



March 16, 2017

Mailed Electronically: e-ORI@dol.gov

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: Fiduciary Rule Examination, Room N-5655
US Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

RE: Comments on the Department of Labor's Proposed 60-day Extension of Applicability Date of Conflict of Interest Rules (RIN 1210-AB79)

Greetings:

Standard Insurance Company appreciates the opportunity to comment on the Department of Labor's proposal to extend for 60 days the applicability of the Conflict of Interest rules and associated prohibited transaction exemptions.

Standard Insurance Company is an Oregon-based insurance company with a national presence. Through its affiliates and subsidiaries, The Standard provides a variety of financial services, including retirement plans services, group and individual annuities and group and individual insurance products.

The Standard strongly supports the Department's proposed delay of the Applicability Date. For the reasons set forth below, we believe that a delay of at least 60 days, if not longer, is required to provide clarity and certainty regarding compliance requirements for the financial industry. Given the national conversation and resulting uncertainty precipitated by the President's February 3, 2017 Memorandum, investors' interests will also be served by a delay in the Conflict of Interest Regulations (the Regulations). Investors, like financial services providers, deserve a level of clarity in the federal regulatory framework that does not exist today. Further, we believe it is essential that adequate time be provided to the Department to carry out a reasoned, thorough and un-biased examination of the Regulations, as requested by the President's Memorandum.

First, the current Applicability Date (4-10-2017) is prior to the date comments are due to be submitted (4-17-2017) with respect to a re-examination of the Regulations.

Absent a delay of the current Applicability Date, the financial services industry must comply with the Regulations on April 10, 2017. Yet the comment period with respect to the issues raised by the President's Memorandum does not end until April 17, 2017, seven days after the Applicability Date.

As the Department itself notes, an extension of the Applicability Date would provide the Department the necessary time to complete its analysis and take any further steps necessary, and would spare investors, advisers, and other stakeholders the risk and expenses of two major regulatory changes in the space of less than a month.¹ We agree with the Department's comments that a delay of at least 60 days is imperative to avoid the confusion and disruption to investors and the financial services industry that would result absent a delay. Further, while we appreciate the Department's efforts in Field Assistance Bulletin 2017-1 to provide some measure of relief for prohibited transactions occurring during a "gap period", as

¹ Employee Benefits Security Administration Notice of Proposed Rule: Extension of applicability date, Federal Register Vol 82, page 12320, March 2, 2017.

the Department itself notes, the Bulletin does not address the rights or obligations of other parties,² and thus does not provide relief from potential excise taxes assessed by the IRS, or from potential future litigation.

Second, a revised, thorough Regulatory Impact Analysis must be performed.

The President's Memorandum directs the DOL to prepare an updated economic and legal analysis concerning the likely impact of the Regulations, which will consider (1) whether the Regulation has or is likely to harm investors due to a reduction of Americans' access to certain retirement savings offerings, (2) whether the anticipated applicability of the Regulation has resulted in dislocations or disruptions within the retirement services industry that may adversely affect investors or retirees and (3) whether the Regulation is likely to cause an increase in litigation and prices for access to retirement services.

The President's directive requires the Department to consider the rule and its Regulatory Impact Analysis (RIA) in light of issues not previously analyzed. To give just one example, the Department is directed to consider whether the Regulation is likely to cause a reduction in investors' access to certain retirement savings offerings, and whether it has disrupted the retirement services industry to the detriment of investors. As has been pointed out in numerous prior comments to the Department, the original RIA was based almost entirely on data regarding front-end mutual fund loads. No analysis was made of the effect of the Regulation on annuity products. Yet the final Regulation, with no effective prior notification to interested parties, inexplicably excluded fixed indexed annuities, the most popular form of fixed annuity products,³ from the revised Prohibited Transaction Exemption 84-24. Further, the final Regulations and associated exemptions effectively prevented an entire distribution channel, that of independent marketing organizations, from providing these products to investors. Clearly, one of the issues the Department must examine anew is the disruption in the fixed indexed annuity market caused by the current Regulation, and the RIA must be updated accordingly to account for the harm done to consumers and to the annuity segment of the retirement products industry.

A thorough analysis such as the one contemplated will often take many months. For example, the original impact analysis on the Regulations took the Department approximately 12 months. With respect to the analysis required by the President's Memorandum, interested parties will need to gather research and statistics, submit comments to the Department, and then the Department will need to review the submissions to make a decision as to the course it will take in the future. The Industry will then need time to implement whatever actions are required. With all the steps that will need to be taken, we believe that, as a practical matter, it will be impossible to perform such an analysis in less than 180 days, and we ask the Department to consider extending the Applicability Date accordingly.

We will provide further comments responsive to the President's Memorandum under separate cover prior to April 17, 2017. If we may answer any questions please do not hesitate to contact us.

Sincerely,



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² Field Assistance Bulletin 2017-1 issued March 10, 2017.

³ http://www.limra.com/Posts/PR/Data_Bank/_PDF/2016-Q3-Annuity-Estimates.aspx