

SUPPORT THE LATEST NAIC MODEL ACT ON ANNUITY SUITABILITY

HB 1185 and SB 1398 is a consumer protection bill sought by Florida's Chief Financial Officer, Jimmy Patronis. The bills cover many topics, but one of note, is the inclusion of the NAIC model latest act on annuity suitability. NAIFA and the ACLI worked very hard to get this model act adopted by the NAIC in 2020.

Of note, the model act eschews the proposed U.S. Department of Labor "fiduciary standard." Instead, the model act, enacted in over half the states so far, requires that agents act in the "best interest" of their customers. The bill places new duties on agents selling annuities, and a few of them include:

1. Creates a new "car obligation" on the part of the agent in making a recommendation to exercise reasonable diligence, care and skill in understanding customers financial situation and the available options.
2. Requires agents to consider consumer insurance needs, willingness to accept non-guaranteed elements in the annuity and financial sources used to fund the annuity.
3. Makes clear that the agent need not recommend the annuity with the lowest one-time or multiple occurrence compensation structure necessarily be recommended.
4. Agents must have a reasonable basis to believe the consumer would benefit from certain features of the annuity.
5. Provide the consumer in the notice a description of the sources and types of cash compensation and non-cash compensation to be received by the agent, including whether the agent is to be compensated for the sale of an annuity as part of premium or other remuneration from the insurer (but not the amount of the compensation).
6. Eliminates the "Florida only" financial form to collect customer data, but still requires agents to collect significant financial and tax information, on a form provided by the insurer, before making a recommendation.
7. Requires various new disclosures to consumers.
8. Requires agents to take a one-time 4-hour course on the new requirements. If an agent has taken annuity CE course before, they have the option to take a one-hour class to update them on the new law.

The bill contains significant additional requirements and procedures. This pro consumer legislation will bring Florida into line with the consumer protections in place in other states, and make uniform the annuity suitability requirements across the country.

**SUPPORT HB 1185 BY REPRESENTATIVE GIALLOMBARDO AND
SB 1398 BY SENATOR DECEGLIE**