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BULLETIN 22-11

DATE: August 30, 2022

TO: All Continuing Education Providers Offering Annuity Training, and Insurers and Producers with a Life Line of Authority

RE: Annuity Training Requirements for Life Insurance Producers COMAR 31.09.12.08

On October 8, 2022, new regulations regarding the sale of annuity products in Maryland will take effect. Maryland has adopted the best interest standard for the suitability of sales of annuities. The adoption of the best interest standard is consistent with the National Association of Insurance Commissioner's Model #275 ("Model"). Nonresident producers should refer to the provisions of the Model that are comparable to the revised provisions of the Maryland regulations.

Code of Maryland Regulations ("COMAR") 31.09.12¹ includes new requirements for producers who engage in the sale of annuity products. This bulletin is in a Question and Answer format to address questions the Administration has received or anticipates receiving. The questions address only the updated training requirements for producers and the dates by which the training must be completed to comply with COMAR 31.09.12.08C. A producer must also meet an insurer's standards for knowledge of a specific annuity product to comply with COMAR 31.09.12.08A.

Q. Are there new education requirements for insurance producers who sell annuity products?

A. Yes, all producers must complete a one-time training course that covers general annuity principles –including the types and uses of annuities, how annuity contract features affect consumers, and tax implications – as well as information about the new standard of conduct and the other requirements of the revised model. The specific training required depends on what prior training the producer has completed.

¹ References to COMAR 31.09.12 are based on the regulation to take effect on October 8, 2022.

Q. How can a producer satisfy the training requirements in the revised model?

A. A producer who has completed the annuity training requirements under the prior version of the Model or COMAR 31.09.12 must complete either a new four-credit training course that meets the requirements of COMAR 31.09.12.08C(8)(a) or a one-credit training course pursuant to COMAR 31.09.12.08C(8)(b) that focuses on the new sales practices, replacement, and disclosure requirements established by the revised model and regulations. Courses taken to earn continuing education credits must be approved by the Maryland Insurance Administration.

A producer who has NOT completed the annuity training requirements under the prior version of the Model must complete the four-credit training course that meets the requirements of the revised Model. Producers who have not completed the annuity training requirements under the prior version of the Model may not satisfy the training requirement by taking only the one-credit training course.

Q. Does the training requirement apply to producers who are registered with FINRA?

A. Yes, all producers who engage in the sale of annuities, including those registered with FINRA, must complete the training required by COMAR 31.09.12.08.

Q. When must producers complete the training requirements in the revised regulation?

A. A producer who has a current license and has completed the annuity training requirements under the prior version of the Model has until April 8, 2023 (six months after the effective date of this regulation) to take the required training. Such producers may continue to recommend and sell annuities during the six-month grace period.

A producer who has NOT completed the annuity training requirements under the prior version of the Model must complete the required training before engaging in the recommendation or sale of annuities.

Q. What are the consequences of failing to satisfy the training requirements of the revised Model?

A. A producer who recommends or sells annuities without completing the required training may face a penalty or other appropriate sanction under Insurance Article, §10 126, Annotated Code of Maryland.

An insurer that fails to comply with the training requirements of the revised regulation may be subject to a penalty or other appropriate sanction under Insurance Article, §4 113, Annotated Code of Maryland.

Q. Can a producer requalify to recommend and sell annuities after failing to satisfy the training requirements of the revised Model within the six-month grace period?

A. Yes, a producer who has completed the training required under the prior version of the Model can requalify to recommend and sell annuities by completing the new four-credit training course prior to recommending or selling annuities.

Q. If a producer already completed the new training in another state, will they have to retake the training in every state where they may recommend or sell annuities?

A. No, completion of substantially similar training in one state satisfies the training requirement in other states. Producers are not required to take the new training multiple times.

Q. Do producers have to wait for the revised Model to take effect in a particular state before taking the new required training?

A. No, a producer can take the training at any time, if the training is substantially similar to the requirements of this revised regulation.

Q. Is the annuity training requirement a continuing education (CE) requirement?

A. No, the annuity training is not a CE requirement. This is training required prior to selling an annuity product.

Q. Will a producer get CE credit for taking the new training?

A. A producer who completes the required training will receive CE credit *only if* the course was approved by their resident state prior to the date the course was taken, and the course provider submits a roster and all applicable fees to the insurance department in the producer's resident state.

Q. Can a producer satisfy the training requirements by taking a longer course that covers the required training as well as additional content?

A. Yes, COMAR 31.09.12.08C(6)(c) states that additional topics may be offered in conjunction with and in addition to the required outline of the approved training course.

Q. Does a producer need to keep a certificate of completion of the training course?

A. Yes. Insurers have a responsibility to obtain the certificate of completion a producer, or to obtain reports from Commissioner-sponsored database systems or vendors, or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved continuing education providers. A producer may be asked by an insurer to provide a certificate of completion of the training course. The Maryland Insurance Administration will not track whether producers have completed the training. It is the insurer's responsibility to verify that the producer has completed the training.

Q. What topics must be covered by an annuity training course?

A. The topics are set forth in COMAR 31.09.12.08C and shall include information on:

- (1) The types of annuities and various classifications of annuities;
- (2) Identification of the parties to an annuity;
- (3) How product-specific annuity contract features affect consumers;
- (4) The application of income taxation of qualified and nonqualified annuities;
- (5) The primary use of annuities; and
- (6) Appropriate standard of conduct, sales practices, replacement and disclosure requirements.

Q. Where can I find an approved continuing education annuity training course that meets the annuity training requirements?

A. Please go to the “Look up Courses or Transcript” section and select “Approved Course Offerings Inquiry” on the website of our CE vendor, Prometric at: www.sircon.com.

The annuity training courses that comply with COMAR 31.09.12. will be in the Annuity Best Interest – 4 hour and the Annuity Best Interest -1 hour categories.

Questions about this Bulletin may be directed to the Producer Licensing Unit via producerlicensing.mia@maryland.gov or call 410-468-2411; 1-888-204-6198.

**Kathleen A. Birrane
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signature on original

By: _____

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