

Sen. Stafsholt: “Best interest” legislation signed into law

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Madison, WI - Today, [Senate Bill 644](#) authored by Sen. Rob Stafsholt (R – New Richmond) relating to best interest in annuity transactions was signed into law by Governor Evers.

“This law strengthens state statutes by requiring that before an annuity is sold, it is determined to be in the best interest of the consumer. It makes common sense changes that will ensure that customers understand the products and are aware of any material conflicts of interest. These updates will provide consumer protections for those considering the purchase of an annuity,” said Stafsholt.

Prior to this new law, annuity sales were subject to a suitability test. The agent or company needed reasonable grounds to believe the sale is suitable, as previously outlined in statute. That left insurers responsible for maintaining a supervision system to ensure compliance.

Senate Bill 644 creates a best interest standard for annuity sales. It requires financial professionals to act in the best interest of the annuity purchaser and not put their own financial interest ahead of the consumer.

In order to satisfy the best interest obligation, a producer or an insurer must satisfy four obligations detailed in the legislation: care, disclosure, conflict of interest and documentation.

In addition, when making a recommendation, a financial professional must:

- Know the consumer's financial situation, insurance needs and financial objectives;
- Understand the available recommendation options;
- Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs and financial objectives;
- Communicate the basis of the recommendation to the consumer;
- Disclose their role in the transaction, their compensation, and any material conflicts of interest; and
- Document, in writing, any recommendation and the justification for such recommendation.