

**Title 20—DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
Division 700-Insurance Licensing
Chapter 1—Insurance Producers**

ORDER OF RULEMAKING

By the authority vested in the director of the Missouri Department of Insurance, Financial Institutions and Professional Registration under section 374.045, RSMo 2000, the director adopts a rule as follows:

20 CSR 700-1.145 Standards of Commercial Honor and Principles of Trade in Life, Annuity and Long Term Care Insurance Sales **is adopted.**

A notice of proposed rulemaking containing the text of the amendment rule was published in the *Missouri Register* on January 2, 2008 (32 MoReg 82). Changes have been made in the text of the proposed amendment rule, so it is reprinted here. This proposed amendment rule becomes effective thirty (30) days after publication in the *Code of State Regulations*.

SUMMARY OF COMMENTS:

COMMENT #1: C. Bryan Cox, on behalf of ACLI suggested that (1)(A)1. be modified to replace the word “switch” with “replacement”.

RESPONSE: The director agrees with this suggestion and has modified the rule accordingly.

COMMENT #2: Steven A. Reidich, on behalf of Primerica, commented that by removing the word “variable” in (1)(A), the regulation will apply to all types of insurance, including annuities, long term care, whole life, universal life, term and group insurance. Mr. Reidich suggested that (1)(A) be amended to read:

(A) Producers, in the conduct of variable life, [and variable] annuity [business] **and long term care insurance** shall observe high standards of commercial honor and just and equitable principles of trade. Implicit in a producer’s relationship with customers is the fundamental responsibility of fair dealing. Practices that violate this responsibility of fair dealing include, but are not limited to the following:

1. Inducing [an] **a replacement**, exchange or switch of [a] variable life, [or variable] annuity [business,] **or long term care insurance** contract with insignificant benefit to the consumer, but for the purpose of accumulating commissions by the producer; and

RESPONSE: The director agrees with this comment, in part, and has modified the rule accordingly.

COMMENT #3: Bryan Cox, on behalf of ACLI, suggested the department adopt the NAIC annuity replacement Model Regulation to accomplish more than the current “insignificant benefit” test in (1)(A)1.

RESPONSE: The director disagrees with this comment. The NAIC annuity replacement model regulation will accomplish no more than the proposed “insignificant benefit” test. No changes have been made in response to this comment.

(1) Grounds for the discipline or disqualification of producers shall include, in addition to other grounds specified in section 375.141, RSMo, failure to comply with or violation of the following professional standards of conduct:

(A) Producers, in the conduct of **variable life, [and variable] annuity, and long term care insurance** business, shall observe high standards of commercial honor and just and equitable principles of trade. Implicit in a producer’s relationship with customers is the fundamental responsibility of fair dealing. Practices that violate this responsibility of fair dealing include, but are not limited to, the following:

1. Inducing an exchange or [switch] **replacement** of [a] **variable life, [or variable] annuity, or long term care insurance** contract with insignificant benefit to the consumer, but for the purpose of accumulating commissions by the producer; and

2. Causing the execution of transactions that are not authorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon; and