

VIA EMAIL

May 29, 2024

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Mr. Brian Fjeldheim
Division of Financial Regulation
Department of Consumer and Business Services
350 Winter Street, NE
Salem, OR 97301
c/o karen.j.winkel@dbcs.oregon.gov

RE: SB 536 Best Interest Standard – Rulemaking

Dear Mr. Fjeldheim,

State Farm Life Insurance Company (“State Farm”) submits the following comments to the Division of Financial Regulation (“Division”) regarding the proposed rule published April 29, 2024, to establish disclosures and care obligations for recommendations or sale of annuities to prospective purchasers. The proposed rule is being considered following the passage of SB 536, codified in ORS 743.262. State Farm followed the Rulemaking Advisory Committee (“RAC”) through the rulemaking process. We appreciate the efforts of the Division and the RAC to draft a regulation that aligns with the NAIC Suitability in Annuity Transactions Model Regulation (“NAIC Model”) and the language of SB 536. With that said, we share the concerns expressed by the national trades (ACLI, NAIFA, Finseca, Insured Retirement Institute, and NAFA) and we ask the Division to adopt the forms called for in the temporary rule that is used today.

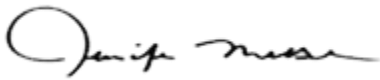
More specifically, State Farm supports the continued use of the forms originally found in the NAIC Model Appendices A, B, and C. These model forms were debated and developed specifically to align with the requirements of best interest standards set forth in the NAIC model law. The NAIC Model Appendices have been adopted in most states that have implemented the update to the model law. The forms provide important consumer protections and clearly explain the requirement that an insurance producer act in the best interest of the consumer. For a company like State Farm that offers products in all 50 states and DC, uniformity is critical to avoid confusion among consumers, insurance producers, and State Farm.

State Farm is also concerned the language added to the forms may create new compliance obligations. For example, adding “I have provided You with a written copy of the annuity recommendation, including the basis of how it was determined that the recommended product effectively meets your financial situation, insurance needs, and financial objectives” to Exhibit 1a appears to expand the requirements of SB 536. SB 536 simply requires the producer to communicate the recommendation to the consumer and record the recommendation in writing; it does not require the recommendation be provided in writing to the consumer.

Similarly, the question “What duty of care do I owe You, the consumer?” and the following checkbox added to Exhibit 3a are unnecessary and confusing. Exhibit 3a is used to document and disclose that the consumer is purchasing an annuity that is not based on a recommendation. Asking a consumer to acknowledge a product recommendation they decided not to select may cause confusion down the road. State Farm believes NAIC Model Appendix C, adopted and used in other jurisdictions, provides sufficient protections for the consumer and the producer.

Based on the foregoing, State Farm asks the Division to reconsider its position and continue the use of NAIC Model Appendices A, B, and C as they appear in the temporary rule. This will help avoid confusion and the time and costs associated with compliance and implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Muse". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jennifer Muse
Counsel