

Board of Certified Financial Planners

January 24, 2001

Carolyn Johnson
Senior Counsel
National Association of Insurance Commissioners
2301 McGee
Suite 800
Kansas City, MO 64108

Dear Ms. Johnson,

I am writing to provide the CFP Board's¹ support for the creation of the Life Insurance and Annuities Suitability Model Regulation (the Model) by the Suitability Working Group of the Life Insurance and Annuities Committee (the Working Group). The CFP Board appreciates this opportunity to provide information it hopes is helpful in the Working Group's deliberation of this important issue.

This support derives partly from the CFP Board's experience establishing similar regulations that protect consumers. Financial planning practitioners certified by the CFP Board must agree to abide by its *Code of Ethics and Professional Responsibility* and *Financial Planning Practice Standards*. The *Code of Ethics and Professional Responsibility* describes the minimum standards of acceptable professional conduct for CFP certificants while the *Financial Planning Practice Standards* establishes their expected level of professional practice while engaged in personal financial planning. Within these two sets of guidelines, there are several rules and standards relating to ensuring consumers receive suitable products and services. These include:

Code of Ethics and Professional Responsibility

Rule 202

A financial planning practitioner shall act in the interest of the client.

Financial Planning Practice Standards

200-2 Gathering Client Data: Obtaining Quantitative Information and Documents

A financial planning practitioner shall obtain sufficient and relevant quantitative information and documents about a client applicable to the scope of the engagement and the services being provided prior to making and/or implementing recommendations.

¹ Founded in 1985, the Certified Financial Planner Board of Standards, Inc. (CFP Board) is a Denver based nonprofit professional regulatory organization whose mission it is to benefit the public by fostering professional standards in personal financial planning. CFP™, CERTIFIED FINANCIAL PLANNER™ and CFP (with flame logo)® are certification marks owned by the CFP Board. These marks are awarded to individuals who successfully complete the CFP Board's initial and ongoing certification requirements. There are currently over 36,300 CFP certificants nationwide and 13 international affiliates that certify additional thousands of qualified persons outside the U.S. The CFP Board also serves as an educational resource to federal and state lawmakers and regulators on personal financial planning issues.

300-1 Analyzing and Evaluating the Client's Financial Status: Analyzing and Evaluating the Client's Information, Needs, and Priorities

The financial planning practitioner shall analyze the information to gain an understanding of the client's financial situation and then evaluate to what extent the client's goals, needs and priorities can be met by the client's resources and current course of action.

The CFP Board does suggest one alteration to the Model. In Subsection E, the CFP Board recommends adding a requirement that the customer sign a statement indicating they understand they are not providing full information to a producer and/or engaging in a transaction contrary to his or her recommendations. This document should provide greater protections to both consumers and producers. This suggestion is made with the understanding that the customer still chooses to conduct the transaction with the producer referenced in Subsection E.

The suggested change is as follows:

- E. Neither a producer nor an insurer shall have any obligation of any nature to a customer under this regulation related to any recommendation or insurance transaction if a customer:
- (1) Refuses to provide the kinds of information described in Subsection B of this section; or
 - (2) Decides to enter into an insurance transaction that is contrary to a recommendation of the producer; **and**
 - (3) **Signs a statement provided by the producer indicating the customer understands and is in agreement with the conditions indicated in Subsection E (1) and/or (2) of this section**

This language is provided simply to convey the idea of the need for a document indicating mutual agreement and is open to any necessary changes.

The CFP Board's experience with the needs of clients and implementation of its own rules leads it to believe the Model, if adopted by each state will benefit consumers. Suitability requirements for the sale of life insurance and annuities products will enable consumers to make better choices about their financial services needs and have greater confidence in the professionals making recommendations about them.

If you should have any questions regarding the CFP Board, the individuals it certifies or the CFP marks, please contact me at (703) 414-5814 or mherndon@CFP-Board.org.

Sincerely,

Michael C. Herndon
Acting Director, Government Relations