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Office of Exemption Determinations
Employee Benefits Security Administration
Attn: D-11933
U.S. Department of Labor
200 Constitution Avenue NW, Suite 400
Washington, DC 20210
Sent Via Email: EBSA.FiduciaryRuleExamination@dol.gov

RE: RIN 1210-AB82 Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions

Ladies and Gentlemen:

AIG appreciates the opportunity to respond to the Department of Labor's (DOL) Request for Information (RFI) Regarding the Fiduciary Rule (Rule) and Prohibited Transaction Exemptions, published on July 6, 2017. AIG has been supportive of many of the DOL's initiatives in the past, and we thank the DOL for seeking comments through the RFI to this very important Rule and underlying issues. Notwithstanding the significant efforts already put forth by the DOL, we believe there are very important policy considerations that are not fully addressed and that are extremely important at a time of rapid market change.

AIG's retirement businesses collectively serve millions of Americans. Through our products and advisory services, we help our customers plan and save for their retirement, create lifetime income solutions and offer life insurance to help protect their families. We also work with school districts, hospitals, universities and similar organizations to help their employees invest for their future. Because AIG provides support to our clients at every stage of retirement planning, we offer a unique, relevant, and practical perspective on the impact of the Rule. **We believe firmly that a harmonized and simplified regulatory framework with a common standard of care for qualified and non-qualified assets is essential to the ability of the marketplace to assist Americans in preparing for their retirement years.**

Harmonization will facilitate a proper balancing of interests. For example, we believe it essential that something as basic as encouraging an individual to save for retirement should not be considered investment advice, yet the Rule encompasses this activity. The Rule also creates different standards based on product type and/or the type of financial provider with whom an individual consults and fails to consider non-qualified assets in the totality of the financial relationship. And, significantly, the Best Interest Contract exemption leaves interpretation and enforcement of this complex regulation to the ambiguities of litigation. Establishing a common standard of care helps ensure (i) a robust financial services marketplace with a broad range of products to meet savers' needs; (ii) a framework in which different types of financial service providers know that compliance with the best interest standard is substantially the same regardless of the regulator; and (iii) a compliance and enforcement mechanism through experienced and coordinated regulators. **The consistency and certainty for investors and investment professionals achieved through a holistic and coordinated solution will help avoid dislocations that are already presenting in the marketplace.**

Every American should have access to an income stream that will last throughout his or her lifetime. However, saving for retirement is especially difficult today. Americans are living longer than ever before, and previously reliable sources of retirement income for life – such as defined benefit pensions – are becoming increasingly scarce. In the 60 years AIG has been serving American savers, the average number of years spent in retirement for someone exiting the work force at age 65 has increased by more than 55%. It is not surprising that our nation's retirement savings simply cannot keep up.

In preparing for retirement, Americans deserve product solutions that include accumulation opportunities, protection against an early death, and a guaranteed income stream they cannot outlive. They also deserve access to education, planning and advice that is relevant to their personal circumstances. Moreover, if they choose to work with an advisor, that relationship should be transparent so that the protections afforded are easily understood both by the investor and the advisor, without regard to whether the assets are qualified or non-qualified. We believe the most effective way to achieve this is through a harmonized regulatory framework.

The DOL's RFI acknowledges the potential for integration of regulatory standards, and we encourage the DOL to make this a priority consideration through its current review process. This approach would be consistent with the Presidential Executive Order on Core Financial Principles for Regulating the Financial System, signed by President Trump on February 3, 2017. This executive order directs the Treasury Department to consult with other federal agencies to support policies that "make regulation efficient, effective, and appropriately tailored" and "empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth." This presents the opportunity to properly consider and address the need for simplified yet effective regulation designed to help Americans achieve financial security in retirement.

The financial services industry is not immune to the complexity referenced in the executive order as it is subject to multiple regulatory frameworks at both

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the federal and state levels. Each regulatory stakeholder brings a unique perspective, with many years of experience administering its own rules in its own sphere of authority. In addition to the DOL's efforts, both the Securities and Exchange Commission and the National Association of Insurance Commissioners are actively considering their respective roles in regulating duty of care issues. The DOL has an opportunity to help shape an environment that provides thoughtful protections for investors in a manner that the marketplace can respond to with certainty. This will create a more vibrant marketplace, choice for investors, and economic growth. However, if the marketplace is forced to respond to a complex set of regulations, without harmonization across the various stakeholders, uncertainty will persist with the greatest risk being an under-served marketplace, further stressing retirement savings in America.

The DOL RFI specifically seeks comments regarding the Best Interest Contract exemption both in regard to the specific contract requirement and disclosure requirements. This is a simple yet important example of the need for harmonization. The contract framework arises because the DOL does not have any meaningful way to enforce the Rule as it relates to IRAs, resulting in litigation as the tool to incentivize compliance. Moreover the disclosure framework embedded in the exemption is additive to an already existing disclosure regime. Multiple disclosure frameworks are confusing to an investor, complex and costly to administer and do not address the desired goal of ensuring that investors receive information to help them make informed choices. Incenting compliance through contract claims and litigation will by necessity increase costs to the investor and limit choice and access to advice. **Helping investors easily and clearly understand the standard of care they should expect from their advisor and providing investor protection by leveraging the existing regulatory oversight and enforcement framework should be the goal.**

Another issue the DOL RFI notes is the innovation ongoing in the industry to meet consumer needs. Market innovation is essential both in terms of saving for retirement, as well as ensuring lifetime income guarantees. The insurance industry is uniquely positioned to help retirement savers bridge from accumulation to income. It is important to recognize that the needs of investors will change over the course of time, and that one construct doesn't necessarily transcend the entirety of the retirement cycle. For example, fee based arrangements may suit some investors during the accumulation phase of their retirement planning when asset allocation helps manage risk while seeking appreciation. Yet, during the income phase when risk can and should be managed with an income stream that is guaranteed for life making long-term investment advice less relevant, a fee based model may not be in the best interest of that same individual. The rule is inherently biased toward fee-based compensation structures as the means of avoiding conflicts of interest. This may lead financial advisors to eschew critical income solutions which don't fit the advisory model. **Increasing transparency through a harmonized disclosure framework as a means of addressing potential conflicts of interest can better serve consumers and the financial professionals who are providing advice and guidance through all stages of retirement. This will, in turn, spur further innovation**.

We respectfully request that the DOL move to an open and expanded study phase to establish a regulatory framework for duty of care that is consistent with the policies currently being evaluated pursuant to President Trump's February 2017 Executive Order. This type of collective approach will help ensure a clear objective framework for product providers, advisors and consumers and importantly promote holistic, objective retirement planning and financial advice. While this will require additional time beyond January 1, 2018, we believe the end result will achieve our common goal of ensuring that hard-working Americans maximize their savings, obtain personalized financial advice, and ensure a secure retirement that provides the peace of mind they deserve.

AIG would appreciate the opportunity to discuss these issues in more detail. We thank you for the opportunity to comment on this Rule and look forward to participating in the creation of a holistic solution that will most effectively serve the best interests of retirement savers.

Sincerely,

Kevin l. Hogan

Kevin Hogan
CEO, AIG Consumer