



# **DOL FIDUCIARY RULE:**

## **Impact on Financial Advice for the American Retirement Saver**

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# The Insured Retirement Institute (IRI)

- Only national trade association that represents the entire supply chain of the retirement income industry.
- More than 500 member companies, including major life insurance companies, broker-dealers, banks, and asset management companies.
- Account for more than 95% of annuity assets in the United States, and include the top 10 distributors of annuities ranked by assets under management.
- Represent more than 150,000 financial professionals serving over 22.5 million households in communities across the country.



# BACKGROUND

- 2010: DOL Released Original Fiduciary Proposal
- 2011: DOL Withdrew Rule Proposal
- July - February 2014: White House and DOL Meetings
- February 2015: President Directs DOL to Move Forward
- April 2015: DOL Releases “Conflict of Interest” Rule Proposal
- July 2015: Initial Comment Period Closes
- August 2015: Four Days of Public Testimony
- September 2015: Supplemental Comments

# IRI CONCERNS AND SUGGESTED REVISIONS

- Variable Annuities Should Be Returned to PTE 84-24
- Definition of “Fiduciary” covers many non-fiduciary activities
  - Carve-outs for education, marketing and sales should be broadened
  - Should be triggered by individualized “call to action” (FINRA definition)
- Best Interest Contract Exemption is Unworkable
  - Reasonable compensation requirements would effectively prohibit commissions and other differential compensation arrangements
  - Warranties are unnecessary and should be eliminated
  - Disclosure requirements should rely on existing disclosure regimes
- Regulatory Impact Analysis is Flawed

# POTENTIAL EFFECTS ON THE STATES – CONFLICTS WITH EXISTING RULES

- Proposed rule conflicts with successful consumer protection standards that states have worked hard to develop and enforce.
- Example: State insurance regulation suitability requirements for annuity transactions.
- Example: Disclosure requirements for annuities that are not registered with the SEC and the disclosure requirements the proposed rule will impose.
  - Existing NAIC Annuity Disclosure Model Regulation has been carefully crafted by the NAIC in consultation with industry representatives, and consumer advocates to establish a rule designed to ensure that consumers are provided the information they need in order to fully understand annuities and their costs and benefits.

# POTENTIAL EFFECTS ON THE STATES – INCREASED COSTS

- BIC Exemption creates a private right of action for IRA owners.
- Creates potential for a significant increase in the number class action lawsuits against any provider of retirement products and increased burden on state court systems to adjudicate the claims.



# KEY DATES AND NEXT STEPS

- March - April 2016: OMB Review Begins
- April – May 2016: DOL Publishes Final Rule
- November – December 2016: Rule Goes Into Effect / Compliance Required
- *Another Key Point* – December 2015: Government Funding Bill

# Questions?

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