

New Year, New Duties in the Sale of Annuities

December 15, 2020

It looks as if 2021 will be a busy year as states move to implement the NAIC 2020 revisions to the Suitability in Annuity Transactions Model Regulation (Model 275), or other duty of care measures. The below chart outlines the actual or proposed state activity, its status, and notable items insurers need to consider. As 2021 continues, more states are expected to revise their standard of conduct requirements.

State	Actual or Proposed Effective Date	Status	Notable Items
Alabama	January 1, 2021	Introduced regulatory proposal	Does not use the term “best interest”
Arizona	January 1, 2021	Adopted	
Arkansas	On date of commissioner’s signature	Introduced regulatory proposal	
Delaware	August 1, 2021	Introduced regulatory proposal	
Iowa	January 1, 2021	Adopted	

Kentucky	July 1, 2021	Introduced regulatory proposal	<p>Includes consultants</p> <p>Does not exclude general communications to the public, general information and tools, or other product and sales material from the definition of “recommendation”</p> <p>Eliminates subjective standards such as “reasonable basis” and “reasonably appropriate”</p> <p>Requires insurer to maintain records of the information collected from the consumer</p>
Maine	Not known	Introduced regulatory proposal	Requires consumer signature on each page of disclosure document
Michigan	Six months after enacted into law	Bill in process	

Nevada	Not known	Introduced regulatory proposal in 2018, but refreshed proposal in 2020	<p>Different structure than NAIC Model</p> <p>Includes prudence</p> <p>Slightly different consumer information to be obtained, including whether potential surrender charges, tax implications, and penalties could be incurred in connection with the funds used to purchase the annuity</p> <p>Requires training on financial exploitation of seniors and other vulnerable adults</p> <p>Requires establishment of supervision system by producers</p> <p>Safe Harbor limited to compliance with FINRA</p>
Ohio	Six months after enacted into law	Introduced regulatory proposal	
Rhode Island	April 1, 2021	Adopted	

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