

**STATE OF NEVADA  
DEPARTMENT OF BUSINESS & INDUSTRY  
DIVISION OF INSURANCE**

**Revised Determination of Necessity - Small Business Impact Statement  
NRS 233B.0608(1)**

**Annuity Suitability**

A regulation relating to transactions involving annuity products; the regulation introduces provisions related to recommendations to consumers to ensure that they are suitable and 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. The regulation includes provisions to ensure that an insurance producer has adequate knowledge of a product prior to soliciting the sale or replacement of an annuity product.

EFFECTIVE DATE OF REGULATION:  
Upon filing with the Nevada Secretary of State

1. BACKGROUND.

The regulation was proposed under the authority of NRS 686A.015. The regulation amends NAC 688A, providing requirements for the solicitation of annuities, and providing other matters properly relating thereto. The purpose of the regulation is to expand the current annuity suitability regulations to conform to federal requirements as well as to require insurers to establish a system to supervise recommendations. Further, the regulation sets forth standards and procedures concerning recommendations to consumers to ensure that they are suitable and 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. The federal law, known as the Dodd-Frank Act, has incorporated into federal law the suitability provisions from the National Association of Insurance Commissioners ("NAIC") 2010 Suitability in Annuity Transactions Model Regulation #275, and has directed states to adopt the 2010 or newer NAIC model.

2. DESCRIPTION OF SOLICITATION SHOWING A CONCERTED EFFORT. NRS 233B.0608(1).

The Division of Insurance drafted a survey using Survey Monkey requesting respondents self-identify as a statutory small business and provide feedback concerning the effects of the proposed regulation on business. The survey consisted of the following questions:

1. "Please provide us with your contact information."
2. "How many employees work at your company?"
3. "Please select the most \* appropriate option.
  - a. "Insurance Company that provides Annuities"
  - b. "Insurance Company that does not provide Annuities"
  - c. "Producer/Broker that has sold an Annuity in the last year"
  - d. "Producer/Broker that has not sold an Annuity in the last year"
  - e. "Small Business Owner using Annuity products"
  - f. "Small Business Owner not using Annuity products"

4. "The proposed regulation amends NAC 688A.455 by expanding the responsibilities of an insurer or producer of insurance when making recommendations related to an annuity transaction. What type of impact does your company anticipate these expanded suitability and best interest provisions having on your day to day operations?"
5. "The proposed regulation amends NAC 688A.460 related to the establishment of a system to supervise recommendations. What type of impact does your company anticipate these amended provisions having?"
6. "Section 7 of the proposed regulation introduces requirements to ensure an insurance producer has adequate knowledge of the product to recommend an annuity. How much of an impact would the provisions of section 7 and the 4 hour annuity training requirement put on your business?"

The survey was sent out to the Chambers of Commerce throughout the state of Nevada for distribution to their members. The Division also sent the survey to the Commissioner's Agency Advisory Council and the Commissioner's Life and Health Advisory Committee for response and distribution to any interested parties. In addition to distributing the survey to the Commissioner's Life and Health Advisory Committee and the Commissioner's Agency Advisory Council, the Division sought discussion, feedback, and comments from both groups during their meetings.

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? NRS 233B.0608(1).

NO       YES

4. HOW WAS THAT CONCLUSION REACHED? NRS 233B.0608(3).

Based on analysis done by Division staff, including feedback received from the survey and interested parties, the Division anticipates the impact of this regulation will primarily be on small independent agents, producers, and brokers conducting annuity transactions. The limited feedback the Division has received to date would indicate that there will not be a direct and significant economic burden placed upon a small business conducting annuity transactions to comply with the expanded provisions of the proposed regulation.

I, SCOTT J. KIPPER, Commissioner of Insurance for the State of Nevada, hereby certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in this statement is accurate. (NRS 233B.0608(3))

November 14, 2023

\_\_\_\_\_  
(DATE)



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SCOTT J. KIPPER  
Commissioner of Insurance

**Revised Small Business Impact Statement**  
**NRS 233B.0608(2)-(4) and 233B.0609**

**Annuity Suitability**

A regulation relating to transactions involving annuity products; the regulation introduces provisions related to recommendations to consumers to ensure that they are suitable and 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. The regulation includes provisions to ensure that an insurance producer has adequate knowledge of a product prior to soliciting the sale or replacement of an annuity product.

1. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES. NRS 233B.0609(1)(a).

To date the Division has received 11 responses to the survey related to the proposed regulation. Of those 11 responses, only 5 were considered small businesses in that they had 50 or fewer employees. The overall results indicated a low to moderate impact related to expanding the recommendation requirements, and a moderate impact to expanding the current provisions relating to establishing a system for supervising recommendations and implementing a 4-hour training course on annuity products.

When the results were isolated to companies with 50 or fewer employees, the results indicated a moderate impact related to expanding the recommendation requirements, a moderate to significant impact to expanding the current provisions relating to establishing a system for supervising recommendations, and a moderate impact to implementing a 4-hour training course on annuity products. Based upon the comments received, the only impacts on small businesses are related to those small businesses that are producers of insurance required to comply with the provisions of this regulation. This regulation does not have any impact on non-insurance related small businesses.

The feedback from the Commissioner's Agency Advisory Council is that most states have already adopted the Annuity Suitability Provisions of the NAIC 2015 model, and, for those agencies, producers, or brokers doing business outside of Nevada, they are already accustomed to these requirements. There was general concern expressed about the over-regulation of agents, brokers, and producers, given the limited resources they have, and that more of the regulation should be placed on the carriers.

The Division will continue to accept survey results, comments and feedback from interested parties and incorporate these into our analysis on the small business impact.

Other interested parties may receive a copy of this summary by contacting the Nevada Division of Insurance, at [regs@doi.nv.gov](mailto:regs@doi.nv.gov).

2. HOW WAS THE ANALYSIS CONDUCTED? NRS 233B.0609(1)(b).

Division personnel deemed subject matter experts analyzed the small business impact based upon the results of the survey, comments received, and analysis of the requirements of the regulation. Upon receipt of comments from the small business community, the Division personnel responsible for this analysis reviewed comments along with analysis completed by the Division's Life and Health Section.

3. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE. NRS 233B.0609(1)(c).

The Division anticipates a very minor economic effect from the proposed regulation on those licensed producers selling annuity products. The Division anticipates that the impact will be lessened given that many of the proposed revisions are expansions of requirements already in place and do not represent a new regulatory requirement which must be implemented. The Division does not anticipate any economic impact on other small businesses in the state of Nevada.

4. METHODS CONSIDERED TO REDUCE IMPACT ON SMALL BUSINESSES. NRS 233B.0609(1)(d).

The Division anticipates that the proposed regulation and the provisions it contains have been constructed to minimize the impact on the small business, while still affording the consumers the protections needed when conducting annuity transactions. Most of the producers from whom the Division obtained feedback indicated they were also licensed in other states that have previously enacted the updated NAIC model and, therefore, have already implemented most of the requirements contained in this proposed regulation.

5. ESTIMATED COST OF ENFORCEMENT. NRS 233B.0609(1)(e).

The proposed regulation expands on existing requirements which have already been enacted and are currently being enforced by the Division. The Division does not anticipate any additional costs associated from the proposed regulation. In regards to the new continuing education requirements, the Division already has procedures in place to monitor continuing education requirements for licensees in the state of Nevada and, therefore, does not anticipate additional costs for enforcing this provision.

6. FEE CHANGES. NRS 233B.0609(1)(f).

No new or additional fees are established.

7. DUPLICATIVE PROVISIONS. NRS 233B.0609(1)(g).


There are no other regulations that overlap or duplicate the regulation.

8. REASONS FOR CONCLUSIONS. NRS 233B.0609(1)(h).

Based on analysis performed by Division staff, including feedback received from our survey and interested parties, the Division anticipates the impact of this proposed regulation will primarily be on small independent agents, producers, and brokers conducting annuity transactions. The limited feedback the Division has received to date would indicate an expected small impact on insurance producer-owned small businesses conducting annuity transactions to comply with the expanded provisions of the proposed regulation. The Division has tried to minimize the impact this regulation will have on these small businesses, while still affording protections to the consumers who conduct transactions related to annuities. No other Nevada small businesses are expected to have an economic impact from this regulation.

I, SCOTT J. KIPPER, Commissioner of Insurance for the State of Nevada, hereby certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that this statement was prepared properly and the information contained herein is accurate. (NRS 233B.0609(2))

November 14, 2023  
(DATE)

  
SCOTT J. KIPPER  
Commissioner of Insurance