



NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

Ensuring Professional Service for American Consumers

The Issue: Today's difficult economic environment presents a number of financial challenges for individuals, families, businesses and the government. There are many variables involved in putting together a sound financial plan. Ensuring consumers have access to ethical, professional and personalized risk management advice and services at affordable rates must be balanced with appropriate regulations to curb and respond to abuses in the marketplace.

Background: NAIFA members are Main Street financial services professionals who serve middle-market consumers. On average, NAIFA members report that 58% of their clients have household incomes of less than \$100,000. Only 11% of NAIFA members' clients have household incomes of more than \$250,000.

The common thread among NAIFA members is that they provide life insurance to clients, and risk management is a key feature of the financial services they provide. Approximately 62% of NAIFA members also hold one or more securities licenses to serve as a registered representative of a broker-dealer in order to sell and market securities products to buyers. Approximately 27% of NAIFA members are also registered investment adviser representatives who are compensated for managing client assets or assisting clients with developing a financial plan.

Value of Insurance Agents and Financial Advisors

Historically, insurance agents and financial advisors have been responsible for distributing all types of insurance and annuities products to consumers and small businesses. The cornerstone of this system is the ability of agents and advisors to develop close long-term relationships with clients in order to see them through the entire process of ensuring long-term financial security for themselves, their families, their businesses and their employees. Referrals from satisfied clients also are critically important to building a successful practice.

NAIFA members build relationships with their clients over many years and even decades, and offer products and services that allow those consumers in the middle income markets to have access to affordable insurance and retirement products and services. NAIFA's agents and advisors deliver and service these products while educating Americans on how to manage risks and how to make informed choices regarding their purchases. More than ever, individuals and small business owners rely on the advice of their agents and advisors regarding cost-savings measures and coverage options—or they do not receive any advice at all.

Commissions or other types of compensation earned by insurance agents and financial advisors compensate them for their work in uncovering the factors that lead an individual or business to purchase an insurance product or service. In addition, agents and advisors perform these critical services for insurance and retirement plan consumers:

- **Needs Assessment**—work with clients to evaluate their need for insurance and retirement plan protection. This may involve substantial research and fact finding about the client's needs. This is an on-going process since needs continuously change as a person's family and employment situations change or as their business grows.
- **Education**—explain the various insurance and retirement plans available and provide appropriate cost indexes.
- **Planning**—recommend plans that fulfill the client's objectives and budget.
- **Follow-through and Execution**—encourage clients to act in a timely fashion to assure that the proper coverage is in place when needed. Agents and advisors also see to it that accurate and complete information is provided to the insurer to make sure that the client gets the very best plan at the lowest premium cost available.

- **Change Management**—review or update plans on a periodic basis. Agents and advisors suggest changes when appropriate and counsel clients on ways to reduce cost. Often they must assist their client in reviewing the need for legal and tax compliance, recommending other professional assistance when necessary.
- **Claim Documentation and Service**—assist with claims, answer questions and serve as ombudsmen in helping their clients deal with insurance companies, other product providers and government programs.
- **Employer/Employee Relations**—assist business owners in communicating the value of employer provided benefit packages to employees, often assisting employees in seeing how the benefits coordinate with their personal financial programs.
- **Business Continuation Planning and Funding**—assist business owners in insuring their business and developing and funding business succession plans.

Trained Professionals

All insurance agents are licensed and regulated by state insurance departments. Insurance agents and financial advisors offer different services depending on a number of factors, including licenses, credentials and specific areas of expertise. Many agents and advisors are also licensed by federal and state regulators that govern the sale of securities products and services. Prospective agents and advisors receive extensive training prior to taking a written exam leading to licensing. Continuing education is usually required for agent/advisors to maintain licensure. In addition, many agents/advisors have taken a sequence of college-level courses leading to one or more professional designations.

NAIFA members therefore represent some of the most heavily regulated individuals in the financial services marketplace. They spend a great deal of time and financial resources complying with a myriad of state and federal regulations that seek to ensure that: they are sufficiently trained in the products they sell; they are appropriately licensed; and they only recommend to their clients courses of action and products that are appropriate for their clients' needs and objectives.

NAIFA Position: NAIFA believes consumers should have unfettered access and freedom of choice in engaging competent, knowledgeable and ethical agents and advisors, in order to receive professional risk management and closely related financial planning services. NAIFA strongly condemns all sales practices that are misleading to consumers and not in conformity with State and Federal Unfair Trade Practices. NAIFA supports a variety of the National Association of Insurance Commissioners (NAIC) model laws that provide effective regulation and supervision of insurance agents. NAIFA opposes any and all inappropriate attempts or ill-advised proposals to create laws, regulations, rules or policies by any government entity that would effectively undermine, modify, intervene with, or otherwise, forcibly sever the nature or integrity of the agent/client relationship.

About NAIFA: Founded in 1890 as the National Association of Life Underwriters, NAIFA comprises more than 600 state and local associations representing the interests of approximately 200,000 agents and their associates nationwide. NAIFA members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. The Association's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

FOR MORE INFORMATION, CONTACT:

Diane R. Boyle
 Vice President
 Federal Government Relations
 (703) 770-8252
dboyle@naifa.org

Jill E. Hoffman
 Assistant Vice President
 Federal Government Relations
 (703) 770 – 8158
jhoffman@naifa.org

H. Lillian Vogl
 Counsel
 Federal Government Relations
 (703) 770-8155
lvogl@naifa.org