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Ohio is the latest state to adopt NAIC's model regulation, effective **August 14, 2021**

IMPORTANT: Training must be completed prior to August 14, 2021 – see bulletin for details.

Effective August 14, 2021, Ohio will adopt the revised National Association of Insurance Commissioners (NAIC) **Suitability in Annuity Transactions Model Regulation** which incorporates best interest requirements into existing suitability regulations. Additional states are likely to adopt the revised regulation in the months ahead.

F&G is rolling out enhancements designed to address these new requirements where applicable. We shared a bulletin with our appointed producers licensed in Ohio to advise them of their duties and responsibilities under the new regulatory requirements and provide them applicable documentation. Notably, Ohio is different from other states because training must be completed prior to the effective date.

The bulletin included the following:

- **Best Interest Supplement form and instructions**
- **Insurance Agent Disclosure for Annuities form and instructions**
- **New training and continuing education requirements**
- **Supplemental Cash Compensation Disclosure form and instructions**
- **Best Interest Addendum to the F&G Market Conduct Guide (see page 34)**

As additional states adopt the revised NAIC best interest requirements, we plan to share similar bulletins with agents licensed in those states. We ask for your assistance in helping F&G educate producers about the importance of complying with these additional requirements.

F&G also wants to ensure IMOs are up-to-date on our expectations regarding these new regulations.

We specifically want to call your attention to:

- 1. New forms:** F&G has two new forms that must be submitted with every annuity application for applications to be deemed in good order — the Best Interest Supplement form and the Insurance Agent Disclosure for Annuities form.
- 2. Communication to agents:** The revised NAIC regulation indicates the best interest requirements apply to any producer who exercises material control or influence in the making of an annuity recommendation, even if the producer has no direct contact with the client. Certain activities are excluded, such as providing marketing or educational materials, product wholesaling and general supervision. We strongly encourage IMO's to explicitly communicate to agents — preferably in writing — that agents exercise independent judgement in making recommendations and that you are not seeking to control or direct their sales recommendations when providing support services.
- 3. Compensation methods:** The revised NAIC regulation requires insurers to establish reasonable procedures to identify and eliminate sales contests, sales quotas, bonuses and non-cash compensation that are based on the sales of specific annuities within a limited period of time. According to an accompanying drafting note, the intent of this provision is to prohibit incentives that promote a particular product during a limited period of time, but not prohibit general incentives regarding sale of a company's products with no emphasis on any particular product.

As a general rule, F&G believes these restrictions prohibit targeted incentives that apply to specifically named products rather than a class of products and that tend to be shorter-term in nature (such as measuring sales over weeks or months rather than general compensation paid on an annual or longer-term basis). The precise parameters of the prohibition are uncertain, but the general intent seems evident. F&G asks IMO's, agencies and agents to help by making reasonable efforts to identify and eliminate any such compensation practices within their own systems that may relate to F&G annuity products.

F&G recognizes there could be an adjustment period for the insurance industry. We welcome your insights on the best interest requirements as we navigate these new regulations together.

Our goal remains the same: to provide outstanding service to you, so you can deliver high-quality products and meet clients' financial needs and objectives.

Questions? Contact us at 800.445.6758 or salesdesk@fglife.com.

"F&G" is the marketing name for Fidelity & Guaranty Life Insurance Company issuing insurance in the United States outside of New York. Life insurance and annuities issued by Fidelity & Guaranty Life Insurance Company, Des Moines, IA.

The information provided in this bulletin is solely intended to promote compliance with the new NAIC regulations. Nothing herein should be construed as legal advice.



For producers only. Not for use with the general public.

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