

ANNUITY AND VARIABLE LIFE & ANNUITY LICENSING CHANGES

This Bulletin is directed to all insurance companies issuing life and annuity products and to all insurance producers selling, soliciting, or negotiating life and annuity products. The Indiana legislature this year made significant changes to licensing laws that apply to producers selling annuity products and/or variable life and annuity products. Some of the changes were enacted in P.L. 11-2011 (HEA 1486) and then modified in P.L. 115-2011 (HEA 1015). Some of the legislative changes will become effective July 1, 2011, and others are effective January 1, 2012. The purpose of this bulletin is to provide a summary of the changes and guidance as to implementation of the changes.

Annuity Sales

Effective July 1, 2011, a person may not sell, solicit, or negotiate any annuity product unless the person meets the following requirements.

- (1) The person is licensed as either:
 - (A) in the case of a fixed annuity, an insurance producer with a life qualification, or
 - (B) in the case of a variable annuity, an insurance producer with a variable annuity qualification;
- (2) The person has adequate knowledge of an annuity product to recommend the annuity product;
- (3) The person complies with the insurer's training standards for annuity products; and
- (4) The person has completed a single four-hour annuity training course.

However, the effective dates of some requirements are delayed as set forth below.

The Department considers part of having "adequate knowledge of an annuity product" to be awareness of and compliance with IDOI Rule 72, concerning consumer protections in annuity transactions. Specifically, producers should consider age when considering the suitability of annuities. The Department is particularly concerned about sales of annuities to consumers over 80 years old, and producers recommending such sales should maintain adequate documentation of reasonable efforts to determine suitability when making a recommendation to a consumer over 80.

If an insurer does not currently have standards in place for its appointed producers that are selling annuity products, this lack of standards does not prevent a producer from selling annuity products as of July 1, 2011. However, the Department expects all insurers to implement product-specific training standards and materials on or before January 1, 2012, and producers must begin complying with the insurer's training standards within 30 days of implementation by the insurer. Insurers are required to verify that a producer has completed the mandated training before appointing a producer to sell its annuity products, and insurers should have some process in place to ensure their appointed producers are complying with those training standards.

The requirement for the one-time annuity training course goes into effect January 1, 2012. If a producer is licensed with a life insurance line of authority prior to January 1, 2012, the Department will allow a six-month grace period to comply with the training requirements, which

gives existing life producers until July 1, 2012 to complete the 4-hour annuity training course. Producers who obtain a life qualification on or after January 1, 2012, must complete the training prior to the sale of an annuity product. The four-hour annuity training course is not in addition to the producer's 24-hour CE requirement for license renewal; it may be used as part of the producer's required CE hours.

To be approved by the Department for fulfillment of the four-hour training requirement, an annuity training course must cover the following topics:

- (1) types and classifications of annuities;
- (2) identification of the parties to an annuity;
- (3) the manner in which fixed, variable, and indexed annuity contract provisions affect consumers;
- (4) income taxation of qualified and non-qualified annuities;
- (5) primary uses of annuities; and
- (6) appropriate sales practices, replacement, and disclosure requirements.

The training course should not present any marketing information, provide training on sales techniques, or provide specific information about a particular insurer's products. Classes fulfilling the above requirements have already been approved by the Department, and producers may take the course immediately if so desired.

The four-hour training requirement applies to all producers, whether resident or non-resident. However, non-resident producers whose resident licenses are from states with annuity licensing requirements substantially similar to Indiana's do not have to take an additional four-hour training course to sell, solicit, or negotiate annuities in Indiana. Non-resident producers whose resident licenses are from states without annuity licensing requirements substantially similar to Indiana's must take a course approved by Indiana or a state with substantially similar annuity licensing requirements.

Variable Life and Annuity Sales

Effective July 1, 2011, a person who requests qualification to sell, solicit, or negotiate variable life and annuity products must:

- (1) be licensed as an insurance producer with a life qualification;
- (2) be registered with FINRA; and
- (3) meet the broker-dealer registration requirements of:
 - (A) FINRA for a Series 6 limited representative license; or
 - (B) FINRA for a Series 7 general securities registered representative license.

Additionally, the training requirements set forth above for annuity sales also apply to producers selling, soliciting, and negotiating variable annuities.

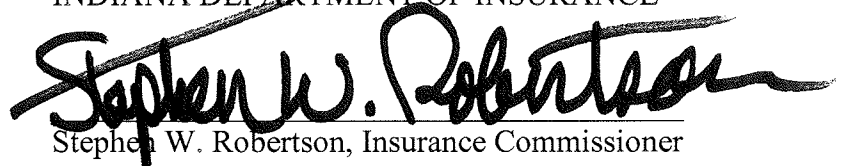
Producers desiring to add the variable life and annuity qualification to their licenses have until January 1, 2012, to apply for the qualification, or they must cease selling, soliciting, or negotiating variable life and annuity products after December 31, 2011, until they add the qualification to their license. Producers first licensed after June 30, 2011, must have the variable life and annuity qualification on their license to sell, solicit, or negotiate variable life or annuity products. The fee to add this qualification on a resident license is \$40, and the fee to add the qualification to a non-resident license is \$90. However, non-resident producers who previously applied for a variable life and annuity license and were granted a life license may now receive

the variable life and annuity license for a \$10 fee. Producers must submit their NASD Central Registration Depository (CRD) Numbers with the application for a variable life and annuity qualification.

The new IC 27-1-15.6-19.5 defines "annuity," for purposes of the variable life and annuity qualification requirements, to be an insurance product solicited individually, even if the product sold is a "group" annuity. Thus, the new variable life and annuity licensing requirements explained in this Bulletin do not apply to producers that sell, solicit, or negotiate only to groups, such as sales to pension, retirement, or profit-sharing plans. However, Indiana's general producer licensing requirements continue to apply.

Questions regarding this Bulletin should be directed to Chet Pietras, Deputy Commissioner for Producer Licensing, at (317) 234-1138 or cpietas@idoi.IN.gov.

INDIANA DEPARTMENT OF INSURANCE



Stephen W. Robertson, Insurance Commissioner