

FGL Compliance Update - Department of Labor Fiduciary Rule



DOL UPDATE

DOL Fiduciary Rule – Effective June 9, 2017

The Department of Labor recently announced the Fiduciary Rule (“Rule”) will not be further delayed beyond **June 9, 2017**. Fidelity & Guaranty Life (“FGL”) continues to oppose the Rule and will make its views known as the Department conducts a re-examination of the Rule in the months ahead. However, as of June 9th, agents will be acting as fiduciaries when they engage in the sale of any fixed annuity product in the tax-qualified market, including IRAs.

What This Means for You

As fiduciaries under the Rule, in order to receive commission compensation, you must satisfy what are called Prohibited Transaction Exemptions (PTEs). During the period **June 9, 2017 to December 31, 2017**, this essentially means you will need to comply with the “Impartial Conduct Standards” which are discussed in more detail below. During that interim period, both fixed indexed annuities and traditional declared rate annuities are covered by Prohibited Transaction Exemption 84-24 (“PTE 84-24”).

On **January 1, 2018**, full implementation of the Rule is scheduled to go into effect. At that point, sale of fixed indexed annuities must comply with the requirements of the BICE and only fixed rate annuities will be covered by PTE 84-24. However, the Department of Labor is reexamining the Rule and it is possible the current requirements scheduled to take effect at year-end will change. FGL will keep you apprised of developments.

What Are the Impartial Conduct Standards?

In general, the Impartial Conduct Standards and related rules require three things:

- Advice must be in the “best interest” of the consumer. Best interest essentially means acting with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would, based on the investment objectives, risk tolerance, financial circumstances and needs of the IRA

- owner, without regard to the financial or other interests of the fiduciary or other party.
- Statements about transactions, compensation, and conflicts of interest are not misleading. Under 84-24, failure to disclose any material conflict of interest is considered misleading.
 - Compensation is reasonable.

More detailed information about your duties and responsibilities under the Rule are spelled out in the fiduciary rule amendments to the [FGL Market Conduct Guide](#). Please familiarize yourself with this new section of the FGL Market Conduct Guide including the full definition of “best interest” and information about your disclosure obligations. As a fiduciary, you are responsible for understanding these requirements, which are also being incorporated into your producer and agency agreements. The amended FGL Market Conduct Guide is also posted and available on **SalesLink**.

How Does This Affect Submitting IRA New Business at FGL?

FGL intends to minimize disruption to ongoing sales practices while at the same time helping you satisfy the new requirements under the Rule and related PTEs. We want to help you keep your focus on providing the best service to your clients while meeting your fiduciary responsibilities during this transitional period from **June 9 to December 31, 2017**.

To that end, there will be no changes to our procedures for submitting new business, except that for IRAs and tax-qualified business you will need to submit our [Fiduciary Rule Acknowledgment Form](#) along with the application, suitability form, replacement paperwork, and other standard forms required as part of our current new business process.

Thus, in effect, there is one new form required for your IRA sales, which is designed to ensure you have taken the necessary steps to satisfy the PTE requirements, including disclosure of your compensation to the applicant, disclosure of any material conflicts of interest, and attestation that you have acted in the “best interest” of your client as defined above.

How Is the Consumer Disclosure Requirement Satisfied?

With respect to disclosures that must be made to your client under the new rules, FGL has created a [Sample Disclosure Form](#). You may use it to help support your compliance with the Rule requirements but **it is not required and should not be submitted to FGL**. A copy of this form can also be found on **SalesLink**.

The sample form is designed to disclose compensation paid to you for sale of tax-qualified annuity products, disclose certain conflicts, and provide other relevant information to your client. You may use this form or any other similar document to meet the Rule requirements. Whatever form is used, documentation should be retained in your files for at least the life of the transaction plus six years or as is required in your agency or producer agreement, whichever is longer.

What Else Is FGL Doing to Prepare for the IRA Marketplace?

FGL is here to help position you for success. We recently streamlined our annuity product portfolio with competitive and innovative products designed to help better meet your clients' retirement savings and income needs. We also recently implemented Statements of Understanding across our entire portfolio, as well as redesigned some consumer marketing pieces, to help enhance consumer education and understanding of our products.

More Information

As always, we appreciate your business. Please direct any questions to our Sales Desk at salesdesk@fglife.com.

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