

January 25, 2023

**Statement of the American Council of Life Insurers
Senate Judiciary Committee
January 25, 2023**

Senate Bill 536 – Best Interest Standard for Annuity Transactions

The American Council of Life Insurers (“ACLI”) is pleased to **support Senate Bill 536**, which would require producers, when making a recommendation regarding an annuity, to act in the best interest of the consumer and require insurers to establish and maintain a system to supervise those recommendations. For these important retirement security products, the bill raises the bar of consumer protection from suitability to a best interest standard of conduct, ensuring that low- and moderate-income savers have access to the financial and retirement advice they want and need. We are grateful to Senator Sollman for bringing this bill forward and appreciate the Committee’s consideration.

Annuities provide essential financial protection, effectively allowing anyone to create their own personal pension. In fact, an annuity is the only private market financial product that can guarantee lifetime income, providing protection for Oregonians against the risk of outliving their savings. With our longevity increasing and fewer employers offering workplace pensions, a growing number of middle-income consumers now rely on annuities for financial security.

Research shows that the median annual household income of annuity owners is \$70,000. Individuals who own annuities are less dependent on public programs in their retirement years. In 2021 alone, \$1.43 billion in annuity benefits were paid out to Oregon residents, helping them maintain financial security through retirement.

Senate Bill 536 updates Oregon’s existing law governing annuity sales practices to reflect the most recent national model developed by the National Association of Insurance Commissioners (NAIC). The bill provides that insurers and financial professionals must act in the best interest of annuity purchasers without putting their own financial interests ahead of the consumer’s interests. It sets forth clear obligations of care, disclosure, conflict avoidance and documentation that, when met, are deemed to satisfy the best interest standard of care.

Senate Bill 536 would also ensure consumers receive additional, user-friendly disclosure materials that will help them make informed decisions, all while preserving access to valuable financial advice and products. It safeguards the ability of small and moderate savers to access the financial guidance they need to plan for their own financial futures.

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States.

The bill would also align Oregon law with federal SEC standards for securities recommendations. Together, the NAIC model guidelines and SEC standards will give consumers – regardless of where they live, where they move or what product they buy – the benefit of strong and consistent state and federal consumer protections when planning for their retirement.

In Section 3 of SB 536, a technical change is made to clarify that the definition of variable annuity includes SEC-registered indexed linked annuities (RILAs), a popular and growing retirement product that gives consumers the benefits of participating in market growth along with protection from downside risks.

ACLI respectfully urges the committee to **support SB 536** so that annuity purchasers will receive information that is clear and understandable from financial professionals acting in their best interest. In doing so, Oregon would join a bipartisan group of 31 states that have already adopted the NAIC best interest enhancements by statute or regulation, a list that will continue to grow in the coming months.

We appreciate your consideration and would be happy to answer any questions you may have.

Sincerely,

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