

# Compliance Corner

This document is prepared to provide general information only. Oceanview Life and Annuity Company does not give legal, tax, or investment advice. Please consult your own advisor for these matters. Oceanview Life and Annuity is committed to keeping our IMO's and Agents aware of important regulatory and compliance issues. We hope you find this Compliance Newsletter to be engaging and informative. If you have any questions, comments or concerns regarding any article in this publication, please email us at [info@oceanviewinsurance.com](mailto:info@oceanviewinsurance.com).

## **NAIC** Best Interest Training Requirements

Adoption of the latest version of the NAIC Annuity Suitability Model Regulation ([NAIC Model-275](#)) is picking up steam. In recent months, thirteen states: ([Alabama](#), [Arkansas](#), [Delaware](#), [Idaho](#), [Maine](#), [Michigan](#), [Montana](#), [Nebraska](#), [North Dakota](#), [Ohio](#), [Rhode Island](#), and [Virginia](#)) have joined Arizona and Iowa which were the first to adopt on January 1, 2021. This regulation adds several new requirements to producer responsibilities when selling annuities. One of these new responsibilities is an additional training requirement.

Most states that have adopted the Model thus far give existing producers six months from the effective date of the regulation to take an abbreviated 1-hour "best interest" training course, which can be taken through many typical electronic training platforms (i.e.: Quest CE, RegEd etc.).

Like the earlier versions of the suitability model, states are recognizing similar training courses that were taken to satisfy other state's requirements, so you will likely only need to sit for the course once for all of the states you are licensed.

**BOTTOM LINE:** If you're licensed in one of these states, work with your agency or IMO and take the available course when you're able. And, once you have, send us certification of course completion: [Form and Submission Instructions](#)

**As of July 1, 2021**, this window closed in Arizona and Iowa, and Ohio's is closing on August 14. Rhode Island (10/1/2021) and Nebraska (12/31/2021) also have their training windows closing in 2021. You will find the full listing of additional state training requirements [here: State Training Requirements](#). If you are licensed after the effective date of the regulation, or don't complete the 1-hour course prior to the deadline, you will need to take a 4-hour best interest course in order to solicit annuities.

# Q & A's on RMD's

Withdrawal privileges during the surrender charge period of an annuity can be an important component in determining the appropriateness of a sales recommendation to a prospective client. Here are a few key points to consider regarding these privileges and how RMD's impact them:

**Q:** How much can an Oceanview annuity client access without incurring a surrender charge?

**A:** Referred to as the "Free Withdrawal Amount", after the first contract year during the accumulation phase of the contract, the client may take up to 10% of the previous contract anniversary's contract value without incurring a surrender charge. This amount is not cumulative from year to year.

**Q:** How do RMD's impact the Free Withdrawal Amount?

**A:** In general, Required Minimum Distributions (RMD's) are the mandated amount that must be taken from qualified retirement accounts, such as IRAs, starting in the calendar year that the owner turns 72. The amount is determined by dividing the prior December 31 contract balance by a life expectancy factor published by the IRS. RMD's are considered by Oceanview to be part of the contract's Free Withdrawal Amount.

For example, using the 2021 IRS life expectancy table: A 75 year old client with a \$100,000 contract value as of December 31, 2020, in contract year 2, would need to withdrawal \$4,366.81 to satisfy the contract's RMD. Assuming the client withdrew this amount they could still withdrawal up to \$5,633.19 without incurring a surrender charge that contract year. If the RMD amount for an Oceanview contract exceeded the 10% free withdrawal amount, the client could withdrawal the entire RMD without incurring a surrender charge, but would not be able to take any other withdrawals that contract year without charge.

**Q:** Are RMD's taken in the first contract year subject to surrender charges?

**A:** Yes. All withdrawals taken in the first contract year, including RMD's, are subject to surrender charge, and as applicable, a Market Value Adjustment (MVA). Agents are strongly urged to ensure that prospective Oceanview qualified annuity clients can satisfy any RMD amount during the first contract year by either taking the necessary withdrawal from their existing account prior to transfer, or from other qualified accounts as applicable.

**\*IMPORTANT\***



# Cross Border Sales

**“I have a Cross-Border Sales opportunity  
...what do I do?”**



Oceanview considers where the application for our annuity products is signed to be the governing jurisdiction for the contract. A “Non-Resident Sale” (a.k.a. “Cross-Border Sale”) occurs whenever a consumer buys an annuity contract outside his or her state of residence. There is an increased focus among state insurance departments concerning transactions in which residents of their states are sold insurance products outside of respective states, and to ensure that only properly licensed agents and companies are doing business with their residents. In fact, certain state insurance departments prohibit Cross-Border Sales to residents of their states, regardless of the circumstances or the connection to the non-resident state. For these reasons, we are not able to accept applications for cross-border sales to residents of the following states:

**Arkansas, Idaho, Massachusetts, Minnesota, Mississippi, New York, Utah, Washington, and Wisconsin**

In states that allow cross-border sales, there should be a rational connection between the applicant/owner and the non-resident state in which the sale occurs (such as place of employment, vacation home, etc.). Likewise, if you sell products in jurisdictions outside of your own state of residence, you must maintain the appropriate non-resident license(s) and only sell products approved in those non-resident states. In addition, you must be familiar and comply with all rules and regulations in each state for which a non-resident license is held.

## General rules regarding non-resident sales:

- Do not represent yourself as an agent in any state in which you are not licensed
- Do not advise a prospect to travel to another state due to product availability or product/rate differences
- Do not act as a proxy for another agent who is not properly licensed in the state of solicitation and sale
- Maintain clear documentation as to why a sale occurred in a non-resident state
- The solicitation, application, premium collection, and policy delivery must all occur in the same state

For any non-resident sale, a Non Resident Sales Acknowledgment Form must be submitted with the application, which you can find here: [Cross Border Sales Form](#)