



**Drew Bowden**  
**Alison Reed**  
US



# Department of Labor (DOL) Fiduciary Rules

- Over 1000 pages
- Expanded the definition of “fiduciary” to cover virtually all suggestions and recommendations to individual investors in qualified accounts, including IRAs
- Adopted a new PTE that financial institutions must satisfy before they can lawfully receive compensation in connection with recommendations involving qualified assets (the “Best Interest Contract Exemption” or “BICE”)
- Removed fixed index and variable annuities from PTE 84-24
- Introduced new private right of action for investors and enabled enforcement through class action litigation



# DOL Industry-Wide Implications

## Product

- New rules discourage commission based products and encourage fee based products over the long term
- Product standardization and product menus: Distributors want to reduce product conflicts and menus
- Distributor driven customization: Distributors want the ability to customize commission, fund, and benefit options offered to their clients
- Lead time: Increased volume of filings; insurance companies can expect longer lead time to obtain regulatory approvals

## Distribution

- Distributors must decide whether to offer commission-based products under the BICE; distributors moving to utilization of VAs in fee-based accounts
- Data, Infrastructure and Delivery: Insurance companies, distributors, and vendors must partner to collect, validate and deliver required new data using a common standard
- Mix of business: FIAs are placed on a level playing field with VAs; independent agents (not affiliated with a broker-dealer) must associate with, or be designated as, a financial institution

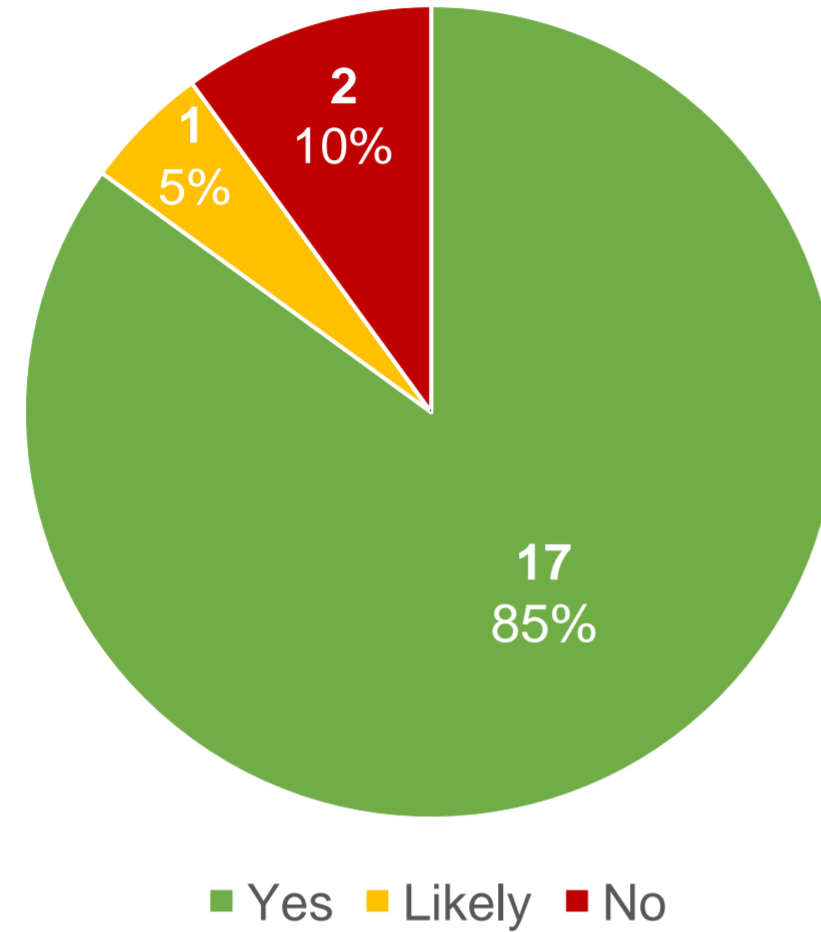
## Legal & Regulatory

- Short-term uncertainty: The new rules introduce significant uncertainty (and related regulatory risk) in the short to medium terms as ambiguities are resolved
- Increased liability: The new rules increase litigation and regulatory risks for distributors in the long term

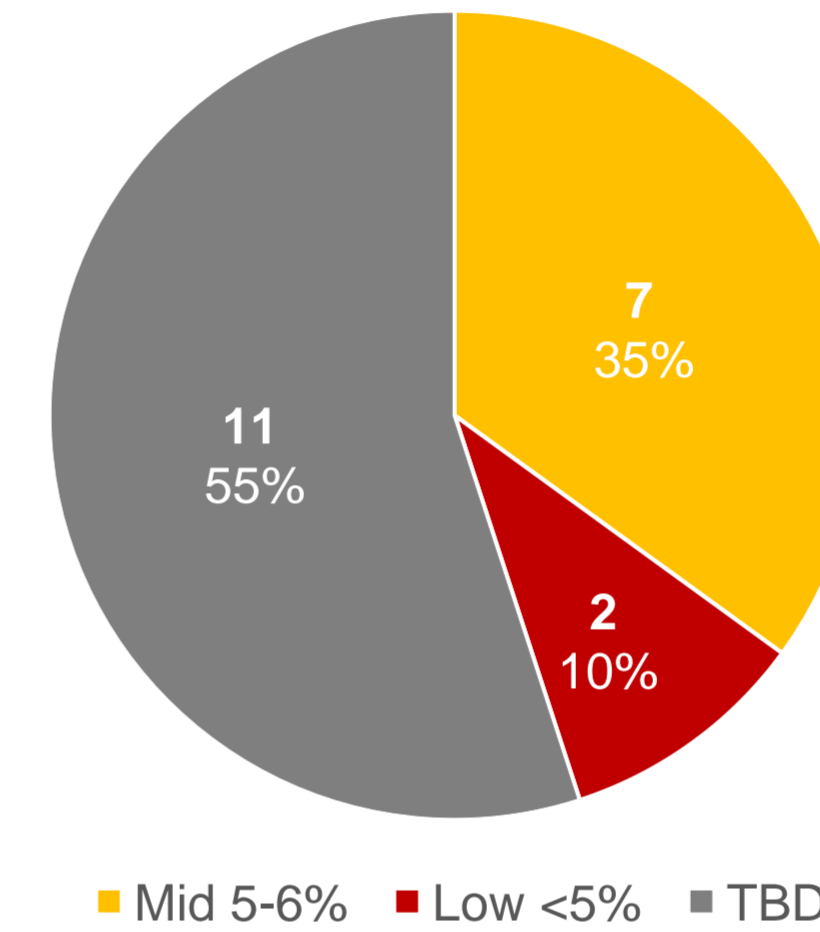


# Broker Dealer Assessment of DOL Rule – Top 20 BDs

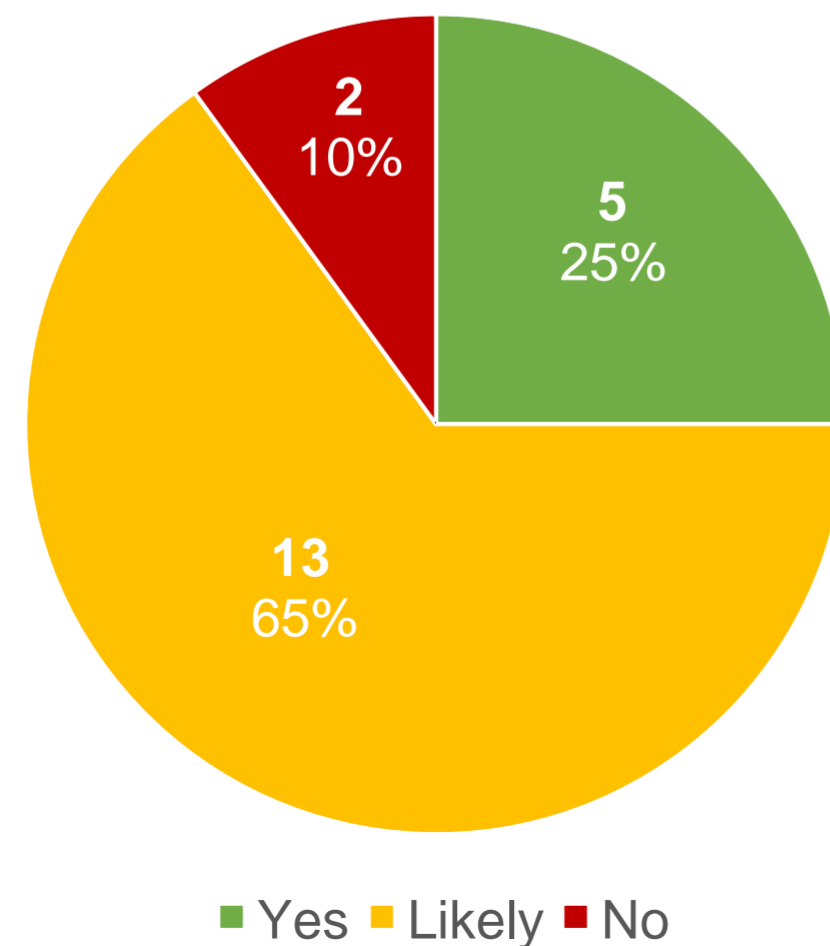
## Comply with BICE



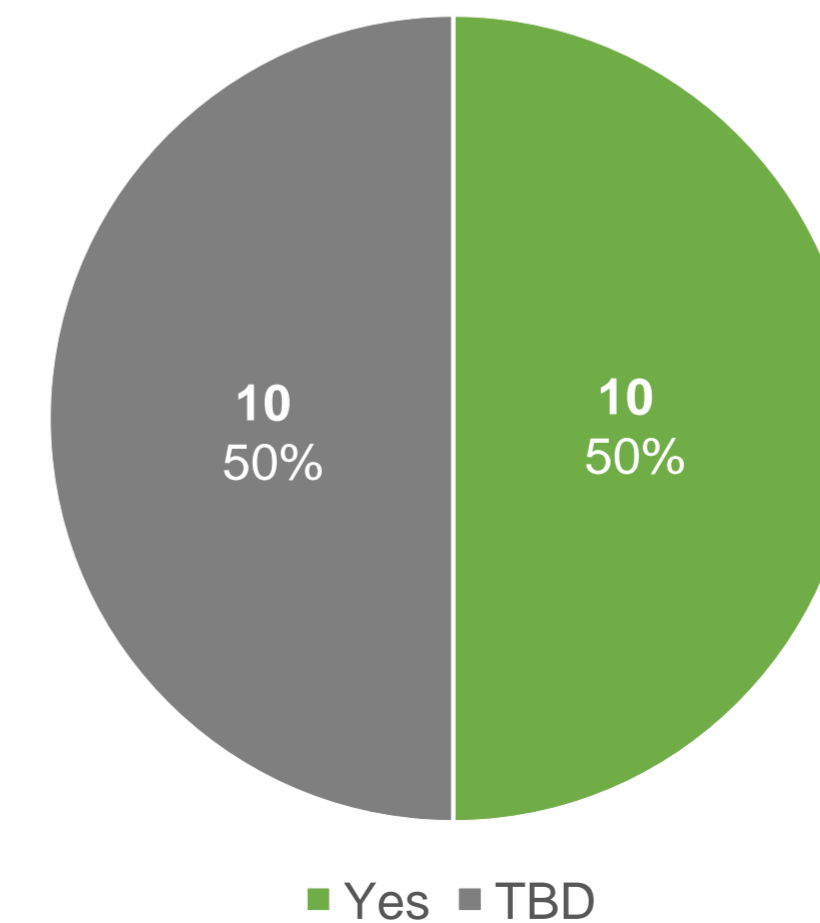
## Reasonable Comp



## Limiting Product Menu



## BICE to Non-Qualified



Source: Internally sourced from surveys and conversations with distribution partners.

# Jackson's DOL Preparedness



## Product

- Fiduciary changes: Perspective Advisory (Jackson's fee based variable annuity) launched September 2016; Elite Access Advisory projected launch in January 2017
- Product standardization and product menus: Jackson retired standard-alone L-share and launched a bundled share class in July 2016 to eliminate share class conflict. Jackson will be the benefactor of scaled down product menus due to superior client value offered in our products and industry leading market share
- Distributor driven customization: Jackson developed systems to quickly implement commission customizations
- Lead time: Jackson's experienced and dedicated Product Implementation team reduces the product launch cycle when compared to peers

## Distribution

- Fiduciary changes: Majority of distributors are preserving choice by using BICE and developing fee based annuity platforms; Jackson's superior wholesaling effectiveness, strong relationships and past success with new product introduction will be a competitive advantage as we expand in the fee based industry
- Data, Infrastructure and Delivery: Jackson has taken a leadership role in designing and implementing industry standards to collect, validate and deliver required new data
- Mix of business: Jackson VA business will be the benefactor of FIA being included under BICE. Jackson's FIA products meet FINRA standards, and FIAs sold through independent agents account for 0.5% of Jackson's overall business

## Legal & Regulatory

- Short-term uncertainty: Jackson completed in-depth analysis of business practices impacted by new rules
- Increased liability: Class action risk borne by distributors



# Jackson is Well Positioned for DOL

- ✓ Jackson attributes well aligned to DOL requirements
- ✓ Fee based VA launched 19th September
- ✓ Clarity on top distributors' DOL positioning
- ✓ Optionality to access additional asset pools
- ✓ Strong structural demand for guaranteed income

# Jackson Defined

A long history of successful delivery to all constituencies



- ✓ Prudently priced, consumer centric retirement solutions
- ✓ Expert, highly professional engagement with advisors
- ✓ Efficient and scalable operations enabling best in class service to consumers at industry leading expense ratios
- ✓ Strong risk management with proven track record through multiple cycles
- ✓ All driven by industry leading senior management team