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September 19, 2009

The Honorable Sean Dilweg,
Commissioner and Chair, NAIC Suitability of Annuity Sales (A) Working Group
State of Wisconsin, Office of the Commissioner of Insurance
125 South Webster Street
GEF III – 2nd Floor
Madison, Wisconsin 53702

Re: Comments Regarding the Discussion Draft Containing Revisions to the Suitability in
Annuity Transactions Model Regulation dated May 26, 2009

Dear Commissioner Dilweg:

On July 20, 2009, NAVA--The Association for Insured Retirement Solutions, publicly announced its new expanded mission and the change of its name to the Insured Retirement Institute (IRI).¹ Consistent with our mission of promoting “adherence to the highest ethical standards,” as stated in previous comment letters, IRI supports the consumer protection measures contained in the current NAIC Suitability in Annuity Transactions Model Regulation (2006). We are committed to working with state legislators and regulators to achieve adoption of the Model in all states, as well as adoption of the NAIC Annuity Disclosure Model and NAIC Model Regulation on the Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities.

We have appreciated the opportunity to provide previous comment letters to the Working Group,² and we appreciate very much the time Working Group members have spent with us discussing the various issues related to suitability regulation. We are still working with our members to evaluate the September Draft

¹ IRI a not-for-profit organization dedicated to the growth and understanding of annuity and variable life insurance products. IRI represents all segments of the annuity and variable life industry with over 300 member organizations including insurance companies representing over 85% of the market, distribution firms, banks, investment management firms, and industry service providers.

² IRI, under its prior name NAVA, previously provided the Working Group comment letters dated December 3, 2008, December 4, 2008 (Joint Letter submitted by IRI, ACLI, IMSA, and NAIFA), December 19, 2008, and June 10, 2009.

and therefore are not able to offer comprehensive comments at this time. We offer the following initial comments and commit to providing further comments in the near future:

1. We continue to believe the current Suitability Model Regulation, and NAIC Annuity Disclosure Model, provide regulators with all the regulatory authority and requirements necessary to carry out their important consumer protection responsibilities. This has been demonstrated by a number of regulatory enforcement actions relating to suitability and reports from state regulators the current Model has reduced the number of consumer suitability issues.
2. While not necessary, we understand some regulators want to provide more detailed regulatory expectations relating to operational or regulatory compliance with certain requirements of the current Model.
3. We support adoption of a Model Bulletin as the best and most timely vehicle to provide more detailed regulatory expectations in the following areas:
 - (1) Information that should be obtained from the consumer to determine whether a sale is suitable;
 - (2) Information that the consumer should be provided prior to purchasing an annuity and a clear statement of the already inherent requirement that the consumer must benefit from certain features of an annuity;
 - (3) Requirements that the system of supervision required by the current Model include state required training, analysis of relevant data to identify violations of the law, investigation procedures, and corrective action procedures; and
 - (4) "Selection criteria" to identify third-parties to be reviewed for contractual compliance with fulfilling the supervisory requirements of the Model.

We ask that the Working Group review and evaluate the specific provisions of the attached Model Bulletin, which are consistent with and taken in part from FINRA Rule 2821, and consider the advantages of this approach given over forty (40) states have already adopted the current Model, the need for uniformity, and other factors.

4. We view the September Draft as a good faith effort to explore alternative approaches for consideration by the Working Group and Interested Parties. We recognize the Working Group has addressed a good number of the issues we have raised over the past year, and we appreciate very much the efforts of those who worked on this draft. For many reasons, including the issues identified in Paragraph 5, we ask that the Model Bulletin also be considered by the Working Group as another very viable alternative approach for providing regulatory expectations relating to the Model.

5. As stated, while we have started our review process, given the September Draft was released late on Friday, September 4, we will need more time to fully evaluate the provisions of the September Draft. During our limited review thus far, we have identified several provisions that raise very substantial questions and concerns, including the following fundamental items:
 - (1) The Model attempts in many instances to apply a number of FINRA rules applicable to securities broker dealers, which are distributors, to insurers, which are product manufacturers without direct customer contact. *See* Section 6.E. Along with other problems with this approach, insurer compliance with these sections is unworkable in many respects. Further, these requirements would necessitate dramatic, wide-ranging changes to current business, operational and distribution models, which would add significant burdens and costs without a demonstrable corresponding benefit. These burdens could actually create a significant disincentive for financial advisors, and insurers, to offer competitive and useful products to consumers, who have shown a growing interest in using these products as a part retirement planning.
 - (2) If we are correct about the Model's apparent intent, we believe language in a number of areas needs to be removed or revisions need to be made to make it clear it is not the intent of the September Draft to impose a requirement for the insurer to perform a suitability analysis for every transaction.

As noted, we have identified additional concerns regarding the September Draft, and look forward to discussing those with the Working Group.

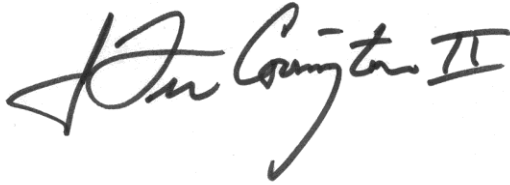
6. We believe the Model Bulletin addresses a number of the same areas the Working Group is looking to address in a revised model. Therefore, we strongly believe the Bulletin should be a part of the NAIC's discussion given it can provide uniform regulatory expectations regarding compliance with the Model, which will inure to the benefit of consumers, regulators, and industry. While the September Draft certainly moves in a positive direction, because of the substantial questions and concerns relating to a number of provisions in the September Draft, we believe the attached Model Bulletin represents a better, more viable, and more expedient approach to achieving the objectives of the Working Group.

We appreciate the opportunity to provide these initial comments regarding the September Draft and will provide further comments after additional review by our member companies. We look forward to

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discussing our initial comments at the Working Group's meeting during the NAIC September National Meeting.

Best regards,

A handwritten signature in black ink, reading "J. Lee Covington II". The signature is written in a cursive style with a large, sweeping initial "J" and a distinct "II" at the end.

J. Lee Covington II
Senior Vice President and General Counsel

cc: Kim Shaul, Deputy Commissioner, Wisconsin Office of the Commissioner of Insurance
All members of the Suitability of Annuity Sales Working Group
Jolie Matthews, NAIC Senior Health & Life Policy Advisor & Counsel
Other Interested Parties