

230-RICR-20-25-1

TITLE 230 – DEPARTMENT OF BUSINESS REGULATION

CHAPTER 20 – INSURANCE

SUBCHAPTER 25 – LIFE AND ANNUITIES

PART 1 – Suitability in Annuity Transactions

1.1 Authority

This Part is promulgated in accordance with R.I. Gen. Laws § 27-29-12.

1.2 Purpose

- A. The purpose of this Part is to require producers, as defined in this Regulation, to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations ~~and to set forth standards and procedures for recommendations to consumers that result in transactions involving annuity products~~ so that the insurance needs and financial objectives of consumers at the time of the transaction are appropriately effectively addressed.
- B. Nothing herein shall be construed to create or imply a private cause of action for a violation of this Part or to subject a producer to civil liability under the best interest standard of care outlined in § 1.6 of this Part or under standards governing the conduct of a fiduciary or a fiduciary relationship.

1.3 Scope

This Part shall apply to any sale or recommendation ~~to purchase, exchange or replace of~~ an annuity ~~made to a consumer by an insurance producer, or an insurer where no producer is involved, that results in the purchase, exchange or replacement recommended.~~ If a recommendation is subject both to this Part and to R.I. Gen. Laws Chapter 7-11, the State of Rhode Island may investigate and, where appropriate, seek sanctions with regard to such recommendation under both R.I. Gen. Laws Chapter 7-11 and this Part. The laws are complementary and application of one does not prohibit enforcement of the other prior to, concurrent with or subsequent to any action taken by the appropriate enforcement authority.

1.4 Exemptions

- A. Unless otherwise specifically included, this Part shall not apply to transactions involving:
1. Direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to this Part;
 2. Contracts used to fund:
 - a. An employee pension or welfare benefit plan that is covered by the Employee Retirement Income Security Act (ERISA), Pub. Law 93-406, as amended;
 - b. A plan described by the Internal Revenue Code (IRC), 26 U.S.C. §§ 401(a), 401(k), 403(b), 408(k) or 408(p), as amended, if established or maintained by an employer;
 - c. A government or church plan defined in § 414 of the IRC, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax-exempt organization under § 457 of the IRC;
 - d. A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;
 - e3. Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
 - f4. Formal prepaid funeral contracts.

1.5 Definitions

- A. “Annuity” means an annuity that is an insurance product under state law that is individually solicited, whether the product is classified as an individual or group annuity.
- B. “Cash compensation” means any discount, concession, fee, service fee, commission, sales charge, loan, override, or cash benefit received by a producer in connection with the recommendation or sale of an annuity from an insurer, intermediary, or directly from the consumer.
- C. “Commissioner” means the definition in R.I. Gen. Laws § 42-14-5.

D. “Consumer profile information” means information that is reasonably appropriate to determine whether a recommendation addresses the consumer’s financial situation, insurance needs and financial objectives, including, at a minimum, the following:

1. Age;
2. Annual income;
3. Financial situation and needs, including debts and other obligations;
4. Financial experience;
5. Insurance needs;
6. Financial objectives;
7. Intended use of the annuity;
8. Financial time horizon;
9. Existing assets or financial products, including investment, annuity and insurance holdings;
10. Liquidity needs;
11. Liquid net worth;
12. Risk tolerance, including but not limited to, willingness to accept non-guaranteed elements in the annuity;
13. Financial resources used to fund the annuity; and
14. Tax status.

BE. “Continuing education credit” or “CE credit” means one (1) continuing education credit as defined in R.I. Gen. Laws § 27-3.2-1 *et seq.* and [Subchapter 50 Part 2](#) of this Chapter.

CE. “Continuing education provider” or “CE provider” means an individual or entity that is approved to offer continuing education courses pursuant to R.I. Gen. Laws § 27-3.2-1 *et seq.* and [Subchapter 50 Part 2](#) of this Chapter.

DG. “FINRA” means the Financial Industry Regulatory Authority or a succeeding agency.

EH. “Insurer” means a company required to be licensed under the laws of this state to provide insurance products, including annuities.

~~F.~~ ~~“Insurance producer” means a person required to be licensed under the laws of this state to sell, solicit or negotiate insurance, including annuities.~~

I. “Intermediary” means an entity contracted directly with an insurer or with another entity contracted with an insurer to facilitate the sale of the insurer’s annuities by producers.

J. “Material conflict of interest” means:

1. A financial interest of the producer in the sale of an annuity that a reasonable person would expect to influence the impartiality of a recommendation.

2. “Material conflict of interest” does not include cash compensation or non-cash compensation.

K. “Non-cash compensation” means any form of compensation that is not cash compensation, including, but not limited to, health insurance, office rent, office support and retirement benefits.

L. “Non-guaranteed elements” means the premiums, credited interest rates (including any bonus), benefits, values, dividends, non-interest based credits, charges or elements of formulas used to determine any of these, that are subject to company discretion and are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

M. “Producer” means a person or entity required to be licensed under the laws of this state to sell, solicit or negotiate insurance, including annuities. For purposes of this Regulation, “producer” includes an insurer where no producer is involved.

GN. “Recommendation” means:

1. Advice provided by an insurance producer, or an insurer where no producer is involved, to an individual consumer that was intended to result or does results in a purchase, an exchange or a replacement of an annuity in accordance with that advice.

2. Recommendation does not include general communication to the public, generalized customer services assistance or administrative support, general educational information and tools, prospectuses, or other product and sales material.

H.O. “Replacement” means a transaction in which a new ~~policy or contract~~ annuity is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer ~~if there is no~~ whether or not a producer is involved, that by reason of the transaction, an existing annuity or other insurance policy ~~or contract~~ has been or is to be any of the following:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
2. Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
3. Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or
5. Used in a financed purchase.

P. “SEC” means the United States Securities and Exchange Commission.

~~I.~~ ~~“Suitability information” means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:~~

- ~~1. Age;~~
- ~~2. Annual income;~~
- ~~3. Financial situation and needs, including the financial resources used for the funding of the annuity;~~
- ~~4. Financial experience;~~
- ~~5. Financial objectives;~~
- ~~6. Intended use of the annuity;~~
- ~~7. Financial time horizon;~~
- ~~8. Existing assets, including investment and life insurance holdings;~~
- ~~9. Liquidity needs;~~
- ~~10. Liquid net worth;~~

~~11. Risk tolerance; and~~

~~12. Tax status.~~

1.6 Duties of Insurers and ~~of Insurance~~ Producers

A. Best Interest Obligations. A producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if they have satisfied the following obligations regarding care, disclosure, conflict of interest and documentation: ~~In recommending to a consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer, or the insurer where no producer is involved, shall have reasonable grounds for believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer as to his or her investments and other insurance products and as to his or her financial situation and needs, including the consumer's suitability information, and that there is a reasonable basis to believe all of the following:~~

1. Care Obligation

- a. The producer, in making a recommendation shall exercise reasonable diligence, care and skill to:
 - (1) Know the consumer's financial situation, insurance needs and financial objectives;
 - (2) Understand the available recommendation options after making a reasonable inquiry into options available to the producer;
 - (3) Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs and financial objectives over the life of the product, as evaluated in light of the consumer profile information; and
 - (4) Communicate the basis or bases of the recommendation.
- b. The requirements under § 1.6(A)(1)(a) of this Part include making reasonable efforts to obtain consumer profile information from the consumer prior to the recommendation of an annuity.

- c. The requirements under § 1.6(A)(1)(a) of this Part require a producer to consider the types of products the producer is authorized and licensed to recommend or sell that address the consumer's financial situation, insurance needs and financial objectives. This does not require analysis or consideration of any products outside the authority and license of the producer or other possible alternative products or strategies available in the market at the time of the recommendation. Producers shall be held to standards applicable to producers with similar authority and licensure.
- d. The requirements under § 1.6(A) of this Part do not create a fiduciary obligation or relationship and only create a regulatory obligation as established in this Regulation.
- e. The consumer profile information, characteristics of the insurer, and product costs, rates, benefits and features are those factors generally relevant in making a determination whether an annuity effectively addresses the consumer's financial situation, insurance needs and financial objectives, but the level of importance of each factor under the care obligation of § 1.6(A) of this Part may vary depending on the facts and circumstances of a particular case. However, each factor may not be considered in isolation.
- f. The requirements under § 1.6(A)(1)(a) of this Part include having a reasonable basis to believe the consumer would benefit from certain features of the annuity, such as annuitization, death or living benefit or other insurance-related features.
- g. The requirements under § 1.6(A)(1)(a) of this Part apply to the particular annuity as a whole and the underlying subaccounts to which funds are allocated at the time of purchase or exchange of an annuity, and riders and similar producer enhancements, if any.
- h. The requirements under § 1.6(A)(1)(a) of this Part do not mean the annuity with the lowest one-time or multiple occurrence compensation structure shall necessarily be recommended.
- i. The requirements under § 1.6(A)(1)(a) of this Part do not mean the producer has ongoing monitoring obligations under the care obligation under § 1.6(A)(1) of this Part, although such an obligation may be separately owed under the terms of a fiduciary, consulting, investment advising or financial planning agreement between the consumer and the producer.

- j. In the case of an exchange or replacement of an annuity, the producer shall consider the whole transaction, which includes taking into consideration whether:
- (1) The consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits, such as death, living or other contractual benefits, or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements;
 - (2) The replacing product would substantially benefit the consumer in comparison to the replaced product over the life of the product; and
 - (3) The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding sixty (60) months.
- k. Nothing in this Regulation should be construed to require a producer to obtain any license other than a producer license with the appropriate line of authority to sell, solicit or negotiate insurance in this state, including but not limited to any securities license, in order to fulfill the duties and obligations contained in this Regulation; provided the producer does not give advice or provide services that are otherwise subject to securities laws or engage in any other activity requiring other professional licenses.

2. Disclosure obligation

- a. Prior to the recommendation or sale of an annuity, the producer shall prominently disclose to the consumer on a form substantially similar to Appendix A which has been included in a bulletin issued for that purpose and available on the Department's website:
- (1) A description of the scope and terms of the relationship with the consumer and the role of the producer in the transaction;
 - (2) An affirmative statement on whether the producer is licensed and authorized to sell the following products:
 - (AA) Fixed annuities;
 - (BB) Fixed indexed annuities;
 - (CC) Variable annuities;

(DD) Life insurance;

(EE) Mutual funds;

(FF) Stocks and bonds; and

(GG) Certificates of deposit.

(3) An affirmative statement describing the insurers the producer is authorized, contracted (or appointed), or otherwise able to sell insurance products for, using the following descriptions:

(AA) One (1) insurer;

(BB) Two (2) or more insurers; or

(CC) Two (2) or more insurers although primarily contracted with one (1) insurer.

(4) A description of the sources and types of cash compensation and non-cash compensation to be received by the producer, including whether the producer is to be compensated for the sale of a recommended annuity by commission as part of premium or other remuneration received from the insurer, intermediary or other producer or by fee as a result of a contract for advice or consulting services; and

(5) A notice of the consumer's right to request additional information regarding cash compensation described in § 1.6(A)(2)(b) of this Part.

b. Upon request of the consumer or the consumer's designated representative, the producer shall disclose:

(1) A reasonable estimate of the amount of cash compensation to be received by the producer, which may be stated as a range of amounts or percentages;

(2) Whether the cash compensation is a one (1) time or multiple occurrence amount, and if a multiple occurrence amount, the frequency and amount of the occurrence, which may be stated as a range of amounts or percentages; and

4c. Prior to or at the time of the recommendation or sale of an annuity, the producer shall have a reasonable basis to believe ~~the~~

consumer has been reasonably informed of various features of the annuity, such as the potential surrender period and surrender charge, potential tax penalty if the consumer sells, exchanges, surrenders or annuitizes the annuity, mortality and expense fees, investment advisory fees, any annual fees, potential charges for and features of riders or other options of the annuity, limitations on interest returns, potential changes in non-guaranteed elements of the annuity, insurance and investment components and market risk. (the requirements of § 1.6(A)(2)(b) of this Part ~~this paragraph~~ are intended to supplement and not replace the disclosure requirements of Part 6 of this Subchapter;

- ~~2. The consumer would benefit from certain features of the annuity, such as tax deferred growth, annuitization or death or living benefit~~
- ~~3. The particular annuity as a whole, the underlying subaccounts to which funds are allocated at the time of purchase or exchange of the annuity, and riders and similar product enhancements, if any, are suitable (and in the case of an exchange or replacement, the transaction as a whole is suitable) for the particular consumer based on his or her suitability information; and~~
- ~~4. In the case of an exchange or replacement of an annuity, the exchange or replacement is suitable including taking into consideration whether:
 - ~~a. The consumer will incur a surrender charge, be subject to the commencement of a new surrender period or contestability period, lose existing benefits (such as death, living or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements~~
 - ~~b. The consumer would benefit from product enhancements and improvements; and~~
 - ~~c. The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 36 months~~~~
3. Conflict of interest obligation. A producer shall identify and avoid or reasonably manage and disclose material conflicts of interest, including material conflicts of interest related to an ownership interest.
4. Documentation obligation. A producer shall at the time of recommendation or sale:

- a. Make a written record of any recommendation and the basis for the recommendation subject to this Regulation.;
- b. Obtain a consumer signed statement on a form substantially similar to Appendix B which has been included in a bulletin issued for that purpose and available on the Department's website documenting:
 - (1) A customer's refusal to provide the consumer profile information, if any; and
 - (2) A customer's understanding of the ramifications of not providing his or her consumer profile information or providing insufficient consumer profile information; and
- c. Obtain a consumer signed statement on a form substantially similar to Appendix C which has been included in a bulletin issued for that purpose and available on the Department's website acknowledging the annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the producer's recommendation.

5. Application of the best interest obligation. Any requirement applicable to a producer under §1.6(A) of this Part shall apply to every producer who has exercised material control or influence in the making of a recommendation and has received direct compensation as a result of the recommendation or sale, regardless of whether the producer has had any direct contact with the consumer. Activities such as providing or delivering marketing or educational materials, product wholesaling or other back office product support, and general supervision of a producer do not, in and of themselves, constitute material control or influence.

~~B. Prior to the execution of a purchase, exchange or replacement of an annuity resulting from a recommendation, an insurance producer, or an insurer where no producer is involved, shall make reasonable efforts to obtain the consumer's suitability information:~~

~~C. Except as permitted under § 1.6(D) of this Part, an insurer shall not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity is suitable based on the consumer's suitability information.~~

B. Transactions not based on a recommendation

D1. Except as provided under § 1.6(EB)(2) of this Part, neither an insurance a producer, nor an insurer, shall have any no obligation to a consumer under § 1.6(A) of this Part related to any annuity transaction if:

- ~~1~~a. No recommendation is made;
 - 2b. A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;
 - ~~3~~c. A consumer refuses to provide relevant suitability-consumer profile information and the annuity transaction is not recommended, or;
 - 4d. A consumer decides to enter into an annuity transaction that is not based on a recommendation of the insurer or the insurance producer.
- E2. An insurer's issuance of an annuity subject to § 1.6(~~DB~~)(1) of this Part shall be reasonable under all the circumstances actually known to the insurer at the time the annuity is issued.

C. Supervision system

- 1. Except as permitted under § 1.6(B) of this Part, an insurer may not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives based on the consumer's consumer profile information.

~~F. An insurance producer or, where no insurance producer is involved, the responsible insurer representative, shall at the time of sale:~~

- ~~1. Make a record of any recommendation subject to § 1.6(A) of this Part;~~
- ~~2. Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and~~
- ~~3. Obtain a customer signed statement acknowledging that an annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the insurance producer's or insurer's recommendation.~~

G2. An insurer shall establish and maintain a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with this Part, including, but not limited to, the following:

- ~~1~~a. The insurer shall establish and maintain reasonable procedures to inform its insurance producers of the requirements of this Part and

shall incorporate the requirements of this Part into relevant ~~insurance~~-producer training manuals;

- ~~2~~b. The insurer shall establish and maintain standards for ~~insurance~~-producer product training and shall maintain reasonable procedures to require its ~~insurance~~-producers to comply with the requirements of § 1.7 of this Part;
- ~~3~~c. The insurer shall provide product-specific training and training materials which explain all material features of its annuity products to its ~~insurance~~-producers;
- ~~4~~d. The insurer shall establish and maintain procedures for the review of each recommendation prior to issuance of an annuity that are designed to ensure ~~that~~ there is a reasonable basis to determine that ~~a recommendation is suitable~~ the recommended annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives. Such review procedures may apply a screening system for the purpose of identifying selected transactions for additional review and may be accomplished electronically or through other means including, but not limited to, physical review. Such an electronic or other system may be designed to require additional review only of those transactions identified for additional review by the selection criteria;
- ~~5~~e. The insurer shall establish and maintain reasonable procedure to detect recommendations that are not ~~suitable in compliance with §§ 1.6(A), (B), (D) and (E) of this Part~~. This may include, but is not limited to, confirmation of the consumer's suitability-consumer profile information, systematic customer surveys, producer and consumer interviews, confirmation letters, producer statements or attestations and programs of internal monitoring. Nothing in § 1.6(C)(2)(e) of this Part in this subparagraph prevents an insurer from complying with § 1.6(C)(2)(e) of this Part this subparagraph by applying sampling procedures, or by confirming the suitability-consumer profile information or other required information under § 1.6 of this Part after issuance or delivery of the annuity; ~~and~~
- f. The insurer shall establish and maintain reasonable procedures to assess, prior to or upon issuance or delivery of an annuity, whether a producer has provided to the consumer the information required to be provided under § 1.6 of this Part;

- g. The insurer shall establish and maintain reasonable procedures to identify and address suspicious consumer refusals to provide consumer profile information;
- h. The insurer shall establish and maintain reasonable procedures to identify and eliminate any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sales of specific annuities within a limited period of time. The requirements of § 1.6(C)(2)(h) of this Part are not intended to prohibit the receipt of health insurance, office rent, office support, retirement benefits or other employee benefits by employees as long as those benefits are not based upon the volume of sales of a specific annuity within a limited period of time; and
- 6j. The insurer shall annually provide a written report to senior management, including to the senior manager responsible for audit functions, which details a review, with appropriate testing, reasonably designed to determine the effectiveness of the supervision system, the exceptions found, and corrective action taken or recommended, if any.

3. Contracted Supervision System

- Ha. Nothing in §§ 1.6(C)(2) or (C)(3) ~~(G), (H) or (I)~~ of this Part restricts an insurer from contracting for performance of a function (including maintenance of procedures) required under § 1.6 ~~(G)(C)(2)~~ of this Part. An insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to § 1.8 of this Part regardless of whether the insurer contracts for performance of a function and regardless of the insurer's compliance with § 1.6 ~~(H)(C)(3)(b)~~ of this Part below.
- Hb. An insurer's supervision system under § 1.6(C) ~~(G2)~~ of this Part shall include supervision of contractual performance § 1.6(C)(3) of this Part under this paragraph. This includes, but is not limited to, the following:

 - (1) Monitoring and, as appropriate, conducting audits to assure that the contracted function is properly performed; and
 - (2)- Annually obtaining a certification from a senior manager who has responsibility for the contracted function that the manager has a reasonable basis to represent, and does represent, that the function is properly performed.

~~J4.~~ An insurer is not required to include in its system of supervision: ~~an~~
~~insurance~~

a. A producer's recommendations to consumers of products other than the annuities offered by the insurer, or

b. Consideration of or comparison to options available to the producer or compensation relating to those options other than annuities or other products offered by the insurer.

~~KD.~~ Prohibited Practices. Neither a producer nor an insurer shall. An insurance-
~~producer shall not~~ dissuade, or attempt to dissuade, a consumer from:

1. Truthfully responding to an insurer's request for confirmation of ~~suitability-~~
the consumer profile information;
2. Filing a complaint; or
3. Cooperating with the investigation of a complaint.

~~E.~~ Safe harbor

~~1.~~ Recommendations and sales of annuities made in compliance with comparable standards ~~FINRA requirements pertaining to suitability and supervision of annuity transactions~~ shall satisfy the requirements under this Part. § 1.6(E) of this Part ~~This paragraph~~ applies to FINRA broker-dealer ~~all recommendations and~~ sales of annuities made by financial professionals in compliance with business rules, controls and procedures that satisfy a comparable standard even if such standard would not otherwise apply to the product or recommendation at issue if the suitability and supervision is similar to those applied to variable annuity sales. However, nothing in § 1.6(E) of this Part ~~this paragraph~~ shall limit the insurance commissioner's ability to investigate and enforce ~~(including investigate)~~ the provisions of this Part.

~~2.~~ Nothing in the § 1.6(E)(1) of this Part shall limit the insurer's obligation to comply with § 1.6(C)(1) of this Part, although the insurer may base its analysis on information received from either the financial professional or the entity supervising the financial professional.

~~43.~~ For ~~the § 1.6(E)(1) of this Part preceding paragraph~~ to apply, an insurer shall:

a. Monitor the ~~FINRA member broker-dealer~~ relevant conduct of the financial professional seeking to rely on § 1.6(C)(1) of this Part or

the entity responsible for supervising the financial professional, such as the financial professional's broker-dealer or an investment adviser registered under federal securities laws using information collected in the normal course of an insurer's business; and

- b. Provide to the entity responsible for supervising the financial professional ~~FINRA member broker-dealer~~ relevant conduct of the financial professional seeking to rely on § 1.6(C)(1) of this Part, such as the financial professional's broker-dealer or an investment adviser registered under federal securities laws information and reports that are reasonably appropriate to assist the ~~FINRA member broker-dealer~~ such entity to maintain its supervision system.

4. For purposes of § 1.6(E) of this Part, "financial professional" means a producer that is regulated and acting as:

- a. A broker-dealer registered under federal or state securities laws or a registered representative of a broker-dealer;
- b. An investment adviser registered under federal securities laws or an investment adviser representative associated with the federal registered investment adviser; or
- c. A plan fiduciary under § 3(21) of the Employee Retirement Income Security Act of 1974 (ERISA), Pub. Law 93-406, or fiduciary under § 4975(e)(3) of the Internal Revenue Code (IRC) or any amendments or successor statutes thereto.

5. For purposes of § 1.6(E) of this Part, "comparable standards" means:

- a. With respect to broker-dealers and registered representatives of broker-dealers, applicable SEC and FINRA rules pertaining to best interest obligations and supervision of annuity recommendations and sales, including, but not limited to, Regulation Best Interest and any amendments or successor Regulations thereto;
- b. With respect to investment advisers registered under federal securities laws or investment adviser representatives, the fiduciary duties and all other requirements imposed on such investment advisers or investment adviser representatives by contract or under the Investment Advisers Act of 1940, 15 U.S.C. § 80b as amended, or R.I. Gen. Laws Chapter 7-11 including but not limited to, the Form ADV and interpretations; and

- c. With respect to plan fiduciaries or fiduciaries, means the duties, obligations, prohibitions and all other requirements attendant to such status under ERISA or the IRC and any amendments or successor statutes thereto.

1.7 ~~Insurance~~ Producer Training

- A. An ~~insurance~~ producer shall not solicit the sale of an annuity product unless the ~~insurance~~ producer has adequate knowledge of the product to recommend the annuity and the ~~insurance~~ producer is in compliance with the insurer's standards for product training. An ~~insurance~~ producer may rely on insurer-provided product-specific training standards and materials to comply with § 1.7 of this Part ~~this paragraph~~.
- B. Training
1. An ~~insurance~~ producer who engages in the sale of annuity products shall complete a one (1) time four (4) credit training course approved by the department of insurance and provided by the department of insurance-approved education provider.
 2. ~~Insurance p~~roducers who hold a life insurance line of authority on the effective date of this Part and who desire to sell annuities shall complete the requirements of § 1.7 of this Part ~~this paragraph~~ within six (6) months after the effective date of this Part. Individuals who obtain a life insurance line of authority on or after the effective date of this Part may not engage in the sale of annuities until the annuity training course required under § 1.7 of this Part ~~this paragraph~~ has been completed.
 3. The minimum length of the training required under ~~this paragraph~~ § 1.7(B)(1) of this Part shall be sufficient to qualify for at least four (4) CE credits, but may be longer.
 4. The training required under § 1.7(B)(1) of this Part ~~this paragraph~~ shall include information on the following topics:
 - a. The types of annuities and various classifications of annuities;
 - b. Identification of the parties to an annuity;
 - c. How product specific annuity contract features affect consumers;
 - d. The application of income taxation of qualified and non-qualified annuities;

- e. The primary uses of annuities; and
 - f. Appropriate standard of conduct, sales practices, replacement and disclosure requirements.
5. Providers of courses intended to comply with § 1.7(B)(1) of this Part ~~this paragraph~~ shall cover all topics listed in the prescribed outline and shall not present any marketing information or provide training on sales techniques or provide specific information about a particular insurer's products. Additional topics may be offered in conjunction with and in addition to the required outline.
6. A producer who has completed an annuity training course approved by the Department of Insurance prior to January 1, 2021, shall, within six (6) months after January 1, 2021, complete either:
- a. A new four (4) credit training course approved by the department of insurance after January 1, 2021; or
 - b. An additional one (1) time one (1) credit training course approved by the Department of Insurance and provided by the Department of Insurance-approved education provider on appropriate sales practices, replacement and disclosure requirements under this amended Regulation.
67. A provider of an annuity training course intended to comply with § 1.7 of this Part ~~this paragraph~~ shall register as a CE provider in this State and comply with the Rules and guidelines applicable to insurance producer continuing education courses as set forth in Subchapter 50 Part 2 of this Chapter.
78. Annuity training courses may be conducted and completed by classroom or self-study methods in accordance with Subchapter 50 Part 2 of this Chapter.
89. Providers of annuity training shall comply with the reporting requirements and shall issue certificates of completion in accordance with Subchapter 50 Part 2 of this Chapter.
910. The satisfaction of the training requirements of another State that are substantially similar to the provisions of § 1.7 of this Part ~~this paragraph~~ shall be deemed to satisfy the training requirements of § 1.7 of this Part ~~this paragraph~~ in this State.

~~1011~~. An insurer shall verify that an ~~insurance~~-producer has completed the annuity training course required under § 1.7(B)(1) of this Part ~~this paragraph~~ before allowing the producer to sell an annuity product for that insurer. An insurer may satisfy its responsibility under § 1.7(B)(1) of this Part ~~this paragraph~~ by obtaining certificates of completion of the training course or obtaining reports provided by commissioner-sponsored database systems or vendors or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

1.8 Compliance, Mitigation, Penalties; Enforcement

- A. An insurer is responsible for compliance with this Part. If a violation occurs, either because of the action or inaction of the insurer or its ~~insurance~~-producer, the commissioner may order:
1. An insurer to take reasonably appropriate corrective action for any consumer harmed by a failure to comply with this Regulation by the insurer's, an entity contracted to perform the insurer's supervisory duties or by ~~its-the insurance~~-producer's, ~~violation of this Part~~;
 2. A general agency, independent agency or the ~~insurance~~-producer to take reasonably appropriate corrective action for any consumer harmed by the ~~insurance~~-producer's violation of this Part; and
 3. Appropriate penalties and sanctions.
- B. Any applicable penalty under R.I. Gen. Laws §§ 27-29-6 and 42-14-16 for a violation of this Part may be reduced or eliminated if corrective action for the consumer was taken promptly after a violation was discovered or the violation was not part of a pattern or practice.
- C. The authority to enforce compliance with this Regulation is vested exclusively with the commissioner.

1.9 Recordkeeping

- A. Insurers, general agents, independent agencies and ~~insurance~~-producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer, disclosures made to the consumer, including summaries of oral disclosures and other information used in making the recommendations that were the basis for insurance transactions for five (5) years after the insurance transaction is completed by the insurer. An insurer is

permitted, but shall not be required, to maintain documentation on behalf of a ~~an insurance~~ producer.

- B. Records required to be maintained by this Part may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

1.10 Effective Date

The amendments to this Regulation take effect on January 1, 2021.

1.110 Severability

If any provision of this Part or the application thereof to any person or circumstances is held invalid or unconstitutional, the invalidity or unconstitutionality shall not affect other provisions or applications of this Part which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Part are severable.