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Standard Care: Best Interest

NAIFA-Oregon Testimony – 1/25/2023

By: NAIFA Government Relations, Updated January 2023

Testimony

Chairman Prozanski and members of the Senate Committee on Judiciary, my name is Roger Beyer and I am testifying in support of SB 536 on behalf of the Oregon Chapter of the National Association of Insurance and Financial Advisors. NAIFA-Oregon would like to express our thanks to the Committee for their consideration of SB 536, which enhances the rules governing annuity transactions by establishing a best interest standard of conduct for annuity recommendations and sales.

Founded in 1890, 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 lower-income individuals and families. NAIFA Oregon has 195 members serving their communities.

NAIFA supports the adoption of SB 536 that, among other provisions, creates the best interest standard in annuity transactions. The best interest standard requires producers and insurers to act in the best interest of annuity purchasers and not put their financial interests ahead of the consumer's. A substantial percentage of NAIFA members sell annuities. Annuities are complex products that provide lifetime guarantees and entail design options based on the consumer's needs and therefore merit the best interest of the consumer standard of care. The client's best interest is easily understood, plain English and the obligations and responsibilities to satisfy this requirement are clearly defined.

NAIFA members serve middle income clients, who rely on their advice to secure their retirement needs. Without access to commissioned based advisors, Oregonians from all walks of life – farmers, ranchers, teachers, public safety workers, part time and gig workers – would lose access to this advice since they can't afford fee- based advisors. Also, NAIFA professionals have always put their clients' needs first and are pleased to step up to the higher Best Interest standard in the bill.

NAIFA believes that SB 536 strikes the appropriate balance between protecting consumers, promoting market competition, and avoiding over-regulation, in turn ensuring customer choice in competitive products and trustworthy options for retirement planning. The updated NAIC model and the best interest standard has broad support from the financial services community, producers, and insurers alike.

This bill is also about uniformity and transparency. Our community will know what to expect when deciding to buy an annuity. That process can be built on 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 will implement.

We support establishing a consistent and workable best interest standard for financial professionals and hope Oregon will join the 31 other states that already adopted this model. Further, we applaud Senator Janeen Sollman for sponsoring SB 536 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.