



Date: April 4, 2011

To: Members, Assembly Insurance Committee

From: Brad Wenger, ACLHIC
John Mangan, ACLI
Shari McHugh, NAIFA-California

RE: AB 689 (Blumenfeld) – OPPOSE UNLESS AMENDED

We are writing to you on behalf of the American Council of Life Insurers (ACLI), the Association of California Life and Health Insurance Companies (ACLHIC) and the National Association of Insurance and Financial Advisors (NAIFA). ACLHIC is California's premier state trade association representing many of the nation's largest life and health insurers, and ACLI is the national trade association of 300 member companies who account for more than 90% of all annuity and life insurance premiums written in California and the nation. NAIFA-California is an association representing over 3000 insurance professionals from all sectors of the insurance industry, including life, health, property, casualty and financial services.

AB 689 would impose new annuity suitability requirements for insurers and producers based primarily upon the NAIC's latest model language.

Our organizations have long supported NAIC suitability recommendations; many of which are contained in AB 689, as amended on March 31st. However, we strongly disagree with statements of legislative intent which paint a negative and inaccurate picture of life insurers and their agency forces. In very large part, seniors are provided with valuable, suitable insurance products sold by their companies and agents.

This bill differs from the latest NAIC Suitability in Annuity Transactions Model recommendations in many respects. Most notably and troubling, it does not provide for consistent regulation of products sold by brokers and dealers governed by the Financial Industry Regulatory Authority (FINRA). FINRA is the largest independent regulator for all securities firms doing business in the United States and oversees nearly 4,560 brokerage firms, about 163,335 branch offices and approximately 631,305 registered securities representatives.

Existing FINRA rules mirror NAIC provisions and in recognition of this, **the following NAIC provision should be added to AB 689 in order to avoid duplicative and possibly conflicting interpretations.**

“Sales made in compliance with FINRA requirements pertaining to suitability shall satisfy the requirements under this regulation. This subsection applies to FINRA broker-dealer sales of variable annuities and fixed annuities if the suitability and supervision is similar to those applied to variable annuity sales. However, nothing in this subsection shall limit the insurance commissioner’s ability to enforce (including investigate) the provisions of this regulation.”

The above language would expressly preserve existing authority over insurance sales practices. If AB 689 were amended to include the FINRA provision, our groups would support this measure. In its absence we urge your "no" vote.

Additionally, the bill contains a number of California-specific differences that attempt to account for current requirements in California law. For the most part, we are comfortable with these variations from the NAIC Model language; however, there are a number of areas that could potentially be problematic and we will need to review them more closely.

For the reasons outlined above, we strongly urge your **opposition to AB 689 unless amended.**

Please do not hesitate to contact us if you have any questions.

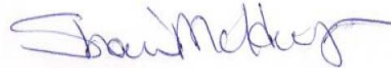
Sincerely yours,



Brad Wenger
President & CEO
ACLHIC



John W. Mangan
Regional Vice President
ACLI



Shari McHugh
NAIFA California

cc : Assemblyman Robert Blumenfield, Author
Mark Rakich, Chief Consultant, Assembly Insurance Committee
Kevin Hanley, Consultant, Assembly Republican Caucus
Michael Martinez, Legislative Director, California Department of Insurance
Randy Ward, Office of the Insurance Advisor