



TESTIMONY OF THE NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS – ND

Before the Senate Industry, Business and Labor Committee

March 9, 2021

House Bill 1160 – An Act Relating to Annuity Transactions

Chairman Klein and members of the Senate Industry, Business and Labor Committee, I am speaking on behalf of the North Dakota Chapter of the National Association of Insurance and Financial Advisors (NAIFA) to express our support for House Bill 1160.

NAIFA represents the interests of more than 20,000 licensed insurance agents and financial advisers across the country. Ninety percent of NAIFA members serve middle-income clients and/or lower-income individuals and families. I am the current president of the North Dakota Chapter which has close to 200 members that serve our community.

In February 2020, the (NAIC) National Association of Insurance Commissioners adopted revisions to the Suitability in Annuity Transactions Model Regulation to incorporate a Best Interest standard of care. HB 1160 reflects these amendments.

Annuities are complex products, providing lifetime guarantees, and design options based on the needs of the consumer and therefore merit a best interest of the consumer standard of care. The updated NAIC model has broad support from the financial services community, producers and insurers alike. Concerns over the inclusion of the words “best interest” claim that this language is not necessary to establish this standard of care. We reject this. Why have a Best Interest standard but not use the words best interest?

Best interest says, “I’m going to put my clients interests in front of my own, and I’m going to meet our obligations.” In North Dakota, these are values that we believe in. Not all my friends are my clients. But I want to know that whoever they are working with is putting my friend's best interest ahead of their own.

HB1160 with the inclusion of the Best Interest standard strikes the appropriate balance between protecting consumers, promoting market competition, and avoiding over regulation. Best interest of the client is easily understood, plain English, and the obligations and responsibilities to satisfy this requirement are clearly defined. These rules reject a fiduciary-only approach, thus safeguarding the ability of working-class savers to access the financial



guidance to plan for their financial futures. It protects customers choices; choices in competitive products and choices in trustworthy options for retirement planning.

This bill is also about uniformity and transparency. Our community will know what to expect when making the decision to buy an annuity. That process can be built on a foundation of trust. Because this is a relationship business, not a transactions business. Our clients must trust us with their most personal information before we ever get down to what products we are going to implement.

NAIFA members subscribe to a code of ethics that requires we put our clients' interests first. To our practice, this is really the industry catching up to where we have been, as people whom clients place their trust and confidence.

We support the establishment of a **consistent and workable** best interest standard for financial professionals. And we applaud Senator Klein and Representative Keiser for sponsoring HB 1160, to provide a clear and enhanced standard of care for annuity recommendations, which is vital to support consumer confidence in guaranteed income products.

Thank you for allowing me to speak today and I'm happy to answer questions.



NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

Code of Ethics

PREAMBLE: Helping my clients protect their assets and establish financial security, independence and economic freedom for themselves and those they care about is a noble endeavor and deserves my promise to support high standards of integrity, trust and professionalism throughout my career as an insurance and financial professional. With these principles as a foundation, I freely accept the following obligations:

- To help maintain my clients' confidences and protect their right to privacy.
- To work diligently to satisfy the needs of my clients by acting in their best interest.
- To present, accurately and honestly, all facts essential to my clients' financial decisions.
- To render timely and proper service to my clients and ultimately their beneficiaries.
- To continually enhance professionalism by developing my skills and increasing my knowledge through education.
- To obey the letter and spirit of all laws and regulations which govern my profession.
- To conduct all business dealings in a manner which would reflect favorably on NAIFA and my profession.
- To cooperate with others whose services best promote the interests of my clients.
- To protect the financial interests of my clients, their financial products and my profession, through political advocacy.

Adopted: September, 1918

Latest Revision: July, 2019, NAIFA Board of Trustees