



Notice of Intent to Adopt Rules

A copy of the proposed rules may be obtained at <http://rules.wyo.gov>

Revised September 2016

1. General Information

a. Agency/Board Name		
b. Agency/Board Address	c. City	d. Zip Code
e. Name of Agency Liaison		f. Agency Liaison Telephone Number
g. Agency Liaison Email Address		
h. Date of Public Notice		i. Comment Period End Date
j. Public Comment URL or Email Address:		
k. Program		

2. Legislative Enactment For purposes of this Section 2, "new" only applies to regular rules promulgated in response to a Wyoming legislative enactment not previously addressed in whole or in part by prior rulemaking and does not include rules adopted in response to a federal mandate.

a. Are these rules new as per the above description and the definition of "new" in Chapter 1 of the Rules on Rules?

No. Yes. Please provide the Enrolled Act Numbers and Years Enacted:

3. Rule Type and Information

a. Provide the Chapter Number, Title, and Proposed Action for Each Chapter.

Please use the Additional Rule Information form for more than 10 chapters, and attach it to this certification.

Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
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Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed
Chapter Number:	Chapter Name:	<input type="checkbox"/> New <input type="checkbox"/> Amended <input type="checkbox"/> Repealed

4. Public Comments and Hearing Information

a. A public hearing on the proposed rules has been scheduled. No. Yes. Please complete the boxes below.

Date:	Time:	City:	Location:
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b. What is the manner in which interested persons may present their views on the rulemaking action?

By submitting written comments to the Agency at the physical and/or email address listed in Section 1 above.

At the following URL: _____

A public hearing will be held if requested by 25 persons, a government subdivision, or by an association having not less than 25 members. Requests for a public hearing may be submitted:

To the Agency at the physical and/or email address listed in Section 1 above.

At the following URL: _____

c. Any person may urge the Agency not to adopt the rules and request the Agency to state its reasons for overruling the consideration urged against adoption. Requests for an agency response must be made prior to, or within thirty (30) days after adoption, of the rule, addressed to the Agency and Agency Liaison listed in Section 1 above.

5. Federal Law Requirements

a. These rules are created/amended/repealed to comply with federal law or regulatory requirements. No. Yes. Please complete the boxes below.

Applicable Federal Law or Regulation Citation:
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Indicate one (1):

The proposed rules meet, but do not exceed, minimum federal requirements.

The proposed rules exceed minimum federal requirements.

Any person wishing to object to the accuracy of any information provided by the Agency under this item should submit their objections prior to final adoption to:

To the Agency at the physical and/or email address listed in Section 1 above.

At the following URL: _____

6. State Statutory Requirements

a. Indicate one (1):

The proposed rule change *MEETS* minimum substantive statutory requirements.

The proposed rule change *EXCEEDS* minimum substantive statutory requirements. Please attach a statement explaining the reason that the rules exceed the requirements.

b. Indicate one (1):

The Agency has complied with the requirements of W.S. 9-5-304. A copy of the assessment used to evaluate the proposed rules may be obtained:

By contacting the Agency at the physical and/or email address listed in Section 1 above.

At the following URL: _____

Not Applicable.

7. Additional APA Provisions

a. Complete all that apply in regards to uniform rules:

These rules are not impacted by the uniform rules identified in the Administrative Procedure Act, W.S. 16-3-103(j).

The following chapters do not differ from the uniform rules identified in the Administrative Procedure Act, W.S. 16-3-103(j):

_____ (Provide chapter numbers)

These chapters differ from the uniform rules identified in the Administrative Procedure Act, W.S. 16-3-103(j) (see Statement of Principal Reasons).

_____ (Provide chapter numbers)

b. Checklist

The Statement of Principal Reasons is attached to this Notice and, in compliance with *Tri-State Generation and Transmission Association, Inc. v. Environmental Quality Council*, 590 P.2d 1324 (Wyo. 1979), includes a brief statement of the substance or terms of the rule and the basis and purpose of the rule.

If applicable: In consultation with the Attorney General's Office, the Agency's Attorney General representative concurs that strike and underscore is not required as the proposed amendments are pervasive (Chapter 3, *Types of Rules Filings*, Section 1, Proposed Rules, of the Rules on Rules).

8. Authorization

a. I certify that the foregoing information is correct.

<i>Printed Name of Authorized Individual</i>	
<i>Title of Authorized Individual</i>	
<i>Date of Authorization</i>	

DEPARTMENT OF INSURANCE

STATE OF WYOMING

IN THE MATTER OF THE AMENDMENT)
OF CHAPTER 64 OF THE WYOMING)
DEPARTMENT OF INSURANCE RULES)
AND REGULATIONS,) Docket No. 17-12

STATEMENT OF PRINCIPAL REASONS

FOR

The Amendment of Chapter 64 of the Wyoming Insurance Department Regulations

The Department of Insurance (DOI) originally promulgated Chapter 64 of its Rules and Regulations in 2014. The DOI has amended Chapter 64 to address the changes in the insurance industry since the regulation was originally promulgated, and to clarify the wording to remove or avoid any ambiguity.

In addition, on or about November 25, 2013, Governor Mead required all State Agencies to reduce their Rules both in number and in length. Changes have been made to reduce and reorganize the existing regulation to comply with the Governor's directive. Such changes include utilizing consistent language, removing unnecessary and duplicative wording, and eliminating reiteration of statutes.

The language of Chapter 64 is based largely upon model language drafted by the National Association of Insurance Commissioners (NAIC). The NAIC provides the opportunity for input from all states and territories, as well as from the insurance industry, regarding proposed language to be included in model regulations regarding various subjects. In the amended Chapter 64, the DOI has made some changes to reduce the wording, but has

retained much of the model language to ensure the existing consumer protections contained in the regulation are not altered.

Unfortunately, the revisions to Chapter 64 have not resulted in the desired word reduction. Specifically, the changes have reduced the regulation from approximately 2,924 words in the prior version, to approximately 2,616 words in the amended version. This represents a reduction of approximately 11%. Although the 30% reduction goal has not been met, the current changes have further clarified and reduced the wording while maintaining the existing consumer protections provided by this regulation.

CHAPTER 64

REGULATION GOVERNING SUITABILITY IN ANNUITY TRANSACTIONS

Section 1. Authority.

These regulations are promulgated pursuant to W.S. §§ 16-3-101 *et seq.*, 26-2-110, 26-2-125 and 26-13-101 *et seq.*

Section 2. Scope.

This regulation applies to any recommendation to purchase, exchange, or replace 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.

Section 3. Definitions.

(a) "Annuity," as set forth in W.S. § 26-1-102(iv), means an annuity that is an insurance product that is individually solicited, whether the product is classified as an individual or group annuity.

(b) "Continuing education credit" or "CE credit" means one continuing education credit as defined in W.S. § 26-9-231 *et seq.*

(c) "Provider" means an individual or entity that is approved to offer continuing education courses pursuant to Wyoming Department of Insurance Rules and Regulations, Chapter 20.

(d) "FINRA" means the Financial Industry Regulatory Authority or a succeeding agency.

(e) "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.

(g) "Recommendation" means advice provided by an insurance producer, or an insurer where no producer is involved, to an individual consumer that results in a purchase, exchange or placement of an annuity policy in accordance with that advice.

(h) "Replacement" means any transaction in which a new annuity is to be purchased, and it is known or should be known to the proposing producer, or the proposing insurer if there is no producer, that by reason of such transaction, an existing annuity has been or is to be:

- (i) Lapsed, forfeited, surrendered, or otherwise terminated;
- (ii) 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;
- (iii) 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;
- (iv) Reissued with any reduction in cash value; or
- (v) Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding twenty-five percent (25%) of the loan value set forth in the policy.

(i) “Suitability information” means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:

- (i) Age;
- (ii) Annual Income;
- (iii) Financial situation and needs, including the financial resources used to fund the annuity;
- (iv) Financial experience;
- (v) Financial objectives;
- (vi) Intended use of the annuity to be purchased;
- (vii) Financial time horizon;
- (viii) Existing assets, including investment and life insurance holdings;
- (ix) Liquidity needs;
- (x) Liquid net worth;
- (xi) Risk tolerance; and
- (xii) Tax status.

Section 4. Exemptions.

Unless otherwise specifically included, this regulation shall not apply to transactions involving:

- (a) Direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to this regulation;
- (b) Contracts used to fund:
 - (i) An employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA);
 - (ii) A plan described by sections 401(a), 401(k), 403(b), 408(k) or 408(p) of the Internal Revenue Code (IRC), as amended, if established or maintained by an employer;
 - (iii) A government or church plan defined in section 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 section 457 of the IRC;
 - (iv) A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;
 - (v) Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
 - (vi) Formal prepaid funeral contracts.

Section 5. Duties of Insurers and of Insurance Producers.

(a) 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:

- (i) 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, any mortality and expense fees, market value adjustments, investment advisory fees, potential charges for and features of riders, limitations on interest returns, equity indexed features, insurance and investment components and market risk;
- (ii) The consumer would benefit from certain features of the annuity, such as

but not limited to death or living benefits, tax-deferred growth or annuitization;

(iii) The particular annuity as a whole, the underlying subaccounts or equity index features 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

(iv) 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, lose existing benefits (such as death, living or other contractual benefits), lose cash value, 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 thirty-six (36) months.

(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 subsection (d), 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.

(d) Except as provided under paragraph (e) of this subsection, neither an insurance producer, nor an insurer, shall have any obligation to a consumer under subsection (a) or (c) related to any annuity transaction if:

(i) No recommendation is made;

(ii) A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;

(iii) A consumer refuses to provide relevant suitability information and the annuity transaction is not recommended; or

(iv) A consumer decides to enter into an annuity transaction that is not based on a recommendation of the insurer or the insurance producer.

(e) An insurer's issuance of an annuity subject to paragraph (d) shall be reasonable under all the circumstances actually known to the insurer at the time the annuity is issued.

(f) An insurance producer or, where no insurance producer is involved, the responsible insurer representative, shall at the time of sale:

(i) Make a record of any recommendation subject to section 5 (a) of this regulation;

(ii) Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and

(iii) 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.

(g) An insurer shall establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with this regulation, including, but not limited to, the following:

(i) The insurer shall maintain reasonable procedures to inform its insurance producers of the requirements of this regulation and shall incorporate the requirements of this regulation into relevant insurance producer training manuals;

(ii) The insurer shall establish standards for insurance producer product training and shall maintain reasonable procedures to require its insurance producers to comply with the requirements of section 6 of this regulation;

(iii) The insurer shall provide product-specific training and training materials which explain all material features of its annuity products to its insurance producers;

(iv) The insurer shall maintain procedures for 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. 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;

(v) The insurer shall maintain reasonable procedures to detect recommendations that are not suitable. This may include, but is not limited to, confirmation of consumer suitability information, systematic customer surveys, interviews, confirmation letters, and programs of internal monitoring. Nothing in this subparagraph prevents an insurer from complying with this subparagraph by applying sampling procedures, or by confirming suitability information after issuance or delivery of the annuity; and

(vi) The insurer shall annually provide a 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.

(h) Nothing in this subsection restricts an insurer from contracting for performance of a function (including maintenance of procedures) required under paragraph (g). An Insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to section 7 of this regulation regardless of whether the insurer contracts for performance of a function and regardless of the insurer's compliance with subparagraph (i) of this paragraph.

(i) An insurer's supervision system under paragraph (g) shall include supervision of contractual performance under this subsection. This includes, but is not limited to, the following:

(A) Monitoring and, as appropriate, conducting audits to assure that the contracted function is properly performed; and

(B) 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.

(i) An insurer is not required to include in its system of supervision an insurance producer's recommendations to consumers of products other than the annuities offered by the insurer.

(j) An insurance producer shall not dissuade, or attempt to dissuade, a consumer from:

(i) Truthfully responding to an insurer's request for confirmation of suitability information;

(ii) Filing a complaint; or

(iii) Cooperating with the investigation of a complaint.

(k) Sales made in compliance with FINRA requirements pertaining to suitability and supervision of annuity transactions shall satisfy the requirements under this regulation. This subsection applies to FINRA broker-dealer sales of annuities if the suitability and supervision is similar to those applied to variable annuity sales. However, nothing in this subsection shall limit the insurance commissioner's ability to enforce (including investigate) the provisions of this regulation.

(i) For paragraph (k) to apply, an insurer shall:

(A) Monitor the FINRA member broker-dealer using information collected in the normal course of an insurer's business; and

(B) Provide to the FINRA member broker-dealer information and reports that are reasonably appropriate to assist the FINRA member broker-dealer to maintain its supervision system.

Section 6. 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 this subsection.

(b) An insurance producer who engages in the sale of annuity products shall complete a one-time four (4) credit training course approved by the department of insurance and provided by a department of insurance approved education provider.

(i) Individuals who obtain a life insurance license on or after the effective date of this regulation may not engage in the sale of annuities until the training course required under this subsection has been completed.

(c) The minimum length of training required under this subsection shall be sufficient to qualify for at least four (4) CE credits, but may be longer.

(d) The training required under this subsection shall include information on the following topics:

- (i) The types of annuities and various classifications of annuities;
- (ii) Identification of the parties to an annuity;
- (iii) How product specific annuity contract provisions affect consumers;
- (iv) The application of income taxation of qualified and non-qualified annuities;
- (v) The primary uses of annuities; and
- (vi) Appropriate sales practices, replacement and disclosure requirements.

(e) Providers of courses intended to comply with this subsection 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.

(f) A provider of an annuity training course intended to comply with this subsection 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 Wyoming Department of Insurance Regulations Chapter 20.

(g) Annuity training courses may be conducted and completed by classroom or home-study methods in accordance with Wyoming Department of Insurance Regulations Chapter 20.

(h) Providers of annuity training shall comply with the reporting requirement and shall issue certificates of completion in accordance with Wyoming Department of Insurance Regulations Chapter 20.

(i) The satisfaction of the training requirements of another state that are substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this state.

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

Section 7. Compliance.

Failure to comply with the provisions of this Regulation is subject to the penalties identified in the insurance code, W.S. § 26-1-101 *et seq.*, and is hereby deemed an unfair method of competition and an unfair trade practice.

Section 8. Recordkeeping.

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 and other information used in making the recommendations that were the basis for insurance transactions for three (3) 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 an insurance producer.

Section 9. Effective Date.

This regulation shall be effective upon filing with the Secretary of State.

CHAPTER 64
REGULATION GOVERNING SUITABILITY
IN ANNUITY TRANSACTIONS

Section 1. Authority.

These rules and regulations governing the suitability in annuity transactions in the State of Wyoming supplement the provisions of ~~W.S. 26-3-116(b)(ii), W.S. 26-9-231, W.S. 26-13-102, W.S. 26-13-103, W.S. 26-13-104, W.S. 26-13-105, W.S. 26-13-106, W.S. 26-13-107, W.S. 26-13-110, W.S. 26-13-116, W.S. 26-15-107, W.S. 26-15-109, and W.S. 26-15-110. They are promulgated pursuant to~~ by authority of and pursuant to the Wyoming Administrative Procedure Act (W.S. 16-3-101 through W.S. §§ 16-3-101 et seq. 115) and the Wyoming Insurance Code (W.S. 26-2-110, and W.S. 26-2-125) and 26-13-101 et seq.

~~**Section 2. Purpose**~~

- ~~(a) The purpose of this Regulation is:~~
- ~~(b) To require insurers to establish 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 addressed.~~
- ~~(c) To declare that failure to comply with the provisions of this Regulation will be deemed an unfair method of competition and an unfair trade practice.~~

Section 3. ~~Section 3~~ Scope.

This regulation ~~shall apply~~ applies to any recommendation to purchase, exchange or replace 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.

~~**Section 4. Section 4**~~ Definitions.

- (a) "Annuity" as set forth in W.S. § 26-1-102(iv) means an annuity that is an insurance product that is individually solicited, whether the product is classified as an individual or group annuity.
- (b) "Continuing education credit" or "CE credit" means one continuing education credit as defined in W.S. § 26-9-231 et seq.

(c) ~~“Continuing education provider” or “CE Provider”~~ means an individual or entity that is approved to offer continuing education courses pursuant to Wyoming Department of Insurance Rules and Regulations, Chapter 20, ~~Section 11~~.

(d) “FINRA” means the Financial Industry Regulatory Authority or a succeeding agency.

(e) “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.

(g) “Recommendation” means advice provided by an insurance producer, or an insurer where no producer is involved, to an individual consumer that results in a purchase, exchange or placement of an annuity policy in accordance with that advice.

(h) “Replacement” means any transaction in which a new annuity is to be purchased, and it is known or should be known to the proposing producer, or the proposing insurer if there is no producer, that by reason of such transaction, an existing annuity has been or is to be:

(i) Lapsed, forfeited, surrendered, or otherwise terminated;

(ii) Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;

(iii) 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;

(iv) Reissued with any reduction in cash value; or

(v) Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding twenty-five percent (25%) of the loan value set forth in the policy.

(i) “Suitability information” means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:

(i) Age;

(ii) Annual Income;

- (iii) Financial situation and needs, including the financial resources used to fund ~~for the funding~~ of the annuity;
- (iv) Financial experience;
- (v) Financial objectives;
- (vi) Intended use of the annuity to be purchased;
- (vii) Financial time horizon;
- (viii) Existing assets, including investment and life insurance holdings;
- (ix) Liquidity needs;
- (x) Liquid net worth;
- (xi) Risk tolerance; and
- (xii) Tax status.

Section 5. ~~Section 5~~ Exemptions.

- (a) Unless otherwise specifically included, this regulation shall not apply to transactions involving:
 - (b) Direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to this regulation;
 - (c) Contracts used to fund:
 - (i) An employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA);
 - (ii) A plan described by sections 401(a), 401(k), 403(b), 408(k) or 408(p) of the Internal Revenue Code (IRC), as amended, if established or maintained by an employer;
 - (iii) A government or church plan defined in section 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 section 457 of the IRC;

(iv) A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;

(v) Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or

(vi) Formal prepaid funeral contracts.

Section 6. ~~Section 6~~ Duties of Insurers and of Insurance Producers.

(a) 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:

(i) 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, any mortality and expense fees, market value adjustments, investment advisory fees, potential charges for and features of riders, limitations on interest returns, equity indexed features, insurance and investment components and market risk;

(ii) The consumer would benefit from certain features of the annuity, such as but not limited to death or living benefits, tax-deferred growth or annuitization;

(iii) The particular annuity as a whole, the underlying subaccounts or equity index features 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

(iv) 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, lose existing benefits (such as death, living or other contractual benefits), lose cash value, 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 thirty-six (36) months.

(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 subsection (d), 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.

(d) Except as provided under paragraph (e) of this subsection, neither an insurance producer, nor an insurer, shall have any obligation to a consumer under subsection (a) or (c) related to any annuity transaction if:

(i) No recommendation is made;

(ii) A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;

(iii) A consumer refuses to provide relevant suitability information and the annuity transaction is not recommended; or

(iv) A consumer decides to enter into an annuity transaction that is not based on a recommendation of the insurer or the insurance producer.

(e) An insurer's issuance of an annuity subject to paragraph (d) shall be reasonable under all the circumstances actually known to the insurer at the time the annuity is issued.

(f) An insurance producer or, where no insurance producer is involved, the responsible insurer representative, shall at the time of sale:

(i) Make a record of any recommendation subject to section 65(a) of this regulation;

(ii) Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and

(iii) 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.

(g) An insurer shall establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with this regulation, including, but not limited to, the following:

(i) The insurer shall maintain reasonable procedures to inform its insurance producers of the requirements of this regulation and shall incorporate the requirements of this regulation into relevant insurance producer training manuals;

(ii) The insurer shall establish standards for insurance producer product training and shall maintain reasonable procedures to require its insurance producers to comply with the requirements of section 76 of this regulation;

(iii) The insurer shall provide product-specific training and training materials which explain all material features of its annuity products to its insurance producers;

(iv) The insurer shall maintain procedures for 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. 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;

(v) The insurer shall maintain reasonable procedures to detect recommendations that are not suitable. This may include, but is not limited to, confirmation of consumer suitability information, systematic customer surveys, interviews, confirmation letters, and programs of internal monitoring. Nothing in this subparagraph prevents an insurer from complying with this subparagraph by applying sampling procedures, or by confirming suitability information after issuance or delivery of the annuity; and

(vi) The insurer shall annually provide a 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.

(h) Nothing in this subsection restricts an insurer from contracting for performance of a function (including maintenance of procedures) required under paragraph (g). An Insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to section 87 of this regulation regardless of whether the insurer contracts for performance of a function and regardless of the insurer's compliance with subparagraph (i) of this paragraph.

(i) An insurer's supervision system under paragraph (g) shall include supervision of contractual performance under this subsection. This includes, but is not limited to, the following:

(A) Monitoring and, as appropriate, conducting audits to assure that the contracted function is properly performed; and

(B) 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.

(i) An insurer is not required to include in its system of supervision an insurance producer's recommendations to consumers of products other than the annuities offered by the insurer.

(j) An insurance producer shall not dissuade, or attempt to dissuade, a consumer from:

(i) Truthfully responding to an insurer's request for confirmation of suitability information;

(ii) Filing a complaint; or

(iii) Cooperating with the investigation of a complaint.

(k) Sales made in compliance with FINRA requirements pertaining to suitability and supervision of annuity transactions shall satisfy the requirements under this regulation. This subsection applies to FINRA broker-dealer sales of ~~variable products~~ annuities if the suitability and supervision is similar to those applied to variable annuity sales. However, nothing in this subsection shall limit the insurance commissioner's ability to enforce (including investigate) the provisions of this regulation.

(i) For paragraph (k) to apply, an insurer shall:

(A) Monitor the FINRA member broker-dealer using information collected in the normal course of an insurer's business; and

(B) Provide to the FINRA member broker-dealer information and reports that are reasonably appropriate to assist the FINRA member broker-dealer to maintain its supervision system.

Section 7. ~~Section 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 this subsection.

(b) An insurance producer who engages in the sale of annuity products shall complete a one-time four (4) credit training course approved by the department of insurance and provided by a department of insurance approved education provider.

~~(i) Insurance producers who hold a life insurance license on the effective date of this regulation and who desire to sell annuities shall complete the requirements of this subsection within six (6) months after the effective date of this regulation.~~ Individuals who obtain a life insurance license on or after the effective date of this regulation may not engage in the sale of annuities until the training course required under this subsection has been completed.

(c) The minimum length of training required under this subsection shall be sufficient to qualify for at least four (4) CE credits, but may be longer.

(d) The training required under this subsection shall include information on the following topics:

- (i) The types of annuities and various classifications of annuities;
- (ii) Identification of the parties to an annuity;
- (iii) How ~~fixed, variable, and indexed~~ product specific annuity contract provisions affect consumers;
- (iv) The application of income taxation of qualified and non-qualified annuities;
- (v) The primary uses of annuities; and
- (vi) Appropriate sales practices, replacement and disclosure requirements.

(e) Providers of courses intended to comply with this subsection 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.

(f) A provider of an annuity training course intended to comply with this subsection 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 Wyoming Department of Insurance Regulations Chapter 20.

(g) Annuity training courses may be conducted and completed by classroom or home-study methods in accordance with Wyoming Department of Insurance Regulations Chapter 20.

(h) Providers of annuity training shall comply with the reporting requirement and shall issue certificates of completion in accordance with Wyoming Department of Insurance Regulations Chapter 20.

(i) The satisfaction of the training requirements of another State that are substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this state.

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

Section 8. ~~Section 8 Compliance Mitigation; Penalties.~~

Failure to comply with the provisions of this Regulation is subject to the penalties identified in the insurance code, W.S. § 26-1-101 *et seq.*, and is hereby deemed an unfair method of competition and an unfair trade practice.

~~(a) An insurer is responsible for compliance with this regulation. If a violation occurs, either because of the action or inaction of the insurer or its insurance producer, the commission may order:~~

~~(i) An insurer to take reasonably appropriate corrective action for any consumer harmed by the insurer's, or by its insurance producer's, violation of this regulation.~~

~~(ii) 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 regulation; and~~

~~(iii) Appropriate penalties and sanctions pursuant to Wyo. Stat 26-1-107 et. al.~~

~~(b) Any applicable penalty under Wyo. Stat 26-1-107 et. al. for a violation of this regulation may be reduced or eliminated, as determined by the Insurance Commissioner, 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.~~

Section 9. ~~Section 9-Recordkeeping.~~

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 and other information used in making the recommendations that were the basis for insurance transactions for three (3) 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 an insurance producer.

Section 10. ~~Section 10-Effective Date.~~

This regulation shall ~~take effect six months after~~ be effective upon filing with the Secretary of State.