A Best Interest Standard of Care for Annuities and Securities Transactions

ENHANCING CONSUMER PROTECTIONS. PROTECTING CONSUMER CHOICE.

Life insurance companies and the financial professionals who distribute their products are committed to a uniform, harmonized best interest standard of care for annuity and securities transactions across all state and federal regulatory platforms for financial services firms and financial professionals. This standard would benefit retirement savers and, indeed, all consumers planning and saving for the future.

We support rules requiring all financial professionals, when making a recommendation, to act in the consumer's best interest -- with care, skill, prudence, and diligence -- based on the consumer's financial needs and objectives. Financial professionals also support requirements to avoid or reasonably manage conflicts of interest through increased transparency. This is consistent with National Association of Insurance Commissioners (NAIC) and Securities and Exchange Commission (SEC) initiatives underway.

These efforts for increased transparency include the disclosure of all material conflicts of interest; the types and scope of services provided; and the types of compensation to be received by the financial professional.

$64K / year

The average annuity owner's annual household income, according to a 2013 Gallup Survey of Owners of Individual Annuity Contracts.

4 million

The number of middle-class households who may have lost access to retirement planning advice as a result of the U.S. Department of Labor's fiduciary regulation.

These requirements would build on the strong protections in place today. Strong consumer protections and a long history of integrity and commitment to retirement savers help explain why Americans rely on life insurers and the financial professionals who distribute their products to help them achieve financial security in retirement. Adoption of fiduciary standards – and differing standards from state to state -- will cause adverse consequences for consumers. It will also result in a patchwork quilt of state and federal laws and regulations that will spread uneven protections across the country and across the retirement plan marketplace, jeopardizing savers' ability to obtain long-term financial peace of mind.

Experience with the Department of Labor's now-appropriately-vacated investment advice fiduciary regulation showed that when faced with a fiduciary standard, many financial firms moved to a fee-for-service-only model, eliminating choice and access for small and moderate balance savers and typical buy-and-hold investors who rely on commission-based advice for their retirement needs. As a product that is designed as a long-term retirement solution, most annuities are sold on a commission basis. According to a LIMRA survey, if the Labor Department's fiduciary regulation had remained in-force, 54 percent of advisors might have dropped or turned away small investors, resulting in as many as 4 million middle class households losing access to information they need to ensure a secure retirement.

According to the latest available data, the median annual household income of annuity owners is $64,000. Eighty percent have total annual incomes below $100,000 and more than a third (35 percent) have household incomes less than $50,000. The standard that life insurance companies and financial professionals support will enable retirement savers at all income levels to maintain access to, and information about, annuities, the only financial products in the private marketplace that can guarantee lifetime income.

Life insurance companies and the financial professionals who distribute their products are offering a better alternative to provide retirement savers and all consumers with certainty that financial professionals are acting in their best interest when recommending annuity and securities products, while preserving consumer choice.

Contact: Jack Dolan, ACLI | 202-624-2418 | JackDolan@acli.com
Sheila Owens, NAIFA | 703-770-8112 | SOwens@naifa.org
Armstrong Robinson, AALU | 202-772-2493| Robinson@aalu.org

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

Since 1957, AALU has been the leading organization of financial professionals who provide life insurance and retirement planning solutions for individuals, families, and businesses. AALU has a rich history of success with a single focus on the issues impacting life and annuity products, and the clients its members serve. Headquartered in Washington, D.C., AALU is committed to providing its members with the essential tools and services required to help grow their businesses, serve their clients, and protect the financial and retirement security of the American people.

Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation's oldest and largest associations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.