and Financial Advisors (NAIFA) and NAIFA-**[STATE]** (hereafter referred to as NAIFA) would like to express our thanks to the Senate Committee on Commerce and Energy for their consideration of **BILL NUMBER**, which enhances the rules governing annuity transactions by establishing a best interest standard of conduct for annuity recommendations and sales.

Founded in 1890, NAIFA represents the interests of more than 20,000 licensed insurance agents and financial advisers across the country. Ninety percent of NAIFA members serve middle-income clients and lower-income individuals and families. I am the current **POSITION** of the **STATE** Chapter, which has close to **XXX** members that serve our community.

NAIFA supports the adoption of **BILL NUMBER** that, among other provisions, creates the best interest standard in annuity transactions. The best interest standard requires producers and insurers to act in the best interest of annuity purchasers and not put their financial interests ahead of the consumer's. A substantial percentage of NAIFA members sell annuities. Annuities are complex products that provide lifetime guarantees and entail design options based on the consumer's needs and therefore merit the best interest of the consumer standard of care. The client's best interest is easily understood, plain English and the obligations and responsibilities to satisfy this requirement are clearly defined.

NAIFA believes that **BILL NUMBER** strikes the appropriate balance between protecting consumers, promoting market competition, and avoiding over-regulation, in turn ensuring customer choice in competitive products and trustworthy options for retirement planning. The updated NAIC model and the best interest standard has broad support from the financial services community, producers, and insurers alike. Best interest says, "I'm going to put my client's interests in front of my own, and I'm going to meet our obligations." In **STATE**, these are values that we believe in. Not all my friends

are my clients. But I want to know that whoever they are working with is putting my friend's best interest ahead of their own.

This bill is also about uniformity and transparency. Our community will know what to expect when deciding to buy an annuity. That process can be built on trust because this is a relationship business, not a transactions business. Our clients must trust us with their most personal information before we ever get down to what products we will implement.

NAIFA members subscribe to a code of ethics that requires putting our clients' interests first. To our practice, this is the industry catching up to where we have been, as people whom clients place their trust and confidence.

We support establishing a consistent and workable best interest standard for financial professionals and hope **STATE** will join the 45 other states that already adopted this model. Further, we applaud **HOUSE BILL SPONSOR** and **SENATE BILL SPONSOR** for sponsoring BILL NUMBER to provide a clear and enhanced standard of care for annuity recommendations, which is vital to support consumer confidence in guaranteed income products.

Thank you for allowing me to speak today, and I'm happy to answer questions.

Additional Questions? Contact Us.

For additional questions or assistance, please contact the NAIFA State Government Relations, Bianca Alonso Weiss at bweiss@naifa.org or visit advocacy.naifa.org.