



The Insurance Marketplace Standards Association (IMSA)

*Committed to honesty,
integrity and ethics*

Insurance Consumer Affairs Exchange

St. Louis, Missouri

October 5, 2009

Brian K. Atchinson
President & CEO
Insurance Marketplace Standards Association
www.IMSAethics.org
© IMSA 2009

Welcome to Insurance.

THE WALL STREET JOURNAL.

Insurance Probe to Expand



Confusion as a Sales Tactic

Consumer Reports®

**INSURANCE
AGENT SCAMS**



Current Regulatory Issues

– State or Federal Solutions?

- Solvency Oversight.
- Products/Speed to Market/Interstate Compact Commission.
- Annuity Suitability.
- Climate Change.
- Natural Catastrophes – property insurance availability and cost.
- Health Insurance.
- Underwriting – unfair discrimination (credit scores, etc.)

IMSA

Committed to honesty, integrity and ethics

- A voluntary, independent market conduct and compliance standards-setting & self-regulatory organization serving the life insurance marketplace. (est. 1996)
- Establishes national standards for how life companies market, advertise, sell and service individually-sold annuities, life and long-term care insurance.
- Companies must undergo rigorous independent assessment.
 - 3 year renewal required.
- IMSA Qualified companies:
 - Operate in all 50 states and distribute products through captive agents, independent agents, banks and broker-dealers.



Principles of Ethical Market Conduct.

--Walking the Talk--

- High standards of honesty and fairness.
- Competent and customer-focused sales and service.
- Active and fair competition.
- Advertising which is clear as to purpose & honest and fair as to content.
- Fair and expeditious customer complaint & dispute handling.
- System of supervision and monitoring.





- **AARP Advertising Policy for Annuity Products**
- *AARP accepts advertising for annuity products. These products must provide a 30-day free look period and return all or most of the principal to each annuitant over time regardless of their life span. The company must have AARP-approved suitability standards.*
- *AARP will accept advertising for indexed and variable annuities if the company is a member of and complies with the standards of the Insurance Marketplace Standards Association (IMSA) – www.imsaethics.org. All indexed and variable annuity advertising must carry the IMSA logo:*

Current Issues in the Life Insurance & Annuity Marketplace.

- STOLI (Stranger Owned/Originated Life Insurance.)
- Suitability of Sales of Annuity Products.
- Product Replacement Activity.
- Disclosures to Consumers.
- Establishing a Fiduciary Standard of Conduct for all Sellers of Life Insurance, Annuities and similar products.

STOLI (Stranger Owned/Originated Life Insurance).

- What is STOLI?
 - Applying for a life insurance policy with the intent to sell the policy to a third-party investor who lacks an insurable interest.
- Creates public policy dilemmas.
 - Wagering or gambling vs. insurable interest?
- Stranger may have an interest in the insured's death.
- Distinguished from Life Settlements.

Annuities - Suitability of Sales.

Regulatory Competition or Cooperation Between States & Feds?

- SEC/FINRA regulate “investment products” and Broker-Dealers and register reps that sell variable annuities.
- Conformity with FINRA Rule 2821 – Deferred Variable Annuities.
- Fixed annuities regulated by states.
- Indexed annuities jurisdiction = “A jump ball” – Disagreement between States and SEC/FINRA.
- NAIC Suitability in Annuity Transactions Model Regulation adopted in over 40 states.
- NAIC Suitability Working Group developing amendments to the Model Regulation.



AARP - IMSA Annuity Suitability Summit Meeting

Tuesday, March 3, 2009, 10:00 AM – 4:00 PM

AGENDA

- I. Welcome and Introductions.**
- II. Compliance and Consumer Protection in the New World.**
- III. Regulatory Developments.**
- IV. Interpretative Guidelines – Model Laws and Regulations.**
- V. Annuity Suitability Supervision and Monitoring Practices.**
- VI. Discussion of Next Steps Toward Uniformity and Consistency.**
- VII. Additional Regulatory Developments.**
- VIII. Annual Compliance Certifications and Clearinghouse.**

Replacing a Product with Another. Good or Bad for Consumers?

- Many annuity transactions involve replaced policies.
 - Why?
- Continues to be a challenge for the insurance industry, consumers and regulators.
- Annuity suitability requirements - Replacement must be suitable.

Disclosures to Consumers – Financial Literacy.

- Products can be complex.
- Development of simplified disclosures for consumers.
- Buyer's Guides for product types (i.e., annuities, LTC, disability, etc).
- Product specific disclosures developed by companies/regulators as a “best practice.”

Standards of Conduct for Advisors and Sales People.

- Should there be a “level playing field” between financial advisors and life insurance agents?
- Movement to apply “fiduciary standards” to life insurance agents.
 - Goes beyond a suitability standard.
- Must act in the best interest of the customer.
- Possible commission disclosure.



SOCIAL NETWORKING SUMMIT

Consumer Protection & Compliance in an Online World

Thursday, October 8, 2009

Washington, D.C., 10:00 am – 4:00 pm

Regulatory Reform

Obama Administration Proposal - 2009.

- U. S. Treasury Department
- Office of National Insurance
 - Central data resource.
 - Identification of Tier 1 Financial Holding Companies.
 - International relations.
- Consumer Financial Products Agency (excludes most insurance).
- Systemic Risk Regulation.
- Resolution/Dissolution Authority.

Regulatory Reform – Impact on Consumers

- Business of insurance is regulated by the states.
- (Optional) Federal regulation – where and how?
 - Company licensing/solvency.
 - Product review and approval.
 - Market Conduct.
 - Distributor/Producer licensing.
 - Consumer complaints.
- Self-Regulatory Organization (s) – possible new or expanded roles.
 - FINRA
 - IMSA



**INSURANCE MARKETPLACE
STANDARDS ASSOCIATION**

