

## AGENT ADVISORY

**Advisory #:** 2007-71

**Date:** December 18, 2007

**Effective:** January 1, 2008

**TO:** Symetra Life-Appointed Agencies in North Carolina

**RE:** Rules Governing Suitability in Annuity Transactions - North Carolina House Bill 731

North Carolina has approved a regulation similar to the NAIC Suitability in Annuity Transactions model regulation, effective January 1, 2008. The purpose of this regulation is to establish standards and procedures surrounding annuity-related recommendations to consumers. The regulation ensures that any annuity product being recommended fits the needs and financial objectives of consumers at the time of the transaction are appropriately addressed.

For your convenience, we have provided definitions and a summary of the regulation below:

### Definitions

- Annuity – A fixed or variable, individual or group annuity that is individually solicited, whether the product is classified as an individual or group annuity.
- Recommendation – Advice provided by an insurance producer or insurer if no insurance agent is involved, to an individual consumer that directly results in a purchase or exchange of an annuity in accordance with that advice.

### Duties of the Insurance Agent and Agency

- An insurance agent shall have reasonable grounds for believing that any recommendation to a consumer is suitable on the basis of the facts disclosed by the consumer as to their investments, other insurance products and their financial needs.
- Before executing a purchase of an annuity to a consumer, an insurance agent must make reasonable efforts to obtain information concerning the consumer's financial status, tax status and investment objectives. The agent must certify on the application, or a separate form, that the answers to the application questions are truly and accurately answered.
- A system to comply with this regulation must be established that includes:
  - Maintaining written procedures
  - Conducting periodic reviews of records designed to detect and prevent violations of this regulation

- An agent or agency must take appropriate corrective action for any consumer harmed by a violation of this regulation.
- An agent or agency must keep records of information collected in making recommendations to consumers for a minimum of **5 years** after the transaction is completed by the insurer.

### **Exemptions**

- Direct-response solicitations
- Contracts used to fund:
  - Employee pension or welfare benefit plan covered by ERISA
  - Plans described by Sections 401(a), 401(k), 403(b), 408(k) or 408(p) of the IRS code of 1986, if established or maintained by an employer
  - Government or church plans defined in Section 414 of the IRS Code of 1986; or a deferred compensation plan of a state or local government or tax-exempt organization under Section 457 of the IRS Code of 1986
  - A nonqualified deferred compensation arrangement established or maintained by an employer
  - Structured Settlements
  - Prepaid funeral contracts
- Variable annuities – NASD Conduct Rules pertaining to suitability will satisfy the requirements under this regulation

### **Duties of an Insurer**

- The insurer must maintain written procedures
- The insurer must conduct periodic reviews of records designed to assist in detecting and preventing violations of this regulation

As part of our procedure to comply with this rule, we will require disclosures, LP-1514 for immediate annuities or RSNB-0007/NC for deferred annuities, be completed and signed with each application for an annuity subject to this statute. Copies of these forms may be found under "Forms" on the [Advisories and Regulatory Training](#) Web page.

If you have questions, please contact the Sales Center at [invest@symetra.com](mailto:invest@symetra.com) or (800) 706-0700.

Sincerely,

Michael Murphy  
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Compliance Department  
Symetra Life Insurance Company