Holding Companies and Agents Accountable

The Insurance Department can now better hold insurance companies, not just agents, accountable for inappropriate annuity sales practices. Under the law, **the insurance commissioner may impose penalties and sanctions on both an agent and an insurance company for either inappropriate sales practices, or for failing to make sure the seller obtained all the financial information needed** to determine whether the specific annuity was suitable.

Now companies:

- ✓ Make sure anyone selling annuities for the company has completed the required training courses
- ✓ Set up a supervision system to make sure both the company and its agents comply with the law.
- ✓ May review the seller's recommendation for an annuity and if they feel it is not suitable for you, **refuse to issue the annuity**.

Agents, or insurance companies if selling directly to you, must make a written record of their recommendation and get a signed statement from you if you refuse to provide the above listed suitability information, or if you decide to buy an annuity that the agent or insurance company does not recommend.

The Insurance Department is available to help if you have questions. We have a guide called The Do's and Don'ts of Annuities, on the department website's Seniors page.

You can also call or email our Consumer Services Bureau.

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Protecting Your Future

ANNUITIES

Pennsylvania recently passed a law that offers more protection for you when buying, exchanging or replacing an annuity.

Let's look at some of the protections...

What's New?

Your financial information is important in deciding what annuity is right for you. Under the **new law, insurance companies and agents** will base the appropriateness or "suitability" of annuity on:

- ✓ Age and annual income
- ✓ Financial situation, needs, experience, and objectives
- ✓ Intended use of the annuity and time frame for using the money
- ✓ Liquidity needs and liquid net worth
- ✓ Existing assets, including investments and life insurance
- ✓ Risk tolerance and tax status

Under the **new law, insurance companies and agents must**:

- ✓ Inform you of any surrender charges (a charge for withdrawing some or all of your money during a specified period of time, usually five to ten years) investment advisory fees, tax penalties, or other costs.
- ✓ Believe you would benefit from the annuity, and it's features, including riders or enhancements.
- ✓ This **law requires specific training for anyone** wanting to sell annuities.

Exchanging or Replacing an Annuity?

Beware of the inappropriate sales practice called **"churning"** or **"twisting". This is where someone sells you a replacement for an existing annuity you already own, which does not benefit you and is not suitable for your needs and goals**.

If you are exchanging or replacing an annuity, the **new law** requires the insurance company or agent to tell you that you may:

- ✓ Incur a surrender charge or be subject to a new surrender period
- ✓ Lose existing benefits
- ✓ Be subject to increased fees and changes to riders

The insurance company or agent must also consider whether you will benefit from the new annuity enhancements and improvements, and, importantly, **whether you have had another annuity exchanged or replaced within the last 36 months. This is when you are most likely to face a surrender charge.**

Do not change your existing annuity unless you are convinced that the new contract is in your best interest.