

# State Farm Insurance

February 02, 2001

*Sent via Email*

*Original to follow in US Mail*

Carolyn Johnson  
General Counsel  
National Association of Insurance Commissioners  
2301 McGee, Suite 800  
Kansas City, MO 64018-2604

Re: Life Insurance & Annuities Suitability Model Regulation

Dear Ms. Johnson:

State Farm recognizes the diligent effort the working group has undertaken, and appreciates the opportunity to comment on the proposed regulation. While we are not convinced that a suitability regulation is necessary, we are providing these comments in an effort to improve the current draft. The ACLI has done a superb job of providing specific comments. This letter will offer more generalized comments.

The standard set by this regulation should be a not unsuitable standard. While the distinction between suitable and not unsuitable may be subtle, it is important. Determining suitability is not an objective process. Several products may be suitable for a particular situation. It should be clear that any recommendation made does not have to be the perfect recommendation, but rather it must not be a wrong recommendation. The fact that the sale may be reviewed long after it takes place, perhaps many years later, makes this point vital. We think a "not unsuitable" standard is the clearest way to draft this language.

This regulation will set a standard that insurers and producers will have to meet. Uniformity in the application of this standard will be very important. State insurance departments should be solely responsible for enforcing this regulation. Adding enabling language to state UTPAs may create, in some states, a private cause of action. If enabling legislation is necessary, the UTPA should not be used to establish this authority. We are very concerned that this regulation and the standard it implements could become the next private cause of action against the life insurance industry.

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Thank you for considering these comments. We look forward to working with you at the interm meeting in February.

Sincerely,

Michael L. Lane  
State Farm Insurance Companies

MLL/ralee

Cc: Rosanne Mead - Iowa Department of Insurance