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Industry Coalition Supports Alternative Approach to Best Interest Fixed Annuity Group Proposes Revisions to Model Annuity Disclosure Regulation

Phoenix, AZ, 1BOctober 9, 2018 – The Fixed Annuity Consumer Choice Campaign (FACC) today released its proposal to require stronger disclosures including a client relationship summary and producer compensation notice. The group contends the best interest proposals currently under consideration by the NAIC are flawed and the FACC approach would better address concerns over aligning agent and consumer interests.

“FACC remains steadfast in its belief that the NAIC should not tamper with the model suitability law and should instead focus its efforts on advancing consumer protection through better communication between agents and policyholders,” said Dwight Carter, who runs an annuity marketing organization in Raleigh, North Carolina, and chairs the FACC Campaign.

According to Carter, the FACC proposal has three elements which include a detailed client relationship summary similar to what is being proposed by the SEC for securities brokers, a notice of producer compensation similar to what has been adopted in New York, and provisions restricting and improving disclosure of non-cash compensation. FACC’s proposal is fashioned as an amendment to the NAIC’s model annuity disclosure regulation rather than the model suitability regulation.

Carter emphasizes that while the FACC proposal is detailed and even includes a simplified client relationship summary template, it remains a work in progress designed to help regulators and other interested parties see an alternative path. “If we can get traction, we know there would be changes to our proposal, but we just wanted to get this out there to give a little jolt to the current debate.”

Kim O’Brien, a leading spokesperson for FACC and member of the organization’s steering committee, adds that “rather than tinkering with a standard of care which has been proven to work very well in our industry, why not focus on something more concrete, which we like to call the ‘rules and tools’ that would improve the consumer experience and help consumers grasp exactly what their agents do and how they are paid.”

O’Brien says FACC has been closely monitoring the NAIC suitability working group deliberations and thinks the NAIC is struggling because many regulators sense a best interest standard could have unintended consequences, including turning agents into fiduciaries. “We believe the best interest proposal adopted in New York goes much too far and represents what can go wrong with the NAIC approach, which is exactly why we think our alternative makes better sense for the insurance industry,” said O’Brien.

O’Brien says FACC has begun sharing its proposal with insurance departments and other trade groups to measure interest. “We want to show how this proposal would give consumers the power of more information, give agents the framework to communicate about compensation and conflicts, and overall create what we would call a more virtuous marketplace that facilitates flow of information and alignment of consumer and agent interests,” said O’Brien.

FACC may seek to make a more formal proposal to the NAIC Life and Annuity (A) Committee that oversees model laws for the life industry, according to Carter. These have been highly contentious issues going back to what the DOL originally proposed, but we think our proposal could be a real win-win-win for consumers, agents, and regulators,” said Carter.

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A copy of the FACC Concept Proposal and CRS Template is attached. If you have questions or would like more information, please contact Kim O'Brien at 414-332-9312, email Kim@fixedannuitychoice.com.

About Dwight Carter

Dwight Carter began his career in the insurance industry in 1969 when he went to work in the Raleigh, NC branch of a major property and casualty company. After nearly 25 years of managing their life department, Dwight opened a brokerage general agency of his own, Financial Security Associates. As President and CEO, Dwight has developed FSA from a small regional operation into an organization that is now operating in 48 states. He is founder, CEO and CFO of The MV Group, one of the nation's highest producing and well-respected national marketing organizations. Dwight is a long-time supporter of independent agents and serves as a member of many advisory boards and CEO Councils for major insurance carriers within the brokerage industry.

About Kim O'Brien

Kim has served in all aspects of the insurance industry for over 35 years with her primary focus on annuity and life product development and marketing. Kim currently serves as CEO of the Americans for Asset Protection, an lobbying and advocacy organization promoting access to insured retirement solutions through independent agents & advisors. She is a frequent speaker and expert witness for annuity and life insurance issues. As former CEO of NAFA, the National Association for Fixed Annuities, Kim led the association to critical federal and state regulatory victories at the state and federal levels and developed a membership that represents over 84% of fixed annuity production in the independent channel.