

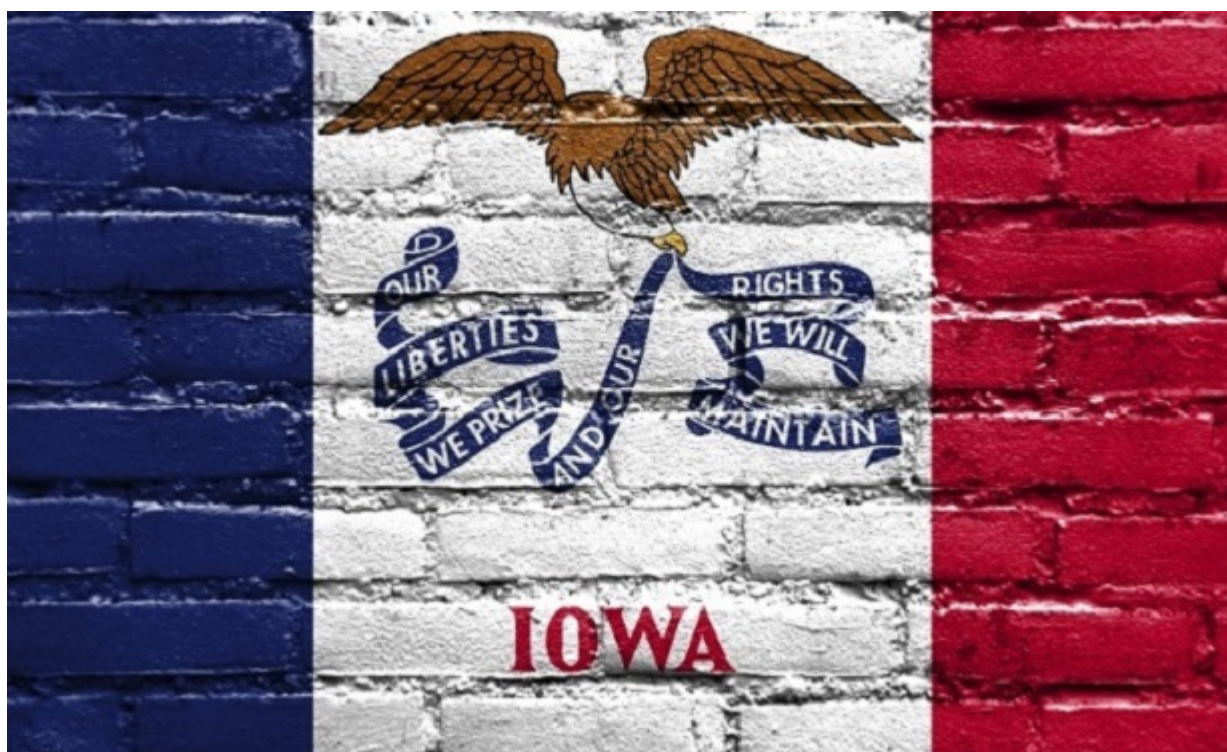
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Iowa Adopts Best-Interest Standard for Annuity Sales

The division will repropose its rule for broker-dealers later this summer.

By Melanie Waddell | May 11, 2020



(Credit: Thinkstock)

The Iowa Insurance Division adopted Monday its best-interest standard requiring financial professionals to act in the best interest of clients when selling annuities and will repropose its rule for securities later this summer.

The plan (https://iid.iowa.gov/sites/default/files/bi_af.pdf), released by the Iowa Insurance Division, is based on the model regulation approved by the National Association of Insurance Commissioners earlier this year that is harmonized with the Securities and Exchange Commission's Regulation Best Interest and requires annuity agents and broker-dealers and their reps to act in the best interest of their customers.

The Iowa Insurance Division is a member of the NAIC and North American Securities Administrators Association.

Iowa Insurance Commissioner Doug Ommen, who is also the state's securities regulator, said Monday that "Iowans expect their financial professional to act in the consumer's best interest when recommending an annuity. Iowa not only expects it, but we will require it."

Ommen said he hopes to also work with other U.S. insurance regulators "to require the same of any Iowa insurer writing annuity business in those states."

During the comment period, Ommen said that several comments requested that due to COVID-19, the division delay the proposed best-interest standard in securities regulation. "We have decided that is the appropriate course," he said. "I anticipate proposing best interest securities standards again later this summer."

Jason Berkowitz, chief legal officer for the Insured Retirement Institute, said in a statement Monday that he applauded the Iowa Insurance Division "for moving expeditiously to finalize their proposal to adopt the NAIC's enhanced annuity sales practices model regulation, and for recognizing the need to step back and reevaluate the proposed best interest standard for broker-dealers."

Barbara Roper, director of investor protection for the Consumer Federation of America, told ThinkAdvisor in a Monday email message that the consumer group has "strongly opposed" the annuity rule.

Under the NAIC model, "an annuity seller meets their so-called 'best interest' obligations by recommending a product that meets the customer's needs — in other words by recommending a generally suitable product. It includes provisions to address conflicts of interest, but exempts the biggest conflict — cash and noncash compensation — from the definition of material conflicts," Roper said.

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