

TRANSMITTAL SHEET FOR  
NOTICE OF INTENDED ACTION

Control 482 Department or Agency Department of Insurance\*

Rule No. Chapter 482-1-137

Rule Title: Suitability Protection in Annuity Transactions.

New  Amend  Repeal  Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? N/A\*

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? N/A\*

Is there another, less restrictive method of regulation available that could adequately protect the public? N/A\*

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? N/A\*

Is the increase in costs, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A\*

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? N/A\*

\*\*\*\*\*

Does the proposed rule have an economic impact? N/A\*

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

\*\*\*\*\*

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Sections 27-2-17 and 27-7-43, Code of Alabama 1975, and that it complies with all applicable filing requirements of the Alabama Insurance Code.\*

Signature of certifying officer Jim I. Ridling  
Jim I. Ridling  
Commissioner of Insurance

Date: May 20, 2016

\*Note: The Alabama Department of Insurance is exempt from the Alabama Administrative Procedures Act pursuant to Section 41-22-2(e), Code of Alabama 1975.

Alabama Department of Insurance

**NOTICE OF INTENDED ACTION**

**AGENCY NAME:** Alabama Department of Insurance

**RULE NO. & TITLE:** Chapter 482-1-137: Suitability Protection in Annuity Transactions.

**INTENDED ACTION:** Revise chapter.

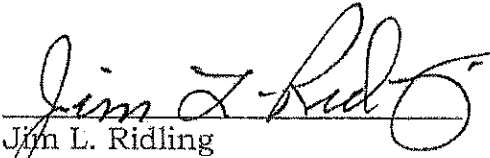
**SUBSTANCE OF PROPOSED ACTION:** The Commissioner of Insurance is proposing to revise the regulation which sets the standards and procedures for recommendations to consumers involving annuity products. The revisions are to add the most recent changes to the NAIC Suitability in Annuity Transactions model regulation, primarily to require insurers to establish a system to supervise recommendations. The revisions will become effective January 1, 2017.

**TIME, PLACE, MANNER OF PRESENTING VIEWS:** Interested persons may submit data, views, or arguments in writing at any time prior to July 14, 2016, to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 10:00 AM, on July 21, 2016.

**FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:**

July 14, 2016

**CONTACT PERSON AT AGENCY:** Reyn Norman  
General Counsel

  
Jim L. Ridling  
Commissioner of Insurance

ALABAMA DEPARTMENT OF INSURANCE  
INSURANCE REGULATION

CHAPTER 482-1-137

SUITABILITY PROTECTION IN ANNUITY TRANSACTIONS

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1 **482-1-137-.01 Authority.** This chapter is issued under the  
2 authority of Sections 27-2-17 & 27-12-1, et seq., Code of  
3 Alabama 1975.

4 **Author:** Commissioner of Insurance  
5 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
6 1, et seq.  
7 **History:** New May 19, 2006, Effective January 1, 2007

8 **482-1-137-.02 Purpose.**

9 (1) The purpose of this chapter is to require insurers to  
10 establish a system to supervise recommendations and to set  
11 forth standards and procedures for recommendations to  
12 consumers that result in a transaction involving annuity  
13 products so that the insurance needs and financial objectives  
14 of consumers at the time of the transaction are appropriately  
15 addressed.

16 (2) Nothing herein shall be constructed to create or  
17 imply a private cause of action for a violation of this  
18 chapter.

19 **Author:** Commissioner of Insurance  
20 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
21 1, et seq.  
22 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
23 \_\_\_\_\_, Effective January 1, 2017

1 **482-1-137.03 Scope.** This chapter shall apply to any  
2 recommendation to purchase, ~~or~~ exchange, or replace an annuity  
3 made to a consumer by an insurance producer, or an insurer  
4 where no producer is involved, that results in the purchase,  
5 ~~or~~ exchange, or replacement recommended.

6 **Author:** Commissioner of Insurance

7 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
8 1, et seq.

9 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
10 \_\_\_\_\_, Effective January 1, 2017

11 **482-1-137-.04 Exemptions.** Unless otherwise specifically  
12 included, this chapter shall not apply to ~~recommendations~~  
13 transactions involving:

14 (a) Direct response solicitations where there is no  
15 recommendation based on information collected from the  
16 consumer pursuant to this chapter.

17 (b) Contracts used to fund any of the following:

18 (1) An employee pension or welfare benefit plan that is  
19 covered by the Employee Retirement and Income Security Act  
20 (ERISA).

21 (2) A plan described by Sections 401(a), 401(k), 403(b),  
22 408(k) or 408(p) of the Internal Revenue Code (IRC), as  
23 amended, if established or maintained by an employer.

1 (3) A government or church plan defined in Section 414 of  
2 the IRC, a government or church welfare benefit plan, or a  
3 deferred compensation plan of a state or local government or  
4 tax exempt organization under Section 457 of the IRC.

5 (4) A nonqualified deferred compensation arrangement  
6 established or maintained by an employer or plan sponsor.

7 (5) Settlements of or assumptions of liabilities  
8 associated with personal injury litigation or any dispute or  
9 claim resolution process.

10 (6) Formal prepaid funeral contracts.

11 **Author:** Commissioner of Insurance

12 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
13 1, et seq.

14 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
15 \_\_\_\_\_, Effective January 1, 2017

16 **482-1-137-.05 Definitions.** The following definitions shall  
17 also apply in this chapter:

18 (a) ANNUITY. A fixed annuity or variable annuity that is  
19 an insurance product under state law that is individually  
20 solicited, whether the product is classified as an individual  
21 or group annuity.

1        (b) CONTINUING EDUCATION CREDIT or CE CREDIT. One  
2        continuing education credit as defined in Alabama Insurance  
3        Regulation 110, Chapter 482-1-110.

4        (c) CONTINUING EDUCATION PROVIDER or CE PROVIDER. An  
5        individual or entity that is approved to offer continuing  
6        education courses pursuant to Alabama Insurance Regulation  
7        110, Chapter 482-1-110.

8        (d) FINRA. The Financial Industry Regulatory Authority  
9        or a successor agency.

10       ~~(b)~~(e) INSURER. A company required to be licensed under  
11       the laws of this state to provide insurance products,  
12       including annuities.

13       ~~(e)~~(f) INSURANCE PRODUCER. A person required to be  
14       licensed under the laws of this state to sell, solicit or  
15       negotiate insurance, including annuities.

16       ~~(d)~~(g) RECOMMENDATION. Advice provided by an insurance  
17       producer, or an insurer where no producer is involved, to an  
18       individual consumer that results in a purchase, ~~or~~ exchange,  
19       or replacement of an annuity in accordance with that advice.

20       (h) REPLACEMENT. A transaction in which a new policy or  
21       contract is to be purchased, and it is known or should be

1 known to the proposing producer, or to the proposing insurer  
2 if there is no producer, that by reason of the transaction, an  
3 existing policy or contract has been or is to be any of the  
4 following:

5 (1) Lapsed, forfeited, surrendered or partially  
6 surrendered, assigned to the replacing insurer or otherwise  
7 terminated.

8 (2) Converted to reduced paid-up insurance, continued as  
9 extended term insurance, or otherwise reduced in value by the  
10 use of nonforfeiture benefits or other policy values.

11 (3) Amended so as to effect either a reduction in  
12 benefits or in the term for which coverage would otherwise  
13 remain in force or for which benefits would be paid;

14 (4) Reissued with any reduction in cash value.

15 (5) Used in a financed purchase.

16 (i) SUITABILITY INFORMATION. Information that is  
17 reasonably appropriate to determine the suitability of a  
18 recommendation, including all of the following:

19 (1) Age.

20 (2) Annual income.



1           (3) Financial situation and needs, including the  
2 financial resources used for the funding of the annuity.

3           (4) Financial experience.

4           (5) Financial objectives.

5           (6) Intended use of the annuity.

6           (7) Financial time horizon.

7           (8) Existing assets, including investment and life  
8 insurance holdings.

9           (9) Liquidity needs.

10          (10) Liquid net worth.

11          (11) Risk tolerance.

12          (12) Tax status.

13 **Author:** Commissioner of Insurance

14 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
15 1, et seq.

16 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
17 \_\_\_\_\_, Effective January 1, 2017

18 **482-1-137-.06 Duties of Insurers and of Insurance Producers.**

19           (1) In recommending to a consumer the purchase of an  
20 annuity or the exchange of an annuity that results in another  
21 insurance transaction or series of insurance transactions, the

1 insurance producer, or the insurer where no producer is  
2 involved, shall have reasonable grounds for believing that the  
3 recommendation is suitable for the consumer on the basis of  
4 the facts disclosed by the consumer as to his or her  
5 investments and other insurance products and as to his or her  
6 financial situation and needs, including the consumer's  
7 suitability information, and that there is a reasonable basis  
8 to believe all of the following:

9 (a) The consumer has been reasonably informed of various  
10 features of the annuity, such as the potential surrender  
11 period and surrender charge, potential tax penalty if the  
12 consumer sells, exchanges, surrenders or annuitizes the  
13 annuity, mortality and expense fees, investment advisory fees,  
14 potential charges for and features of riders, limitations on  
15 interest returns, insurance and investment components and  
16 market risk.

17 (b) The consumer would benefit from certain features of  
18 the annuity, such as tax-deferred growth, annuitization or  
19 death or living benefit.

20 (c) The particular annuity as a whole, the underlying  
21 subaccounts to which funds are allocated at the time of  
22 purchase or exchange of the annuity, and riders and similar

1 product enhancements, if any, are suitable (and in the case of  
2 an exchange or replacement, the transaction as a whole is  
3 suitable) for the particular consumer based on his or her  
4 suitability information.

5 (d) In the case of an exchange or replacement of an  
6 annuity, the exchange or replacement is suitable including  
7 taking into consideration whether:

8 1. The consumer will incur a surrender charge, be  
9 subject to the commencement of a new surrender period, lose  
10 existing benefits (such as death, living or other contractual  
11 benefits), or be subject to increased fees, investment  
12 advisory fees or charges for riders and similar product  
13 enhancements.

14 2. The consumer would benefit from product enhancements  
15 and improvements.

16 3. The consumer has had another annuity exchange or  
17 replacement and, in particular, an exchange or replacement  
18 within the preceding 36 months.

19 (2) Prior to the execution of a purchase, ~~ex~~ exchange, or  
20 replacement of an annuity resulting from a recommendation, an  
21 insurance producer, or an insurer where no producer is  
22 involved, shall make reasonable efforts to obtain information

1 ~~concerning all of the following:~~ the consumer's suitability  
2 information.

3 ~~(a) The consumer's financial status.~~

4 ~~(b) The consumer's tax status.~~

5 ~~(c) The consumer's investment objectives.~~

6 ~~(d) Such other information used or considered to be~~  
7 ~~reasonable by the insurance producer, or the insurer where no~~  
8 ~~producer is involved, in making recommendations to the~~  
9 ~~consumer.~~

10 (3) Except as permitted under paragraph (4), an insurer  
11 shall not issue an annuity recommended to a consumer unless  
12 there is a reasonable basis to believe the annuity is suitable  
13 based on the consumer's suitability information.

14 ~~(3)(4) (a) Except as provided under Rule 482-1-137-~~  
15 ~~.06(3)(b) subparagraph (b), neither an insurance producer, nor~~  
16 ~~an insurer where no producer is involved, shall have any~~  
17 ~~obligation to a consumer under Rule 482-1-137-.06(1)~~  
18 paragraphs (1) or (3) related to any recommendation annuity  
19 transaction if a consumer:

20 1. No recommendation is made.

1           2. A recommendation was made and was later found to have  
2 been prepared based on materially inaccurate information  
3 provided by the consumer.

4           ~~1. Refuses~~ 3. A consumer refuses to provide relevant  
5 suitability information requested by the insurer or insurance  
6 producer and the annuity transaction is not recommended.

7           ~~2. Decides~~ 4. A consumer decides to enter into an  
8 insurance annuity transaction that is not based on a  
9 recommendation of the insurer or insurance producer.

10           ~~3. Fails to provide complete or accurate information.~~

11           (b) ~~An insurer or insurance producer's recommendation~~  
12 insurer's issuance of an annuity subject to Rule 482-1-137.06  
13 ~~(3)(a)~~ subparagraph (a) shall be reasonable under all the  
14 circumstances actually known to the insurer ~~or insurance~~  
15 ~~producer~~ at the time of the recommendation annuity is issued.

16           ~~(4)(a) An insurer either shall assure that a system to~~  
17 ~~supervise recommendations that is reasonably designed to~~  
18 ~~achieve compliance with this chapter is established and~~  
19 ~~maintained by complying with Rule 482-1-137-.06(4)(c) to (e), or~~  
20 ~~shall establish and maintain such a system, including, but not~~  
21 ~~limited to:~~

1 ~~1. Maintaining written procedures.~~

2 ~~2. Conducting periodic reviews of its records that are~~  
3 ~~reasonably designed to assist in detecting and preventing~~  
4 ~~violations of this chapter.~~

5 ~~(b) A general agent and independent agency either shall~~  
6 ~~adopt a system established by an insurer to supervise~~  
7 ~~recommendations of its insurance producers that is reasonably~~  
8 ~~designed to achieve compliance with this chapter, or shall~~  
9 ~~establish and maintain such a system, including, but not~~  
10 ~~limited to:~~

11 ~~1. Maintaining written procedures.~~

12 ~~2. Conducting periodic reviews of records that are~~  
13 ~~reasonably designed to assist in detecting and preventing~~  
14 ~~violations of this chapter.~~

15 ~~(c) An insurer may contract with a third party, including~~  
16 ~~a general agent or independent agency, to establish and~~  
17 ~~maintain a system of supervision as required by Rule 482-1-~~  
18 ~~137-.06 (4)(a) with respect to insurance producers under~~  
19 ~~contract with or employed by the third party.~~

20 ~~(d) An insurer shall make reasonable inquiry to assure~~  
21 ~~that the third party contracting under Rule 482-1-137-~~

1 ~~.06(4)(c) is performing the functions required under Rule 482-~~  
2 ~~1-137-.06(4)(a) and shall take such action as is reasonable~~  
3 ~~under the circumstances to enforce the contractual obligation~~  
4 ~~to perform the functions. An insurer may comply with its~~  
5 ~~obligation to make reasonable inquiry by doing both of the~~  
6 ~~following:~~

7 ~~1. The insurer annually obtains a certification from a~~  
8 ~~third party senior manager who has responsibility for the~~  
9 ~~delegated functions that the manager has a reasonable basis to~~  
10 ~~represent, and does represent, that the third party is~~  
11 ~~performing the required functions; and~~

12 ~~2. The insurer, based on reasonable selection criteria,~~  
13 ~~periodically selects third parties contracting under Rule 482-~~  
14 ~~1-137-.06(4)(c) for a review to determine whether the third~~  
15 ~~parties are performing the required functions. The insurer~~  
16 ~~shall perform those procedures to conduct the review that are~~  
17 ~~reasonable under the circumstances.~~

18 ~~(e) An insurer that contracts with a third party pursuant~~  
19 ~~to Rule 482-1-137-.06(4)(c) and that complies with the~~  
20 ~~requirements to supervise in Rule 482-1-137-.06(4)(d) shall~~  
21 ~~have fulfilled its responsibilities under Rule 482-1-137-~~  
22 ~~.06(4)(a).~~

1 ~~(f) An insurer, general agent or independent agency is~~  
2 ~~not required by Rule 482-1-137-.06(4)(a) or (b) to:~~

3 ~~1. Review, or provide for review of, all insurance~~  
4 ~~producer solicited transactions; or~~

5 ~~2. Include in its system of supervision an insurance~~  
6 ~~producer's recommendations to consumers of products other than~~  
7 ~~the annuities offered by the insurer, general agent or~~  
8 ~~independent agency.~~

9 ~~(g) A general agent or independent agency contracting~~  
10 ~~with an insurer pursuant to Rule 482-1-137-.06(4)(e) shall~~  
11 ~~promptly, when requested by the insurer pursuant to Rule 482-~~  
12 ~~1-137-.06(4)(d), give a certification as described in Rule~~  
13 ~~482-1-137-.06(4)(d) or give a clear statement that it is~~  
14 ~~unable to meet the certification criteria.~~

15 ~~(h) No person may provide a certification under Rule 482-~~  
16 ~~1-137-.06(4)(d)(1) unless:~~

17 ~~1. The person is a senior manager with responsibility~~  
18 ~~for the delegated functions; and~~

19 ~~2. The person has a reasonable basis for making the~~  
20 ~~certification.~~



1 ~~(5) Compliance with the National Association of~~  
2 ~~Securities Dealers Conduct Rules pertaining to suitability~~  
3 ~~shall satisfy the requirements under this Rule for the~~  
4 ~~recommendation of variable annuities. However, nothing in~~  
5 ~~this Rule shall limit the insurance commissioner's ability to~~  
6 ~~enforce the provisions of this chapter.~~

7 (5) An insurance producer or, where no insurance producer  
8 is involved, the responsible insurer representative, shall at  
9 the time of sale do all of the following:

10 (a) Make a record of any recommendation subject to  
11 paragraph (1).

12 (b) Obtain a customer signed statement documenting a  
13 customer's refusal to provide suitability information, if any.

14 (c) Obtain a customer signed statement acknowledging that  
15 an annuity transaction is not recommended if a customer  
16 decides to enter into an annuity transaction that is not based  
17 on the insurance producer's or insurer's recommendation.

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

1       1. The insurer shall maintain reasonable procedures to  
2 inform its insurance producers of the requirements of this  
3 regulation and shall incorporate the requirements of this  
4 regulation into relevant insurance producer training manuals.

5       2. The insurer shall establish standards for insurance  
6 producer product training and shall maintain reasonable  
7 procedures to require its insurance producers to comply with  
8 the requirements of Rule 482-1-137-.07.

9       3. The insurer shall provide product-specific training  
10 and training materials which explain all material features of  
11 its annuity products to its insurance producers.

12       4. The insurer shall maintain procedures for review of  
13 each recommendation prior to issuance of an annuity that are  
14 designed to ensure that there is a reasonable basis to  
15 determine that a recommendation is suitable. Such review  
16 procedures may apply a screening system for the purpose of  
17 identifying selected transactions for additional review and  
18 may be accomplished electronically or through other means  
19 including, but not limited to, physical review. Such an  
20 electronic or other system may be designed to require  
21 additional review only of those transactions identified for  
22 additional review by the selection criteria.

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

10       6. The insurer shall annually provide a report to senior  
11 management, including to the senior manager responsible for  
12 audit functions, which details a review, with appropriate  
13 testing, reasonably designed to determine the effectiveness of  
14 the supervision system, the exceptions found, and corrective  
15 action taken or recommended, if any.

16       (b)1. Nothing in this subparagraph restricts an insurer  
17 from contracting for performance of a function (including  
18 maintenance of procedures) required under subparagraph (a).  
19 An insurer is responsible for taking appropriate corrective  
20 action and may be subject to sanctions and penalties pursuant  
21 to Rule 482-1-137-.08 regardless of whether the insurer

1 contracts for performance of a function and regardless of the  
2 insurer's compliance with subparagraph 2.

3 2. An insurer's supervision system under subparagraph  
4 (a) shall include supervision of contractual performance under  
5 this subsection. This includes, but is not limited to, the  
6 following:

7 (i) Monitoring and, as appropriate, conducting audits to  
8 assure that the contracted function is properly performed.

9 (ii) Annually obtaining a certification from a senior  
10 manager who has responsibility for the contracted function  
11 that the manager has a reasonable basis to represent, and does  
12 represent, that the function is properly performed.

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

17 (7) An insurance producer shall not dissuade, or attempt  
18 to dissuade, a consumer from doing any of the following:

19 (a) Truthfully responding to an insurer's request for  
20 confirmation of suitability information.

21 (b) Filing a complaint.

1 (c) Cooperating with the investigation of a complaint.

2 (8) (a) Sales made in compliance with FINRA requirements  
3 pertaining to suitability and supervision of annuity  
4 transactions shall satisfy the requirements under this  
5 regulation. This paragraph applies to FINRA broker-dealer  
6 sales of annuities if the suitability and supervision is  
7 similar to those applied to variable annuity sales. However,  
8 nothing in this paragraph shall limit the insurance  
9 commissioner's ability to enforce (including investigate) the  
10 provisions of this regulation.

11 (b) For paragraph (a) to apply, an insurer shall do both  
12 of the following:

13 1. Monitor the FINRA member broker-dealer using  
14 information collected in the normal course of an insurer's  
15 business.

16 2. Provide to the FINRA member broker-dealer information  
17 and reports that are reasonably appropriate to assist the  
18 FINRA member broker-dealer to maintain its supervision system.

19 **Author:** Commissioner of Insurance

20 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
21 1, et seq.

22 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
23 \_\_\_\_\_, Effective January 1, 2017

1 482-1-137-.06.1 Insurance Producer Training.

2 (1) An insurance producer shall not solicit the sale of  
3 an annuity product unless the insurance producer has adequate  
4 knowledge of the product to recommend the annuity and the  
5 insurance producer is in compliance with the insurer's  
6 standards for product training. An insurance producer may rely  
7 on insurer-provided product-specific training standards and  
8 materials to comply with this paragraph.

9 (2) (a) 1. An insurance producer who engages in the sale  
10 of annuity products shall complete a one-time four (4) credit  
11 training course approved by the department of insurance and  
12 provided by the department of insurance-approved education  
13 provider.

14 2. Insurance producers who hold a life insurance line of  
15 authority on the effective date of this regulation and who  
16 desire to sell annuities shall complete the requirements of  
17 this subsection within six (6) months after the effective date  
18 of this regulation. Individuals who obtain a life insurance  
19 line of authority on or after the effective date of this  
20 regulation may not engage in the sale of annuities until the  
21 annuity training course required under this subsection has  
22 been completed.

1        (b) The minimum length of the training required under  
2 this paragraph shall be sufficient to qualify for at least  
3 four (4) CE credits, but may be longer.

4        (c) The training required under this paragraph shall  
5 include information on the following topics:

6            1. The types of annuities and various classifications of  
7 annuities.

8            2. Identification of the parties to an annuity.

9            3. How product specific annuity contract features affect  
10 consumers.

11           4. The application of income taxation of qualified and  
12 non-qualified annuities.

13           5. The primary uses of annuities.

14           6. Appropriate sales practices, replacement and  
15 disclosure requirements.

16        (d) Providers of courses intended to comply with this  
17 subsection shall cover all topics listed in the prescribed  
18 outline and shall not present any marketing information or  
19 provide training on sales techniques or provide specific  
20 information about a particular insurer's products. Additional

1 topics may be offered in conjunction with and in addition to  
2 the required outline.

3 (e) A provider of an annuity training course intended to  
4 comply with this paragraph shall register as a CE provider in  
5 this State and comply with the rules and guidelines applicable  
6 to insurance producer continuing education courses as set  
7 forth in Alabama Insurance Regulation 110, Chapter 482-1-110.

8 (f) Annuity training courses may be conducted and  
9 completed by classroom or self-study methods in accordance  
10 with Alabama Insurance Regulation 110, Chapter 482-1-110.

11 (g) Providers of annuity training shall comply with the  
12 reporting requirements and shall issue certificates of  
13 completion in accordance with Alabama Insurance Regulation  
14 110, Chapter 482-1-110.

15 (h) The satisfaction of the training requirements of  
16 another State that are substantially similar to the provisions  
17 of this paragraph shall be deemed to satisfy the training  
18 requirements of this paragraph in this State.

19 (i) An insurer shall verify that an insurance producer  
20 has completed the annuity training course required under this  
21 paragraph before allowing the producer to sell an annuity  
22 product for that insurer. An insurer may satisfy its



1 responsibility under this paragraph by obtaining certificates  
2 of completion of the training course or obtaining reports  
3 provided by commissioner-sponsored database systems or vendors  
4 or from a reasonably reliable commercial database vendor that  
5 has a reporting arrangement with approved insurance education  
6 providers.

7 **Author:** Commissioner of Insurance

8 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
9 1, et seq.

10 **History:** New \_\_\_\_\_, Effective January 1, 2017

11 **482-1-137-.07 Compliance Mitigation of Responsibility;**

12 **Penalties.**

13 (1) An insurer is responsible for compliance with this  
14 regulation. If a violation occurs, either because of the  
15 action or inaction of the insurer or its insurance producer,  
16 ~~The~~ the commissioner may order any of the following:

17 (a) An insurer to take reasonably appropriate corrective  
18 action for any consumer harmed by the insurer's or by its  
19 insurance producer's, violation of this chapter.

20 ~~(b) An insurance producer to take reasonably appropriate~~  
21 ~~corrective action for any consumer harmed by the insurance~~  
22 ~~producer's violation of this chapter.~~

1        ~~(e)~~(b) A general agency, ~~or~~ independent agency or the  
2 insurance producer that employs or contracts with an insurance  
3 producer to sell, or solicit the sale, of annuities to  
4 consumers, to take reasonably appropriate corrective action  
5 for any consumer harmed by the insurance producer's violation  
6 of this chapter.

7        (c) Appropriate penalties and sanctions.

8        (2) Any applicable penalty under Section 27-12-1 et seq.  
9 Code of Alabama 1975 for a violation of Rule 482-1-137-  
10 .06(1), (2) or (3)(b) of this Chapter may be reduced or  
11 eliminated if corrective action for the consumer was taken  
12 promptly after a violation was discovered or the violation was  
13 not part of a pattern or practice.

14 **Author:** Commissioner of Insurance

15 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
16 1, et seq.

17 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
18 \_\_\_\_\_, Effective January 1, 2017

19 **482-1-137-.08 Recordkeeping.**

20        (1) Insurers, general agents, independent agencies and  
21 insurance producers shall maintain or be able to make  
22 available to the commissioner records of the information  
23 collected from the consumer and other information used in

1 making the recommendations that were the basis for insurance  
2 transactions for three (3) years after the insurance  
3 transaction is completed by the insurer. An insurer is  
4 permitted, but shall not be required, to maintain  
5 documentation on behalf of an insurance producer.

6 (2) Records required to be maintained by this chapter may  
7 be maintained in paper, photographic, micro-process, magnetic,  
8 mechanical or electronic media or by any process that  
9 accurately reproduces the actual document.

10 **Author:** Commissioner of Insurance  
11 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
12 1, et seq.  
13 **History:** New May 19, 2006, Effective January 1, 2007

14 **482-1-137-.09 Separability.** If any portion of this chapter  
15 or its applicability to any person or circumstance is held  
16 invalid by a court, the remainder of the chapter or the  
17 applicability of the provision to other persons or  
18 circumstances shall not be affected.

19 **Author:** Commissioner of Insurance  
20 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
21 1, et seq.  
22 **History:** New May 19, 2006, Effective January 1, 2007

1 **482-1-137-.10 Effective date.** This chapter shall be  
2 effective January 1, ~~2007~~ 2017, upon its approval by the  
3 Commissioner of Insurance and upon its having been on file as  
4 a public document in the office of the Secretary of State for  
5 ten days.

6 **Author:** Commissioner of Insurance  
7 **Statutory Authority:** Code of Alabama 1975, § 27-2-17 & 27-12-  
8 1, et seq.  
9 **History:** New May 19, 2006, Effective January 1, 2007; Revised  
10 \_\_\_\_\_, Effective January 1, 2017