

Finance review (annuities: suitability changes and challenges)

[Literature](#), [Russian Literature](#)



Section I- Original Work ment I, (insert , verify that this article review is solely my own work and creation and it has been prepared solely for credit in this class. Section II - Article Citation Donovan, K. (2011). Annuities: Sustainability Changes and Challenges. Agent's Sales Journal. Section III - Main Issue of the Article Annuity sales in the United States are growing and there many different types of offering in the marketplace. State insurance regulators are emphasizing their efforts in order to protect the consumers of annuity products. The regulatory requirements of annuities are evolving. The National Association of Insurers Commissioners adopted significant revisions to its Suitability in Annuity Transactions, Model 275. The changes took place in March of 2010. Three concerns of insurers when it comes to addressing the new requirements are: a) compliance with the model's requirements; b) review of all annuities transactions; c) general and product specific training requirements for producers. A new requirement is that carriers must not issue an annuity unless they have a reasonable basis for each annuity's suitability based on the information with which the prospect provides the insurer or producer. Insures are also required to maintain processes and procedures that provide a review of every annuity transaction. Information from the client must be gathered to evaluate sustainability. The new insurer producer training requirements address the need for adequate knowledge and provide the specific training that must be completed. Section IV - Relationship to Course A concept that was taught in the course that was emphasized in the article is that the consumer is the most important stakeholder in the financial marketplace. The importance of the consumer applies to any industry in business. Consumers are the most important

variable in business because they are the ones that generate the sales of the company. Due to this importance the article described how insurance regulators are changing their policies to protect the consumers more. The article's viewpoint that more protection was needed in the insurers market is similar to what has occurred in other marketplaces. In 2002 the Sarbanes Oxley was created to protect the consumers in the investment community from fraudulent business activity.

Section IV - Personal Reflection and Comments

The article showed me the importance of regulatory agencies in regards to the power these institutions have over the market. In the financial market the Security and Exchange Commission oversees investor activity. All industries can benefit from the intervention of regulatory agencies. The manufacturing sector needs more intervention from regulatory agencies in order to reduce air and noise pollution. The insurance market moves billion of dollars every year. Annuities are an instrument that has become more complex due to the new types of annuities that are being offered by insurers. The regulatory agencies are doing a great job of protecting the customers. These regulations adversely affect insurers in monetary terms because new regulations cost money to implement. Prior to reading this article I did not realize that there was a need for protection in the insurers market. I thought that that industry was self-regulated like the accounting industry. Consumer protection is very important because it legitimizes a marketplace. A perspective that was not discussed by the author of the article was the international implications of the changes. I was curious to know whether similar consumer protection movements were occurring in the insurance marketplace of other countries such as the United Kingdom. Other facts

that would have given the article greater impact were providing statistics of the size of the annuities marketplace in the United States. I would also like to know what the costs of implementing the new regulations were. It is possible that the customer is the one paying for the cost of new regulation because insurers are passing on those new acquired cost to the customers. Based on that logic new regulation are making annuities a less attractive investment. Learning about the opportunity cost of the new regulation in the insurance industry would have made for a more interesting discussion. Due to the impact that natural disasters can have on a community for me it is very important for the insurance industry to act ethically when disasters occur. Sometimes insurance companies delay the payment to the victims as much as possible in order to improve their cash flow position. This segment of the insurance industry in my opinion needs more regulation. The homes of people are the biggest investment of the majority of American citizens. Protecting that investment is in the best interest of all consumers.

References Donovan, K. (2011). Annuities: Sustainability Changes and Challenges. Agent's Sales Journal.