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## **THE LIFE INSURANCE COUNCIL SUPPORTS A BEST INTEREST STANDARD BUT URGES CHANGES**

*The Association Supports a Best Interest Standard for Life and Annuity Sales, Seeks Changes to Maintain Consumer Access to Life and Annuity Products*

**March 6, 2018** – The Life Insurance Council of New York (LICONY) has submitted a comment letter in support of adopting a best interest standard on the sale of life and annuity products in New York State. LICONY provided its comment in response to a regulation proposed by the New York Department of Financial Services (1st Amendment to Regulation 187 – Suitability in Life Insurance and Annuity Transactions) that would change the way these products are bought and sold.

In the letter LICONY reiterated the life insurance industry’s longstanding commitment to acting in the best interest of its customers. However, the Association urged the Department to continue to work with the life insurance industry to avoid unintended consequences of the proposed rule that could potentially hurt consumer access to affordable financial products that protect New Yorkers in their times of greatest need.

LICONY President and CEO Mary A. Griffin said, “Our companies deeply value their relationships with families and businesses who rely on them, and we agree that the financial interest of those customers should be at the heart of all life and annuity transactions. We are committed to working with the Department of Financial Services to enact a standard that codifies this belief. However, it is vitally important that the regulation is crafted in a way that protects affordability and access for consumers to these products, especially for middle class consumers who need the financial protection our products provide.”

To gain feedback on the regulation, LICONY and the American Council of Life Insurers conducted a joint survey of life insurance companies in New York and found that 99 percent of respondents believe the regulation as currently drafted would make it more difficult to sell life insurance in New York and 87 percent said it would negatively affect life insurance sales. The survey also found 98 percent of companies said it will be harder to service accounts and 62 percent believe it will lead to less information being offered to consumers on products. Respondents estimated it would cost \$66 million a year to comply.

LICONY’s comment letter included four key areas of concern:

**Consumer access and costs:** It is important that the regulation be crafted so that it does not create additional hurdles for consumers to access affordable life insurance and related services. Life insurance sales are already at a 50-year low and the recently enacted federal Department of Labor rule has resulted in less advice to consumers, especially on small accounts. Adding another hurdle to life insurance sales and servicing could further suppress sales in New York, chill advisor advice on routine in-force transactions, and result in slower customer response

times. Further, additional regulatory obligations placed on New York life insurers could cause companies to reduce or reprice their offerings in the state.

**Regulatory uniformity:** Uniformity among regulators is necessary. Currently, entities such as the SEC, DOL, FINRA, and the NAIC, along with various other states are all contemplating or implementing new rules on life insurance or annuity sales. An uneven regulatory playing field in New York could result in negative consequences for the life insurance market, and less choice for consumers.

**Equal treatment of financial service products:** LICONY pointed out that this regulation does not apply to competing financial service products such as a mutual funds or 401K retirement plans. Placing hurdles on the sale of life products but not on competing financial services products could unintentionally decrease sales of life insurance, a safety net staple that remains the most affordable way for middle class families to get basic financial protection.

**Speed of implementation:** The other federal and state regulators active in this arena continue to deliberate on a uniform standard for defining best interest. For the benefit of consumers, LICONY believes it is necessary to take the time needed to get the right regulatory requirements in place, in a way that preserves the affordability and availability of life insurance products in this state.

LICONY is the trade association representing the life insurance industry doing business in New York State. Its member companies provide the vast majority of life, disability income, long-term care insurance and annuity benefits for New Yorkers.

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